

**SECTION 10: POLLUTION CONTROL BONDS**  
**OREGON DEQ AGENCY REQUEST BUDGET 2009-11**

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## POLLUTION CONTROL BONDS PROGRAM NARRATIVE

<p><b>Pollution Control Bonds, General Obligation Bond Issuance</b></p>
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The Department is requesting a debt issuance limit of \$10 million of State Revolving Loan Fund Match bond for the 2009-11 biennium. No Bonds for orphan site cleanup are planned for 2009-11.

Program Designation	Recommended Maximum 2009-11 Levels		
	2009-10	2010-11	2009-11
State Revolving Loan Fund Match	\$10,000,000	\$ 0	\$10,000,000
TOTAL	\$10,000,000	\$ 0	\$10,000,000

## POLLUTION CONTROL BONDS PROGRAM NARRATIVE

### Pollution Control Bond Funds and Clean Water State Revolving Loan Fund Use of Proceeds

#### Pollution Control Bond Funds Use of Proceeds

The debt service narrative in the previous chapter provides a useful context to the DEQ Pollution Control Bond Programs.

In 2007-09, the maximum authorized bond sales of \$4.8 million for the CWSRF state match have been completed. For 2009-11, bond sales of \$10.0 million to finance up to three CWSRF state match payments (plus an expected \$1.0 million of match carryforward related to higher than expected federal CWSRF grants in 2007-09).

A sale of \$4.5 million of Pollution Control Bonds to finance orphan site clean-ups was completed in the 2007-09 biennium. No Bonds for orphan site cleanup are planned for 2009-11.

Projected uses of bond proceeds in the 2009-11 biennium are:

PROGRAM DESIGNATION	BOND AMOUNT	USE	SECURITY/PRIMARY REPAYMENT SOURCE
Clean Water State Revolving Loan Fund	\$10.0 million	\$9.92 million - State match for federal money in CWSRF for sewer and water loans to municipalities.  \$0.08 million - Bond Transaction Costs	Self-financed using the interest received component of the repayment schedules of existing and past CWSRF loans, and of the CWSRF account itself.

## POLLUTION CONTROL BONDS PROGRAM NARRATIVE

### Estimated New CWSRF Loans

Demand for low interest loans from the CWSRF is linked to the strength of the economy, and to the timing of construction of approved projects. New grant monies and the CWSRF Account funds are used to make loans. For the 2009-11 biennium, DEQ estimates that up to \$110.0 million in loans will be issued.

## POLLUTION CONTROL BONDS POLICY PACKAGE NARRATIVE

Title: Clean Water SRF - Loans and Bonds (#181)

### Purpose:

This package seeks to obtain non-limited expenditure approval to fund \$60,000 of bond issuance costs, including legal and other fees, associated with Bonds issued to provide the state match component of up to three federal capitalization grants to maintain Oregon's Clean Water State Revolving Fund (CWSRF). The package also seeks limitation to provide \$30.0 million of additional CWSRF loans using the federal grant monies received. The CWSRF provides below market interest rate loans to public agencies, including counties and municipalities, for three kinds of water pollution abatement projects: 1) wastewater collection, treatment, and disposal systems, 2) nonpoint source water pollution control measures, and 3) implementation of management plans for federally designated estuaries (Tillamook and Lower Columbia River). DEQ issued its first CWSRF loan in 1991, and as of June 30, 2008, has written loans amounting to over \$684 million to 121 Oregon communities. Without this package DEQ would need to decline \$15 million per year of Federal grants, and there would be less State assistance to Oregon communities for such projects.

The federal Water Quality Act of 1987 created the state wastewater treatment revolving loan fund program. The primary source of funds for this program is federal capitalization grants. The federal act requires the State to match federal dollars with State funds in an amount at least equal to twenty percent (20%) of the federal capital grant. DEQ issues General Obligation Bonds for the purpose of the match, which is to be authorized by the statewide Bond Bill.

For this package, bond issuance costs for the Bonds will be sourced from the interest earnings received by the CWSRF and/or from Bond proceeds. Interest earnings are permitted to be used for this purpose.

Approval of this package ensures we continue to provide communities with affordable financing options for wastewater treatment and other clean water projects. Adequate wastewater treatment capacity is needed for communities' economic development future.

Without this package communities may face delays or higher financing costs for wastewater treatment and other clean water projects, and DEQ would make less loans.

Furthermore, without this package DEQ would need to decline \$15 million per year in federal capital grants. This could add up to \$45 million (for up to 3 federal capitalization grants) in the 2009-11 biennium depending upon timing of the grants.

# POLLUTION CONTROL BONDS POLICY PACKAGE NARRATIVE

## How Accomplished:

The State seeks up to \$10.0 million of CWSRF General Obligation Bonds during the 2007-09 biennium the statewide Bond Bill as the means to provide \$9.0 million of match funding for up to \$45 million of federal capitalization grants, plus an expected match-requirement carryover of \$1.0 million from the 2007-09 biennium. Package #191 provides the Debt Service for these Bonds issued on a short-term basis to meet match requirements. If the demand for CWSRF loans remains strong and the long-term bond markets are favorable, DEQ will consider the alternative of issuing bonds with a 20-year maturity. This package seeks limitation for up to \$60,000 of bond issuance costs for those bonds, and seeks limitation for \$30 million of CWSRF loans associated with the federal capitalization grants above.

**Budget:** \$30,060,000

**Staffing Impact:** None

**Revenue Source:** Non-Limited Funds

## DETAIL OF OTHER FUNDS AND FEDERAL FUNDS REVENUE

Source	Fund	2005-2007 Actuals	2007-2009 Legislatively Approved	2009-2011		
				Agency Request	Governor's Recommended	Legislatively Approved
<b>Non-Limited</b>						
Existing CWSRF Bonds	OF	111,892,949	90,060,000	110,060,000	0	0
Orphan Bonds	OF	13,770,738	80,000	0	0	0
<b>Subtotal</b>		125,663,687	90,140,000	110,060,000	0	0

Program Unit Appropriated Fund Group and Category Summary  
 2009-11 Biennium  
 Non-Limited

Version: V - 01 - Agency Request Budget  
 Cross Reference Number: 34000-008-00-00-00000

Description	2005-07 Actuals	2007-09 Leg Adopted Budget	2007-09 Leg Approved Budget	2009-11 Agency Request Budget	2009-11 Governor's Rec. Budget	2009-11 Leg Adopted Budget
<b>NONLIMITED BUDGET (Excluding Packages)</b>						
<b>SERVICES &amp; SUPPLIES</b>						
Other Funds	13,770,738	140,000	140,000	-	-	-
<b>SPECIAL PAYMENTS</b>						
Other Funds	111,892,949	90,000,000	90,000,000	80,000,000	-	-
<b>TOTAL NONLIMITED BUDGET (Excluding Packages)</b>						
Other Funds	125,663,687	90,140,000	90,140,000	80,000,000	-	-
<b>NONLIMITED BUDGET (Essential Budget Level)</b>						
Other Funds	125,663,687	90,140,000	90,140,000	80,000,000	-	-
<b>NONLIMITED BUDGET (Policy Packages)</b>						
<b>PRIORITY 27</b>						
<b>181 CLEAN WATER SRF - LOANS &amp; BONDS</b>						
<b>SERVICES &amp; SUPPLIES</b>						
Other Funds	-	-	-	60,000	-	-
<b>SPECIAL PAYMENTS</b>						
Other Funds	-	-	-	30,000,000	-	-
<b>TOTAL NONLIMITED BUDGET (Policy Packages)</b>						
Other Funds	-	-	-	30,060,000	-	-
<b>TOTAL NONLIMITED BUDGET (Including Packages)</b>						
Other Funds	125,663,687	90,140,000	90,140,000	110,060,000	-	-

Agency Request  
 2009-11 Biennium

Governor's Recommended  
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Legislatively Adopted  
 Program Unit Appropriated Fund and Category Summary- BPR007A

Program Unit Appropriated Fund Group and Category Summary  
 2009-11 Biennium  
 Non-Limited

Version: V - 01 - Agency Request Budget  
 Cross Reference Number: 34000-008-00-00-00000

Description	2005-07 Actuals	2007-09 Leg Adopted Budget	2007-09 Leg Approved Budget	2009-11 Agency Request Budget	2009-11 Governor's Rec. Budget	2009-11 Leg Adopted Budget
Other Funds	125,663,687	90,140,000	90,140,000	110,060,000	-	-
<b>TOTAL BUDGET</b>						
Other Funds	125,663,687	90,140,000	90,140,000	110,060,000	-	-

Oregon Department of Environmental Quality

Agency Request Budget 2009-11

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