

Bend Septic-to-Sewer Advisory Committee
Solutions in Peer Communities September 7, 2017

PEER COMMUNITIES

Spokane County, WA

In recent decades, Spokane County has implemented a priority program to serve unsewered urban neighborhoods located within the County's service area. The County sewered 11,000 homes from 1984-1996, another 9,500 homes in 1997-2001, with an additional 18,500 connections by 2015 under the Septic Tank Elimination Program (STEP). Over this time period, a majority of unsewered homes have been connected to the County's sewage collection and treatment facilities.

The County used a combination of funding sources: utility local improvement districts (ULIDs), General Facility Charges (GFCs – similar to SDCs), monthly rates, grants and sales tax revenues. Property owners' connection charges vary depending on the location of the property – within a ULID, or STEP area, or outside these areas – and the cost of providing service to that area. In addition to charges to connect with the sewer collection system, new customers also pay a GFC and trunk charge which reflect the County's investment in existing treatment and major conveyance facilities.

To streamline the STEP and reduce administrative costs, revenue bond financing was introduced enabling new customers to pay one-time charges – connection fees, GFCs – over a 20-year period. Customers who pay their charges within 24 months benefit from interest-free loans. Today with the program substantially completed, the County is currently taking steps to further streamline sewer connections. County policies also discourage interim treatment/disposal facilities, including septic tanks.

Mid-Multnomah County, OR (Portland)

Mid-Multnomah County is a 22,300-acre, fully urbanized area formerly situated between the cities of Portland and Gresham. By 1985, homes, businesses, hospitals, public buildings there discharged more than 14 million gallons per day of untreated sewage into the ground – as they had for 40 years. Studies showed the ground water aquifer – used as a drinking water resource, was being adversely impacted. With 130,000 residents, this had become the nation's most populous unsewered area.

A 1986 order by Oregon Environmental Quality Commission required Multnomah County and the two cities to submit plans to install sanitary sewers throughout the area. New development was prohibited unless connected to sewers. With adequate treatment capacity and annexations well underway, Portland and Gresham were poised to serve the area.

There were mid-course adjustments in the program. In 1989-91, local citizen groups campaigned to change the financing structure to bring down the significant one-time costs borne by property owners. New financial incentives and safety net programs were introduced to improve affordability – and 92% of property owners took advantage.

The project's record of success:

- Project completed six years early and 16% under budget, fully sewerage every neighborhood and sub-basin.

- Halted environmental degradation of the groundwater aquifer (a critical drinking water source) and protected adjacent streams.
- Installed stormwater drainage systems in areas not previously sewered
- Utilized 29 prime contractors and 120 private sewer connection contractors – nearly all local.
- Placed a high importance on community relations from the earliest stages of the project, training all project staff in customer service.
- Achieved a near-perfect safety record.
- Significantly increased mid-County property values.
- Accommodated a 30% population increase to more than 170,000 today.

Wenatchee, WA

The City of Wenatchee (population 34,000) in Central Washington plans to extend sewers to the unincorporated Sunnyslope Urban Growth Area (UGA), just north of the city. Washington law requires cities to plan for sewer service within their UGAs. It is a large area—Sunnyslope has about 1,500 acres, or 20% of the acreage in the current City. It mostly contains single family homes, is growing, and currently has about 1,200 private septic systems. In addition to Sunnyslope, the City plans to extend sewers within 28 smaller unincorporated "islands". Wenatchee has adequate treatment capacity to serve these areas, but some major trunk lines and two pump stations are needed to bring sewers within range of the Sunnyslope UGA.

At \$29.50 per month for a single family home (2017), Wenatchee's sewer rates are currently the lowest in the region and among the lowest in the state. The total cost for serving the portion of Sunnyslope within the 20-year planning horizon plus the islands is about \$40 million. Including the SDCs paid by development, the cost is about \$17,000 per lot in Sunnyslope and \$13,000 per lot in the infill areas—roughly the same amount required to replace a private septic system.

After a year of planning, in June 2017 the City Council adopted an approach to fund extension of sewers to Sunnyslope and the infill areas. The City will fund the initial infrastructure investment with debt backed by sewer rates, then recover the cost of that investment over time as property owners connect to the system. A citywide Local Facilities Charge (LFC) of \$6,140 was created to recover the cost of collector sewers funded by the City, and a Sunnyslope Area Fee of \$3,710 will recover the cost of major trunk lines and pump stations. To fund the initial investment in the sewer extensions, sewer rates are projected to increase by an extra 3% per year for the next six years.

For properties with existing septic systems, connection is voluntary as long as their septic systems continue to work properly. But property owners who opt to connect within two years of sewer availability will receive a 30% discount on the LFC and the Sunnyslope Area Fee. Meanwhile, the LFC and Sunnyslope Area Fee will be increasing by 1% per year.

For new development, the City's intent is to require developers within the 20-year planning horizon to either extend sewer service or build dry sewers. These regulations have not yet been negotiated with the County, which still has jurisdiction over the UGA. Developers would pay the Sunnyslope Area Fee, but the LFC would not apply to properties served by developer-built collector lines.

OTHER CITIES

City of Redmond – There are no plans to serve unsewered areas on the scale of southeast Bend. Recently, for one property with a failing septic system located within 300 feet of an available sewer, Redmond was able to set up a reimbursement district with the help of the City Code (Section 4.600 Reimbursement Districts in the City Code). The total cost was about \$50,000 in public improvements, but there was a subdivision happening along the route, so the individual property owner was able to recoup half of this cost.

City of Sisters –The City of Sisters did not have a public sewer system until 2001, when Sisters received USDA grant funding to help with the public infrastructure costs. They also had a system set up through USDA/DEQ to help homeowners with connection costs. The property owner's out of pocket cost was only \$1,000 due to a City matching contribution. That total included the cost for decommissioning the septic tank and connecting to the new City system. Where the City experienced higher costs to extend the service, i.e. the septic was in the backyard, the owner had to pay for the additional plumbing costs. The City of Sisters has not had much success with LID formation, especially for sewers.

City of Madras – The City of Madras is planning to serve an area of town with 67 lots currently on septic systems and drill holes. The City is putting in the sewer using CWSRF loans to be repaid by sewer ratepayers. Over the past several years, Madras has been saving for repayment costs through rates. The City will stub service to every property. If the septic system is in compliance, as determined by the County Sanitarian, they won't be required to hook up. If it is out of compliance, the property owner must hook up and pay for connection fees. Connection fees will be initially covered by the City, with repayment plans. The project is starting design, with possible construction next spring. Future phases are planned to serve several more subdivisions in town.

City of La Pine – La Pine is Oregon's youngest city (incorporated 2007) and took over the water and sewer systems from special districts in 2012. With a current population of 1,800, La Pine is planning for growth to 2,600 in 20 years. There are plans to upgrade and expand the existing sewer system (built in the 1980s) beginning in 2018 or 2019. The expansion will allow hookups for some of the 275 properties inside La Pine's UGB that rely on drinking water wells and septic systems. Currently, applicants for sewer service are responsible for all charges. To encourage hookups, La Pine plans to waive SDCs and connection fees that currently total \$7,300 and will otherwise rise to \$10,000 in the future.

Tigard, OR – The City of Tigard created a Sanitary Sewer Extension Program to provide sewers to all developed but unsewered areas of the City, introducing a reimbursement method of financing. The program's initial focus was 750 unsewered residential and commercial properties in the Tigard Triangle (the area between Highway 99W, Hwy 217 and I-5. To date, Tigard has created 50 reimbursement districts and connected 780 properties to sewer.

At the time a property connects to sewer, the owner is responsible for:

- Connection and inspection fees
- "Fair share" reimbursement amount
- Private sewerline and physical plumbing modifications to connect
- Septic system disconnection, decommissioning and DEQ/County permit fees

The City offers an incentive to owners who connect to the sewer within three years, with owners required to pay only \$6,000. An owner is also responsible for paying any actual costs that exceed

\$15,000, so the City's contribution is limited to \$9,000 per property. Property owners in a reimbursement district have a repayment schedule of up to 15 years, when the district expires.

EXPERT PANEL

Shawn Koorn

Shawn Koorn is associate vice president and utility rates and finance lead with HDR Engineering Inc. He specializes in analyzing cost of service and rates for municipal utilities. Shawn has over 17 years of experience providing financial planning, cost benefit analysis, valuation studies, and rate and cost of service studies for clients across the United States and Canada. He is an instructor for the American Water Works Association (AWWA) 3-day Financial Management Seminar which teaches the basis for establishing cost-based rates. He is also a contributing author to the AWWA Manual "*Developing Rates for Small Systems*".

Shawn's recent experience developing funding analyses for unsewered communities includes Spokane County (WA) and Sarpy County (NE).

Dan Vizzini

Over a 26-year career at the City of Portland, Dan Vizzini was a public finance specialist, policy and legislative analyst and customer services manager. There, he helped design many of the innovative "safety net" funding techniques that proved decisive in timely installation of sewers in mid-Multnomah County, the nation's most populous unsewered area (130,000 residents).

Dan is a former Planning Commission chair and City Council member in Lake Oswego, where he created the *Vizzini Index* to gauge utility affordability. He was recognized by the American Planning Association for Distinguished Leadership. As a senior fellow at Portland State University Center for Public Service, he hosts an annual training program in civic engagement for Japanese municipal government officers.

Gordon Wilson

Gordon Wilson is a senior program manager with FCS Group, which provides financial and management analysis for local governments in the western U.S. and Canada. Gordon has over 30 years of experience working in finance and management for the public sector, joining FCS after more than 20 years of financial and management roles in city governments. His consulting practice consists mainly of helping water, sewer, stormwater and solid waste utilities with strategic decisions that have a big impact on their future financial condition.

Gordon has helped utilities with acquisitions, divestitures and mergers; the formation of new sewer utilities, and septic-to-sewer conversion— including designing sewer connection programs in the Cities of Portland and Wenatchee, and also in Thurston, Clallam and Mason Counties (Washington).