



## MEMORANDUM

**TO:** Water Resources Commission

**FROM:** Thomas M. Byler, Director

**SUBJECT:** Agenda Item F, August 27, 2020  
Water Resources Commission Meeting

### **Allocation of Funds between the 2020 and 2021 Funding Cycles of Water Project Grants and Loans**

#### **I. Introduction**

This report describes impacts of the coronavirus pandemic on fund availability for the 2020 and 2021 cycles of Water Project Grants and Loans and options for responding to reduced funds. The Commission will be asked to decide how to allocate funds between the 2020 and 2021 funding cycles.

#### **II. Background**

Recommended Action 13.E of the Integrated Water Resources Strategy calls for investing in implementation of water resources projects. In 2013, the Oregon Legislature passed Senate Bill 839, establishing the Water Project Grants and Loans funding opportunity, which provides funding for water projects that have economic, social, and environmental public benefits. Since 2016, the Commission has awarded grants each year (Table 1).

**Table 1. Number of Grants and Total Funds Awarded to Date**

<b>Year Awarded</b>	<b>Number of Grants</b>	<b>Total Awarded</b>
2016	9	\$8,891,118
2017	4	\$6,282,232
2018	8	\$6,297,755
2019	4	\$2,471,120
Total	25	\$23,942,225

For the 2020 funding cycle, the Department received twelve complete applications requesting a total of \$18,828,217 in grant funding, with individual grant requests ranging from \$134,240 to \$2,876,174. See Attachment 1 for a list of all complete applications received.

### **III. Economic Impacts of Coronavirus Pandemic and Need for Allocation Decision**

There is approximately \$7,991,354 in unobligated funds currently available for the Commission to award. An additional \$15 million of Lottery Revenue Bonds for project funding was authorized during the 2019 legislative session, with the bonds scheduled to be sold in the spring of 2021. However, due to the coronavirus, lottery revenues are projected to be 23.7% less than what was forecasted during the 2019 legislative session. In order for the state to issue lottery revenue bonds, lottery revenues must be at least four times the maximum annual debt service on new and proposed lottery revenue bonds, known as the debt service coverage ratio. Current projections indicate that the lottery debt service coverage ratio will be 3.1 in fiscal year 2021. Therefore, the Lottery Revenue Bonds authorized in 2019 will not be issued in the spring of 2021 and the \$15 million in funding will not be available for grants.

If lottery revenues rebound quickly, there is a chance the Department and other recipients of the 2019 Lottery Revenue Bond may be able to reapply for a bond issuance that could occur as early as the spring, 2022. The Department has also requested an additional \$20 million in its Agency Request Budget for the 2021-23 biennium. However, the Department will likely not know its budget for next biennium until July 2021, and if authorized additional funds, they may not be available until spring of 2023. Therefore, given the uncertainty related to these future scenarios, the Department assumes it will only have the approximately \$8 million to award in 2020 and 2021. The Department requests a decision on how to allocate the available funding between the two funding cycles in order to communicate with current and potential applicants and inform both the applicants' and Department's planning.

### **IV. Key Considerations for Moving Forward**

The Department and Commission are charged with providing funding for water supply projects that provide public benefits as part of its mission to promote responsible water management. Statute, rule, and a number of key considerations should be considered in how to fulfill this charge in an impactful way during the current economic crisis, including:

- Funding of projects of diverse sizes, types, and geographic locations as specified in statute and rule;
- A reliable annual funding cycle is critical to supporting the continuity of project planning;
- Grantees have expressed the importance of clear communication and expectations as they plan and prepare their project timelines and budgets;
- Funding "shovel ready" projects supports communities during the current economic crisis; and
- A majority of the 2020 applications have secured match funding for their projects.

Attachment 2 notes a number of priorities and key considerations for a funding allocation decision. It also provides additional detail and analysis of the current group of applicants and previous funding cycles for context.

## V. Options and Funding Allocation Recommendation

The Department analyzed a number of different options and is presenting four to the Commission for consideration (Table 2). Additional information about the benefits and risks of each option are included in Attachment 3.

**Table 2. Options for Funding Allocation Between 2020 and 2021 Cycles**

Option	Description
Option I	<ul style="list-style-type: none"><li>• Divide the available funds between the 2020 and 2021 funding cycles.</li><li>• <u>2020</u> – No maximum award. Fully fund projects to the extent of the funds allocated for 2020.</li><li>• <u>2021</u> –Set a maximum award (option - \$500k maximum).</li></ul>
Option I	<ul style="list-style-type: none"><li>• Divide the available funds between the 2020 and 2021 funding cycles.</li><li>• <u>2020 and 2021</u> - No maximum award in either year.</li></ul>
Option III	<ul style="list-style-type: none"><li>• Divide the available funds between the 2020 and 2021 funding cycles.</li><li>• <u>2020 and 2021</u> - Set a maximum award (Option - \$500k maximum)</li></ul>
Option IV	<ul style="list-style-type: none"><li>• Fully fund all recommended projects in 2020, up to the amount available in the Water Supply Development account.</li><li>• 2021 cycle is held only if there are remaining funds.</li></ul>

The Department recommends the Commission adopt Option I, where funds are divided between the two funding cycles and a maximum grant award is established for the 2021 funding cycle. This option promotes project success for current applicants as well as those in the project planning phase who have been working towards a 2021 application. It will result in investing in a greater number of projects, while avoiding the potential negative impacts of instituting a maximum grant award on 2020 applications after those applicants developed their budgets and secured match funds.

The Department recommends that the decision for how to divide the funds between the two cycles be held until additional information regarding the 2020 project applications is available. The rankings of the 2020 public benefit scoring and funding recommendations, and receipt of public comments, will provide additional information when considering the question on the division of funds between the two funding cycles.

## VI. Summary

Due to the economic impacts of the coronavirus pandemic, the \$15 million initially authorized for Water Project Grants and Loans will not be available for grant award. A little under \$8 million is currently available in the account for the 2020 and 2021 funding cycles. The Department recommends dividing these available funds between the two cycles and setting a grant cap for the 2021 cycle. While this will likely reduce funding awards in 2020, the continued investment in water supply development in 2021 will maintain support for those who are in the project planning phase and spread that investment over a greater number of recipients.

## **VII. Alternatives**

The Commission may consider the following alternatives:

1. Adopt the recommended funding allocation between the 2020 and 2021 funding cycles of Water Project Grants and Loans as described in Section V of this report.
2. Adopt a modified funding allocation.

## **VIII. Recommendation**

The Director recommends Alternative 1, to adopt the recommended funding allocation between the 2020 and 2021 funding cycles of Water Project Grants and Loans as described in Section V of this report.

### **Attachments:**

1. List of 2020 Funding Cycle Applications
2. Key Considerations for Moving Forward
3. Analysis of Options

Kim Fritz-Ogren  
(503) 986-0873

Becky Williams  
(503) 986-0869

## Attachment 1 - 2020 Water Project Grant &amp; Loan Application Information

Project Name / Applicant	County	Project Type	Grant Funds Requested	Total Project Cost	Match Funds In-kind / Cash	Match Source	Match Secured or Pending (Source Pending)
<b>Marks Creek Riparian Meadow Restoration</b> / Crooked River Watershed Council	Crook	Conservation; Water Infrastructure	\$134,240	\$416,066	\$23.5k / 258k	Multiple sources	Secured
<b>Gran Moraine Rainwater Collection &amp; Reuse</b> / Gran Moraine Winery	Yamhill	Conservation; Reuse, Water Infrastructure	\$403,383	\$539,633	\$35k / \$101k	Applicant	Secured
<b>Muddy Creek Water Use &amp; Restoration Project</b> / Lake County Umbrella Watershed Council	Lake	Water Infrastructure	\$462,913	\$816,154	\$353k / 463k	Multiple sources	Secured
<b>Deschutes Basin Flow Restoration - Group 3</b> / Tumalo Irrigation District	Deschutes	Conservation; Flow Restoration & Protection	\$1,200,000	\$5,871,548	\$221k / \$4.45M	Multiple sources	\$4.42M Secured \$250k Pending ('21 OWEB)
<b>Basalt Well Project at the Miller Road Treatment Plant</b> / City of Scappoose	Columbia	Water Infrastructure	\$1,275,000	\$1,700,000	\$25k / \$400k	Applicant	*Pending (available 7/1/2020)
<b>Lone Pine Irrigation Modernization Project</b> / Lone Pine Irrigation District	Crook, Deschutes, and Jefferson	Conservation; Flow Restoration & Protection; Water Infrastructure; Other: Habitat Enhancement/ Public Safety	\$1,600,000	\$9,200,259	\$0 / \$7.6M	PL-566 and OWEB	Secured
<b>Tri City Water System Improvements</b> / Tri City Water & Sanitary Authority	Douglas	Conservation; Water Infrastructure	\$1,650,000	\$2,200,000	\$0 / \$550k	Applicant	Secured
<b>Eastside Lateral Pipeline &amp; Water Conservation Project</b> / East Fork Irrigation District	Hood River	Conservation; Flow Restoration & Protection; Water Infrastructure	\$2,000,000	\$7,654,594	\$6.5k / \$5.6M	Multiple sources	\$4.45M Secured \$1.2M Pending ('21 PL566)
<b>Highland Ditch Piping Project</b> / Badger Improvement District	Wasco	Conservation; Water Infrastructure	\$2,250,000	\$3,000,000	\$14k / \$736k	Multiple sources	\$20k Secured \$730k Pending ('20-'21 multiple sources)
<b>Currant Creek Storage, Flow Augmentation &amp; Fish Passage</b> / Young Life	Wasco and Jefferson	Above-Ground Storage	\$2,289,165	\$3,250,705	\$445k / 516k	Applicant	Secured
<b>Fishhawk Lake Storage Protection Project</b> / Fishhawk Lake Reserve & Community, Inc.	Clatsop	Above-Ground storage	\$2,687,342	\$3,583,123	\$0 / \$896k	Multiple sources	Pending ('20-'21 multiple sources)
<b>Prineville Airport ASR</b> / City of Prineville	Crook	Below-Ground Storage; Water Infrastructure	\$2,876,174	\$3,834,900	40 / \$959k	Applicant	Secured
<b>TOTAL</b>			<b>\$18,828,217</b>	<b>\$42,066,982</b>			

\*Though "pending" at the time of application, the City passed a resolution which would be authorized in the noted fiscal City budget cycle.

## Attachment 2 – Key Considerations for Moving Forward

### Priorities

#### Project success

Provide funding to grantees to implement projects which result in the greatest public benefits.

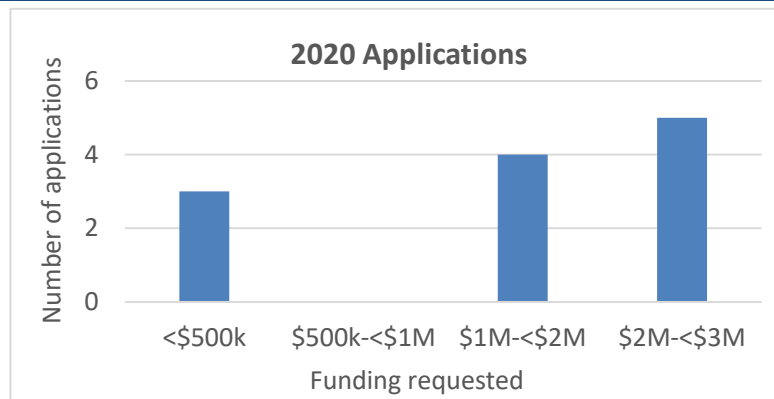
#### Department goal

Promote responsible water management by providing funding to water supply projects that meet instream and out-of-stream water needs and produce public benefits.

### Key Considerations

- The Department is charged with providing funding support for water supply projects
- A reliable annual funding cycle is critical to supporting the continuity of project planning
- Grantees have expressed the importance of clear communication and expectations are as they plan and prepare their project timelines and budgets
- Funding “shovel ready” projects supports communities during the current economic crisis
- By statute and rule, the Commission to consider funding projects of diverse sizes, types, and geographic locations

### Overview of 2020 Applications



#### General information

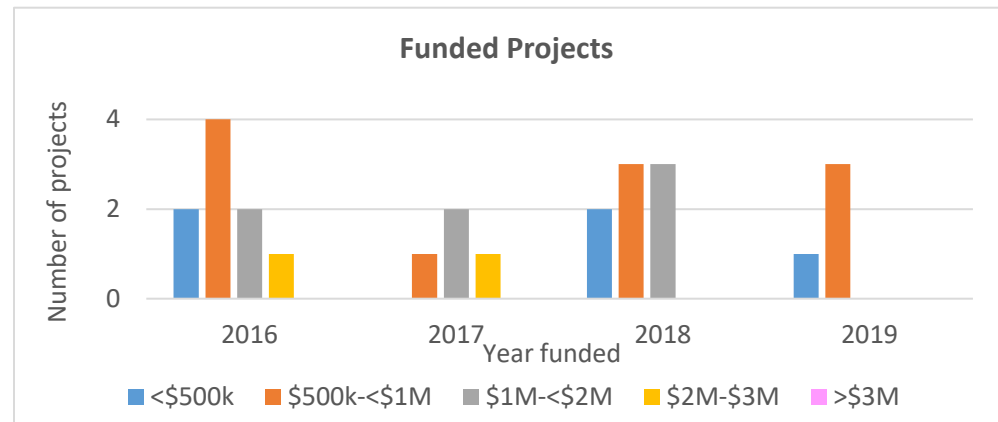
- 2020 cycle application deadline extended to May 28, 2020
- 12 complete applications received requesting a total of nearly \$19M

#### Status of match funds for 2020 applications

- 7 of 12 application have all match secured
- 3 of 12 applications have secured the majority of matching funds needed (*Note: 1 applicant listed match funds as pending available 7/1/2020 and would now likely be secured*)
- 2 of 12 applications indicate that the majority of match funds are pending between late 2020 to 2021

### Project Funding History

Year	Number of Grants	Total Awarded
2016	9	\$8,891,118
2017	4	\$6,282,232
2018	8	\$6,297,755
2019	4	\$2,471,120
<b>Total</b>	<b>27</b>	<b>\$23,942,225</b>



### Attachment 3 - Analysis of Options

Option I	Option II	Option III	Option IV
<p>Divide the available funds between the 2020 and 2021 funding cycles.</p> <p><u>2020</u> – No maximum award. Fully fund projects to the extent of the funds allotted for 2020.</p> <p><u>2021</u> – Set a maximum award. (Option - \$500k maximum).</p>	<p>Divide the available funds between the 2020 and 2021 funding cycles.</p> <p><u>2020 and 2021</u> – No maximum award.</p>	<p>Divide the available funds between the 2020 and 2021 funding cycles.</p> <p><u>2020 and 2021</u> – Set a maximum award. (Option - \$500k maximum).</p>	<p>Fully fund all recommended projects in 2020, up to the amount available in the account.</p> <p><u>2020</u> – Fully fund projects 2020 recommended projects.</p> <p><u>2021</u> – Cycle held only if there are remaining funds.</p>
Analysis	Analysis	Analysis	Analysis
<p>The option promotes project success for 2020 applicants by supporting already developed project budgets and secured match funding. The option achieves reliability and continuity of annual funding cycles for current applicants and those who are in the project planning phase.</p> <p>Applicants to the 2021 funding cycle would receive notice that a maximum award has been set in time to plan project budgets. In 2021, funds would be distributed to a larger number of projects. Funding for projects of diverse size, type and geographic locations may be achieved. The option may incentivize small project applications in 2021. The option reduces available funding for 2020 applicants and may lead to project delays on “shovel-ready” projects.</p> <p>Supports project success and Department goals.</p>	<p>The option promotes project success for 2020 applicants by supporting already developed project budgets and secured match funding. The option achieves reliability and continuity of annual funding cycles for current applicants and those who are in the project planning phase.</p> <p>The option does not promote the wider distribution of available funds. The option would not incentivize small project applications in 2021. The option reduces available funding for 2020 applicants and may lead to project delays on “shovel-ready” projects.</p> <p>Supports project success and Department goals.</p>	<p>The option changes course mid-cycle and puts project funding and completion at risk for the 2020 applicants. Ten of twelve 2020 applicants have secured match funding and have prepared their budgets accordingly. In the current economic situation other sources of funding may not be available to make up the difference. Though more applicants may receive some funding, projects may experience delays due to incomplete funding available.</p> <p>The option achieves continuity of annual funding cycles for those who are in the project planning phase. Funds would be broadly distributed to a larger number of projects. Funding for projects of diverse size, type and geographic locations may be achieved. The option may incentivize small project applications in 2021.</p> <p>Does not support project success.</p>	<p>The option promotes project success for 2020 applicants by supporting already developed project budgets and secured match funding.</p> <p>The option potentially increases the Department’s capacity to make progress on the Continuous Improvement Plan. However, without a 2021 funding cycle, the option interrupts the reliability and continuity of annual cycles for those who are in the project planning phase. The option does not promote the wider distribution of available funds. The option would not incentivize small project applications in a future cycle. If section work is eliminated, future investments are unlikely and the Department may lose this tool for achieving its mission.</p> <p>Supports project success in near-term but not long-term. Does not support Department goals.</p>
<i>Recommended for consideration</i>	<i>Recommended for consideration</i>	<i>Not recommended</i>	<i>Not recommended</i>