

# Meeting Summary

SE Bend Septic to Sewer Advisory Committee  
Thursday, March 1, 2018



CITY OF BEND

## ***Project Costs and Financing – Part 1***

### **Attendees:**

#### **Advisory Committee**

John Barnard	Connie Murray
Bethann Bicknase	Cheryl O'Donnell
Rod Cathcart	Geoff Perry
Frank Fiedler	Frank Turek
David Johnson	Jen VanCamp
Scott Johnson	

#### **City Council Liaisons**

Councilor Barb Campbell  
Councilor Justin Livingston

#### **Staff & Consultant Team**

Tom Hickmann, P.E.	Justin Mason, P.E.
Susanna Julber	Adam Conway, P.E.
Skip Martin, P.E.	Andy McCaskill, P.E.
Anne Aurand	Kelsey Harphan
Sharon Wojda	Cole Helgerson
Melissa Bradley	Shawn Koorn
Orrin Libolt	Libby Barg
Mary Winters	Clark Worth
Kayla Duddy	Ron Hand
Jon Skidmore	Linda Swearingen

### **Introductions**

- Councilor Justin Livingston welcomed the Committee and offered introductory remarks.
- Susanna Julber and Libby Barg reviewed the meeting purpose and agenda. This is Part 1 of a two-part meeting to be continued in April.
- Advisory Committee members will receive meeting notes for the December 5 meeting by email, with approval at the April meeting.

### ***Preliminary Project Cost Estimate***

- Justin Mason reviewed the AACE Standards for engineering cost estimates, including the current Class 4 estimate. The current estimate is based on the Preliminary Engineering Report – still in process. By May, an updated and more precise Class 3 estimate will be ready.
- Costs for sewer improvements on private property – decommissioning septic system, new service lateral, SDC and permits – are estimated to be \$11,000 to \$21,000 per property (2018 dollars).
- Area-wide costs for sewer improvements in the public right-of-way – sewer collector mains, manholes, service to private property, road reconstruction – are estimated to be \$21 to \$45 million, with a mid-point of \$30 million.
- Questions and comments from Advisory Committee members and others:
  - What are the typical pipe diameters? Most are 8" or 12".

- Will there be door-to-door property owner contacts to review placement of lateral lines? Attempts will be made door-to-door this spring.
- Is the study area similar to other unsewered neighborhoods? Costs are higher here due to geology, terrain, lack of a street grid.
- Will sewers be gravity or pressure/pumped? Which areas will need to be pumped? Most will be served by gravity lines. A few will need pumps.
- Will streets be rebuilt to current condition – or to full City standards? They will be rebuilt to their current state, but also to the City’s current standard for asphalt and base rock thickness.
- What is the City street standard? That depends upon the location.
- How reliable is a Class 4 cost estimate? Traditionally, Bend’s Class 4 estimates have been closer to actual than shown in the AACE range.
- What assumptions are made for construction? All at one time? (When?) Today’s dollars; constructed under one contract.
- Could the City issue an RFP for the work on private property? The City cannot issue an RFP for work on private property. However, the City will explore ways to consider this option in contractor selection.
- What is the cost to take this project to final design? Is that included in the cost estimate? Not included in the current cost estimate.
- Is a sand filter a standard septic system? No, it’s more costly and used when there’s not enough room for a standard system.
- Is piecemeal construction really a viable option? This approach would be difficult and more expensive.
- The City needs to communicate the total costs to property owners. The “public” costs aren’t the total property owners would pay.
- What are the interim policies? How are they working?
- Are the septic system costs shown ongoing or one-time costs? Ongoing, requiring periodic system replacement.
- How can private property owners be held responsible for system costs in the public right-of-way?
- Will the City own and maintain the sewer system after construction? Yes. Even if sewers are installed piecemeal by individual property owners, the City will own and maintain the system.
- Will property owners’ lines to the street also be 8” or 12” diameter? The property’s service to the street will be per plumbing code, most likely a 4” diameter pipe.

- For property owners trying to sell homes in the area, the uncertainty about sewerage costs poses a challenge.
- How are sewer projects funded in other areas? This project will help determine how other unsewered areas will be handled. Private development typically pays for public sewer in new development with the cost passed along in the sales price of the new home.

### **Financial Considerations (Sewer Rates)**

- Melissa Bradley gave an overview of how Bend’s sewer rates are set over a 5-year period considering costs for capital projects, O&M, and debt repayment. Bend’s sewer rate model was recently updated. The current average residential sewer rate is \$55 per month. The rate model anticipates more than \$225 million in capital projects over the next 20 years. The model does not yet include the costs for sewerage the study area or other unsewered neighborhoods.
- Advisory Committee/public questions and comments:
  - Do the capital costs shown include replacement? Yes, there is a reserve for replacement
  - Which future projects are included?
  - How is the \$55 per month calculated? What is the “base rate” portion of the current monthly residential charge? \$34.55/month.
  - Do the capital projects shown include new development? The rate model doesn’t include the portion of costs to be paid by private developers or SDCs. In new neighborhoods, the developer pays for sewers.
  - The changes in the base rate, rather than the monthly average, should be used for comparison.
  - How do flow-based sewer rates account for summer irrigation? It isn’t included in the calculation – sewer rates are based on winter consumption.

### **Septic to Sewer Financial Scenarios**

- Sharon Wojda and Shawn Koorn presented four cost sharing alternatives, assuming Bend decides the sewer utility will consider what portion of project costs is appropriate to share. Four alternatives were analyzed at 0% – 25% – 33% – 50% City participation, with the affected property owners paying for the rest.
- Questions and comments:
  - Isn’t the “private” cost (\$20,000) added to the property owner’s share of “public” costs? Total costs might be a better benchmark.
  - How are LIDs created? By City Council? Who decides the percentage interest?
  - When would homeowners pay their portion of costs? Upfront? Overtime? This remains to be determined.

- The real question is what property owners can bear financially.
- Does the City absorb any construction cost overruns?
- Why is the cost shown as \$51 million if construction only costs \$30 million? The larger number includes interest payments.
- Can Bend apply now for DEQ low interest loans? Not until construction costs and timing are known.

### **Committee Discussion**

In advance of the Committee discussion, Clark Worth gave a recap for the information on peer communities presented last September: for Spokane County, Mid-Multnomah County and Wenatchee. Also highlighted were results from the August focus groups that shed light on homeowners' views on affordable solutions.

Libby Barg distributed a worksheet and posed two discussion topics for the Committee. These are their responses.

#### *Share your ideas*

All ideas!

Cost sharing with City – but how much?

Determine how much homeowners can afford (per month)

Spokane STEP Program: branded program, city staff support, citywide

Solutions for financing “private” costs: less up-front

Incentives for fast-track hookups and paying up-front (discounts)

Discounts for SEI-adjacent homes

Determine doable timeline: for owners, areawide

Find solution for homeowners with no equity

Get sewers in ground ASAP, areawide: invoke the 300' rule

City contractor handles private connections: coordinated

Give choices to property owners on how to participate; offer flexibility

Property assessment

Construct all at one time

Calculate pump station decommission cost savings

Minimize residents' share; maximize City's share (most benefits accrue to existing utility ratepayers)

“Auction” to consolidate private contracting

Advice to homeowners on how to minimize costs

Maintain citywide perspective; spread costs for 3,300 homes

*What questions do you have for the City?*

- What happened to supposed annexation benefits? “We got nothing.”
- Monthly costs? (Under various scenarios)
- What was promised for annexation? (What is morally/ethically owed?)
- Are new septic owners/realtors warned about future costs?

### **Public Comment**

Public comment was captured in earlier agenda items. Additional questions/comments offered at this time:

- How will other unsewered areas be handled? Will their costs be similar? Will they be offered similar or different incentives?
- What government authority ordered sewerage this area? Shouldn't that agency bear a portion of the costs?
- Why can't City taxes be used to support sewers?

### **Announcements/Closing Remarks**

- Advisory Committee meetings are moving to the second Thursday of each month to avoid City Council meeting weeks. The next meeting is Thursday, April 12.
- The upcoming April 12 meeting will be moved back to City Hall, City Council chambers. The topic will be part 2 of Project Costs and Financing.
- Councilor Campbell thanked Advisory Committee members for their participation. Committee membership was concentrated in the project area for a reason – but the City Council must also think about the citywide implications of solutions identified for Southeast.