

Meeting Summary

SE Bend Septic to Sewer Advisory Committee
Thursday, May 10, 2018



CITY OF BEND

Project Costs and Financing – Part 2

Attendees:

Advisory Committee

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| Bethann Bicknase | Rod Cathcart |
| Frank Fiedler | Cheryl O'Donnell |
| David Johnson | Frank Turek |
| Scott Johnson | Jen VanCamp |
| Connie Murray | |

Staff & Consultant Team

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| Tom Hickmann, P.E. | Justin Mason, P.E. |
| Susanna Julber | Adam Conway, P.E. |
| Skip Martin, P.E. | Kelsey Harphan |
| Anne Aurand | Cole Helgerson |
| Sharon Wojda | Shawn Koorn |
| Melissa Bradley | Libby Barg |
| Elizabeth Oshel | Clark Worth |
| Mary Winters | Ron Hand |
| Ryan Oster, P.E. | Linda Swearingen |

City Council Liaisons

Councilor Barb Campbell
Mayor Casey Roats

Introductions

- Susanna Julber welcomed the Committee and opened introductions by Committee, staff and guests.
- Libby Barg reviewed the meeting agenda. This will include a report from the Advisory Committee work groups and presentations and discussions on aspects of affordability. Later in the meeting, Advisory Committee members will be surveyed on elements of the small groups framework using electronic polling technology.
- Connie Murray moved to approve the meeting summary for April 12, and Scott Johnson seconded the motion. The meeting summary was approved by the Advisory Committee.

Report from AC Work Group

Advisory Committee chair and vice-chair, Bethann Bicknase and Scott Johnson, presented the eleven key elements of the Septic-to-Sewer Framework developed by AC small groups. Questions and discussion followed (answers are shown in parentheses):

- Element #2: What will be the coordinator's duties?
- #3: The City's code requires connection to sewer when there is available capacity within 300 feet within 90-days. In the past, the City has been lenient in enforcing this requirement.
- #4: Would bundling the private work make it subject to "prevailing wage" regulations? (Not necessarily – no federal funds are involved. The City is investigating the requirement with BOLI). Mary Winters clarified that if the City was able to assist in private property "bundling", the property owner and contractor would need to have a liability agreement for the improvements on private property- City would not take that on.

- #4: Is the total amount to be paid by individual property owners capped? Or is this a standard/flat rate for all properties? Or both? (The goal is to make things certain for property owners and prospective buyers.)
- #4: Septic decommissioning costs vary widely. How will this be considered? (That's included in the total NTE amount.)
- #4: Will buyers be on the hook after a property is sold? (Yes.)
- #7: Why is it fair for all households to pay the same amount? Isn't it less costly to serve some properties? Beth/Scott clarified that the idea of some of the Advisory Committee members is to cap the amount for each household at \$25,000, for both the private and public portions, based on what they consider to be affordable to the property owners in the Project Area. Tom Hickmann clarified that the costs are much higher, likely more like \$70,000 for public and private without any cost share contribution by City ratepayers.
- #7: "Fair" and "equitable" are two different concepts. Pumping is another cost complication. In the end, the program needs to work. Frank Turek asked about the property owners along the SEI who received stub outs. Staff clarified this is another issue the Council will need to grapple with, and the Advisory Committee can address as part of their recommendations.

Affordability

Mary Winters gave an overview of LIDs (Local Improvement Districts) and how this financing tool might be used. LID financing is generally achieved through the use of Bancroft bonds, which are repaid through LID assessments on participating properties. Owners can pay assessments in full or by installments. An LID could be initiated by City Council or by petition of owners of at least half of the properties benefitted.

Questions and comments followed:

- Does an LID cover "private" as well as "public" costs? (No – only public costs.)
- How much are homeowners on the hook to pay for public costs? How can these be financed? (This remains to be determined.)
- Is there a not-to-exceed amount for each LID?
- One committee member noted that the City annexed these properties without their approval and should pay for sewers. Staff clarified there was a City wide vote on the annexation, and the annexation passed. The project area was not supportive of the annexation, however.

As Mayor Roats and Councilor Campbell departed for another meeting, both offered comments that Committee members should keep in mind the alternative to a coordinated plan/ solution is that property owners might need to cover all costs – estimated to be in excess of \$80,000 per lot.

Clark Worth presented more in-depth information on project area demographics to help determine how much residents can afford. Most area residents are older (retired or pre-retirement), with

somewhat higher incomes than the Bend average. Nearly all are homeowners (87% vs. 59% citywide) and their houses are typically 10 years older than the citywide average.

More than two-thirds of household residents can be characterized as “mature” and “suburban”. A typical household includes a married couple in their 50s with no children at home. Despite the area’s uniformity, property owners’ ability to pay varies widely. More than half of the households have significant “income producing assets” (IPA) of over \$450,000. Some of the other households have much less financial capacity. Nearly 10% of households are low income (i.e., meet the federal poverty standard) – most of these with children in the home. Some other households with higher incomes have less than \$25,000 IPA.

Shawn Koorn covered additional aspects of affordability. Across the U.S. (and in Bend) water and wastewater utility bills are increasing faster than incomes. Combined monthly water/wastewater charges are considered to be “affordable” if they total less than 1% of household income. Nationwide, households in this category have fallen from 68% to 60% over the past 25 years. Monthly charges for water/wastewater greater than 3% of income are thought to create affordability challenges for some households. The proportion of U.S. households affected has grown from 7% to 10% in the same period. Bend’s “affordability index” will remain in the middle of this range (more than 1, less than 3%), whatever the outcome of the septic-to-sewer program.

Most of the professional literature on affordability focuses on monthly utility rates. There is not much information on affordability for one-time capital projects (such as Bend’s septic-to-sewer program.) Affordability for homeowners can be improved: through cost sharing by homeowners and the City sewer utility; cost savings in design and construction; and financial incentives. For those truly low-income households, assistance will likely be needed for both one-time costs and ongoing charges (“lifeline” rates, etc.)

Susanna Julber reported on a recent meeting with representatives of the Craft3 Clean Water Loans program. This non-profit makes low interest sewer loans (up to 15 years) available to owners of aging or failing septic systems. Interest rates are based on household income. Only \$1.2 million is available statewide in Oregon for the Craft3 program. More information is available at craft3.org/borrow/clean-water-loans.

Further questions/comments on affordability:

- There needs to be a source of capital to cover safety net solutions. Could that be Craft3 or ratepayer dollars?
- Low income households may need more than low interest loans.
- “We don’t want people to lose their homes.”
- Is the City already forgiving or reducing SDCs for affordable housing? (Yes.)

Electronic Polling

Libby Barg conducted electronic polling to discern Advisory Committee members' support for key elements of the framework developed in AC small groups. Results are summarized on the next page.

Electronic Polling Results – AC Small Groups Framework

| | Good Idea – Study Further | Don’t Pursue | Needs More Discussion |
|--|--------------------------------------|-------------------------|----------------------------------|
| 1. Adopt a policy and timeframe to decommission septic systems citywide | 89% | 0% | 11% |
| 2. Establish a STEP program with full-time staff, starting in July. | 89% | 11% | 0% |
| 3. Connect the project area (599 lots) first – construction to begin in 2019. | 78% | 0% | 22% |
| 4. Bundle “private” construction to better coordinate and save money. | 78% | 0% | 22% |
| 5. Promote the citywide benefits of the STEP program. | 100% | 0% | 0% |
| 6. Establish a time-limited STEP fee to be paid by all ratepayers and septic users. | 100% | 0% | 0% |
| 7. Standardize and limit homeowner private/public costs to \$25,000 per lot or \$250 per month. | 56% | 0% | 44% |
| 8. Implement a safety net program for low income households. | 89% | 0% | 11% |
| 9. Credit any amounts already paid under the interim policy against the \$25,000 cap. | 33% | 0% | 67% |
| 10. Use a legal mechanism (surcharge or improvement district) to assure payment. | 67% | 11% | 22% |
| 11. Complete recommendations in June and submit to City Council in July so construction can start in 2019. | 78% | 11% | 11% |

Public Comment

Additional questions and comments offered by guests:

- Why use an LID if the public portion of costs will be paid by ratepayers?
- LCDC guidelines say urban infrastructure must be provided by cities within 20 years of annexation. Sewers are a minimum requirement for the community, not a “special benefit” for area homeowners.
- Bend can’t leave property owners at the mercy of the 300-foot rule – that would be impractical.
- Why not relax some zoning rules to let area homeowners make full use of their properties: e.g., requirements for ADUs? (ADUs are allowed in Bend if properties are sewerred.)
- Are sewers for Bend’s other 2,200 unsewered properties expected to cost less? (Yes.)

Announcements/Closing Remarks

- Susanna Julber announced the next Committee meeting on June 14 will consider the Committee’s recommendations. She suggested an extended time might be needed, with the meeting starting earlier.
- If the draft recommendations aren’t completed in June, another Advisory Committee meeting is tentatively set for Thursday, July 12.
- Advisory Committee members are also encouraged to attend the upcoming Open House on May 15 (6-8 p.m.) at Bend Senior Center.

The meeting was adjourned at 6:00 p.m.