

WS

Federal relief funds offer an unexpected solution to costly local water projects

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Smaller towns in the mid-Willamette Valley often struggle to pay for critical improvements to drinking and sewer water infrastructure, hampered by a limited consumer base that makes it difficult to support projects through loans backed by utility rate increases.

Low-interest loans are the most common way to fund expensive infrastructure projects. While cities can also seek state and federal grants to reduce the cost to consumers, these are usually scarce and have caps that can be far below the total cost of a project.

This year, however, the influx of billions of dollars in federal coronavirus pandemic relief funds offered a unique opportunity.

Some local communities have been able to use it to their advantage, utilizing their own allotment of federal relief funds for projects or getting funding from the state's share. Lawmakers this past session funded dozens of projects via the federal relief funds.

But not all of the region's essential water projects were tapped as beneficiaries.

Drawing new maps: Oregon Legislature to hold special session on redistricting maps

This has left some towns still struggling to replace systems that are nearing the end of life with no clear path that doesn't push costs onto consumers.

Oregon cities are collectively facing an estimated \$23 billion in drinking and wastewater infrastructure improvements over the next two decades, according to a recent survey and analysis by the League of Oregon Cities and Portland State University.

Failure to replace some of these systems is not an option — too little water can mean seasonal shortages, constraints on future construction, lost property value or the death of the town itself.

'Not going to let the community die'

Willamina is a city of 2,250 people with a river water intake that is going to be destroyed by a shifting gravel bar in the next two to three years.

“If that intake fails, we can’t provide water,” city manager Kenna West said.

The cost of construction for moving the intake 150 feet downstream and adding water lines to the school for future expansion is approximately \$6.2 million — a price that has doubled since the pandemic began because of increased labor costs and supply chain shortages, West said.

The last option they want to turn to is a low-interest loan that puts the responsibility of repayment on consumers through rate increases.

Smaller town residents already pay higher-than-average water rates compared to other mid-Willamette Valley cities. The base water rate in Willamina for a 5/8 - 3/4 inch meter is \$38.31; 15 miles up the road in Amity, that rate is \$51.77.

But in Salem — with a much larger population of about 175,000 — paying for the city's water needs can be stretched across many more ratepayers. The base water rate for a meter of that size in Salem is \$11.72.

Amity and Willamina are of comparable size — Salem is almost 100 times larger.

In Willamina, rates increase by 5% every January to pay for preventative maintenance, in the hopes systems will last longer.

But that 5% comes nowhere close to paying for major infrastructure projects, and other funding options have proven difficult to locate, West said.

The city received an \$800,000 Community Development Block Grant — a federal community improvement program — to pay for the project's design; it could return to ask for more, but there is a \$2.5 million grant cap per project.

West said they reached out to Oregon's U.S. senators to see about getting \$2 million in direct federal aid.

They also looked into securing \$750,000 in unspent federal coronavirus CARES Act funds and will commit about \$250,000 in American Rescue Plan Act funds to the project, half of what the city received.

Record tax kicker: Oregonians to see record \$1.9B tax kicker next year

Much is still unsettled as the risk of intake failure looms.

West described it as the city's most important project — without a new intake, not only would the people be water-less, but their homes would become essentially worthless, devastating for a community where houses are the primary savings.

Residents can't afford to singlehandedly pay for the project — especially at double the cost the city initially projected — but they can't afford to wait, either.

“We can’t stop and wait for the supply chain to get back in order. We have to keep pushing through,” West said. “We’re not going to let the community die.”

If they do have to resort to finding a loan, West said they will have to bump back other important projects so as not to overwhelm consumers.

The city has a total of \$20 million in highest priority water projects, she said.

However, the city's ARPA funds were able to fully fund one critical project.

While the second chunk of the city's approximately \$500,000 in ARPA funds will go toward the water intake project, the first will be used to replace aging water meters.

Currently, monthly water loss is between 24% and 36%, in part because old meters don't alert anyone when usage is abnormally high, which can be sign of a leak.

West said replacing them will save water — especially important in drought situations — and save residents money so they aren't paying for water they aren't using.

As the rainy season approaches, Oregon is still dealing with significant drought conditions: As of Wedne, 99% of the state was categorized as being in severe drought. Last year brought

to bear some of the most devastating wildfires in state history. Both phenomena are expected to worsen with climate change.

Water projects lined up in Amity

Drought was also a greater issue in Amity over the past six years as the city functioned with only half of its water reservoir tanks.

The city's largest tank failed nearly six years ago, and without it the city came close to issuing water restrictions during the summer months, city administrator Mike Thomas said.

But in June, the city completed a \$2.1 million project — funded by a Community Development Block Grant — to fix the reservoir tanks and refurbish its two primary water treatment machines, effectively doubling the amount of water the city could hold in reserve for droughts and firefighting.

While Amity shares similar infrastructure payment handicaps with Willamina — being a town of about 2,000 people with already-high water rates and plenty of infrastructure needs — coincidence, happenstance and available funding has the city undertaking or having recently completed five water infrastructure projects, rare for a smaller Oregon city.

“For many small Oregon communities, raising water rates is often a difficult proposition,” Thomas said. “That’s why a lot of the cities have to stagger these things, so the rate increases ... can be done in a slow and steady progress that can be accepted and tolerated by the community.”

Construction on two of the city's biggest water infrastructure projects will begin construction in the spring, and funding is already intact.

The first will move the city's water intake from its current position in South Yamhill River to a deeper and wider location in the river.

The current intake is in a bend in the river, where now sediment can build on the protective screen, which reduces intake efficiency and requires frequent cleaning. Additionally, when river water levels are low, the intake is partially exposed above the waterline.

The city secured \$7.5 million in grants and loans from the United States Department of Agriculture's Rural Development program to pay for the project. As part of this funding,

Thomas said the USDA asked the city to raise its water rates to demonstrate it could pay back the loan.

Rates were raised the past two years, and a new rate will be set in January to ensure payment of the USDA's loan, Thomas said.

The second project involves the city moving a water transmission line currently hanging underneath the Salt Creek Bridge. The Oregon Department of Transportation determined the bridge needs significant repairs, so the pipe must be moved to allow for that construction, Thomas said.

After repairs, the pipe will be re-hung beneath the bridge.

Total cost for the project is \$600,000, which is being funded through a grant from Business Oregon, the state's economic development agency.

Amity will also put \$200,000 of its ARPA funds toward replacing water meters across the city like Willamina, but Amity received an additional \$2 million in ARPA money from then-Rep. Mike Nearman, who represented House District 23 until he was expelled from the Legislature.

During the 2021 legislative session, each representative was given \$2 million in ARPA funds to distribute to whatever applicable recovery project in their district they deemed fit.

Nearman's funds will be used to replace and refurbish major water lines in the city.

These projects can now be completed without needing to rely on any rate increases for Amity's residents, Thomas said.

More: Who has a right to the Klamath River, where there's not enough water to meet everyone's needs?

"Big picture, ARPA funding allows Amity to undertake these expensive — for us — projects and complete them, without having to seek out funding and raise utility rates," he said. "We don't have \$200,000 (much less \$1.2 million) in our coffers."

Over the past few years, Amity has repaired pipes and fixed leaks as part of prioritizing preventative maintenance, Thomas said. This has made the system more efficient: In July

2021, the city drew 1.6 million fewer gallons of water from the river than it had in July 2020.

This kind of maintenance can sustain the life of water systems, experts said, but paying for them through rate increases can be unpopular.

ARPA funds infrastructure projects

Arthur Chaput, Business Oregon regional development officer for Marion, Polk and Yamhill counties, said that while city councils often don't like raising water rates and residents don't like paying more, not increasing rates at all can result in painful spikes if a system breaks.

However, with the availability of ARPA funds and potentially more federal infrastructure aid on the horizon, Chaput said there could be a surge in the undertaking of critical projects that cities have been putting off.

"Most projects are planned expenses that are important and need to happen, but they don't necessarily need to happen this month or this year," Chaput said. "I think we're going to see a lot of water projects happen over the next couple of years that were delayed or that cities didn't necessarily want to spend the money on."

County outbreak: Marion County forced employees back to the office. Five days later, an outbreak started

Scott Lazenby, local government projects manager in the Center for Public Service at Portland State University, said it can be difficult for city leaders to advocate spending money on preventative maintenance, particularly in smaller towns where the cost per resident is higher.

Sometimes the need for upgrades isn't clear to the public until there is a crisis.

"People don't like paying for water rate increases, but they sure don't like losing water in the middle of a hot summer either," Lazenby said.

Lazenby was the city manager of Sandy, Oregon, in summer 1995 when the city's aging water filtration system reached its limit. People were using water faster than the system could treat it.

That event — along with a 20% rate increase to upgrade the city's sewer plant — pushed the city to set regular rate increases to pay for ongoing maintenance. It's a longer-term view that saves customers from unexpected and painful rate spikes needed to replace a system nearing failure.

"You try to squeeze as much life out of these systems as you can. You don't want to replace things before you have to," Lazenby said. "But some time, you need to do it."

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