



Devils Lake Water Improvement District

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MINUTES SEWER COMMITTEE SPECIAL MEETING

Tuesday, September 13, 2016 at 9:30 AM

Northwest Conference Room.

City Hall

Lincoln City, OR 97367

I. Roll Call– Sewer Committee members Miles Schlesinger, Brian Green, Mitchell Moore, and Tim Duerfeldt were present in person; Bruce Polvi and Irv Potter attended by telephone. DLWID manager Tom Wood and City Manager Ron Chandler, Public Works Director Lila Bradley, and City Engineer Stephanie Reid were also present in person and participated in the meeting.

II. Comments From Citizens Present –Mickey Willoughby and State Representative David Gomberg attended the meeting and participated in it.

III. New Business:

City Role in Sewer Project– The purpose of the special meeting was to discuss the needs, requirements and strategies for the sewer program, and once again to discuss options for the City's role and participation in the project.

Green mentioned that there seemed to be consensus that the ultimate purpose of the meetings and indeed the ultimate role of the sewer committee and the DLWID at this stage was to the communicate sufficient, accurate and complete information to stakeholders for the stakeholders' ultimate decisions by election regarding the project.

Chandler advised that the city attorney was working with the County attorney, Wayne Belmont, to develop a memo regarding the features of the three possible entities for constructing and

operating the sewer system, a sanitary district, sanitary authority, or a local improvement district. Green said that a review of the statutory underpinnings of each kind of district and the relative numbers of each kind of district throughout state of Oregon suggested that a sanitary district was likely vehicle for bringing the project forward. Gomberg said that the he and other members of the state legislature had been looking at ways to replenish funds available to local citizens for pursuing local improvement projects and ultimately paying for them, but that such money was not available at the present time and he felt that a local improvement district would not be a practical option. Green said that he also felt that formation of an LID for this project was somewhat more difficult than formation of a sanitary district and less likely to be successfully formed.

Moore said that we should not lose sight of the fact that there were pockets within the city, mostly on the West side of the Lake, for which an LID would be the more appropriate vehicle. There was general consensus of committee members and city staff that this was the case, especially since most such pockets were too small for creation of a sanitary district. Duerfeldt asked if discrete areas without sewer could be "bunched" into one LID. Bradley said this was possible, depending upon the distance between areas, distance to the servicing pump station, and other factors. Duerfeldt also mentioned that it would be important for property owners to know the likely time frame for creating an LID or a sanitary district.

Green said it would be hard to focus on LID formation on the West side and sanitary district formation on the East side at the same time. Moore said that if a property owner or group of property owners expressed interest in bringing sewer to their area, that the DLWID and city should provide assistance. There was unanimous agreement on this point. Chandler also indicated that the city would be interested in taking the lead on its own initiative, if there was an expression of interest of property owners in the neighborhood, in creating LIDs for low pressure sewer in such neighborhoods.

Bradley said there were still areas in the city that were allowed to install septic systems if they were not within a certain distance from either a low pressure line or a gravity line. Reid said the a new city ordinance required hook up for property with low-pressure line frontage within four years, and she thought, although she was unsure, that the same or similar ordinance required extending the main low pressure line to the property if that property was within 100 feet of the low pressure line.

Green said his research indicated that either a sanitary district or a sanitary authority had the statutory authority to compel property owners with mainline frontage to hook up within a specified timeframe. Harking back to Chandler's earlier statement that a sewer system is financially feasible when there is a mandatory hook up requirement, Green asked Chandler for his estimate of a timeframe for mandatory hook up. Chandler said this depended on whether the backbone was completely funded by a property tax levy, in which case the mandatory hook up period could be longer, or the backbone was also to be funded by user fees, in which case the mandatory hook up period would have to be shorter.

Gomberg mentioned legislation, SB 1563, for creation of a loan fund for low income families or small businesses to replace or repair their septic systems and inquired whether that legislation

should be amended to include eligibility for loans for the costs of hooking up a property previously on septic system to sewer. Committee members and staff indicated they would strongly favor such an amendment. Gomberg said that \$250,000 would be the initial authorization statewide for this program, but the intent was to grow the fund to \$20 million over an unspecified timeframe. He said he would have the opportunity to offer such an amendment until February, and would welcome letters from City and the DLWID suggesting language for the amendment that he could take to legislative counsel for drafting, and that he thought such an amendment could be inserted in the bill with little trouble.

Green asked if, assuming that the backbone was fully funded by tax Levy, the fees for operational costs to the initial users could be estimated. Chandler said that operational costs were divided into a base fee for the fixed costs of operating the system, and a consumption fee for the variable costs of the system. Reid said that even if one person hooked up, the system would have to be flushed periodically. Chandler said that the fewer people who hook up on one day one, the higher the initial user fee (base fee and consumption fee) would be. Willoughby said this would discourage all property owners from hooking up sooner rather than later.

Green asked if the initial user fees for operational costs could be estimated assuming five hookups initially, or some other small number of hookups. Chandler, Reid, and Bradley agreed that a rough estimate could be provided. Chandler later clarified that the estimate would be based on the assumption that the entire backbone is funded by a property tax levy and the estimate of fees would assume only operational costs. Moore said he felt this would be the biggest variable (in estimating actual cost to the homeowner) and that consideration should be given to the Voyage LID model for maintenance and repair, which is that the city and property owner agree that the city may come on the property to service the system by removing and replacing defective parts, or that the property owner must provide the city with a service contract with a licensed repair company. Moore said a study would have to be done and a budget would have to be created for the estimated user fees, including costs of repairs and maintenance, based upon a study of available data.

Moore said he recalled Green stating at the prior meeting that the election on formation and on the maximum tax rate of the district would have to occur in the same election. Green said he thought there could be separate elections on the two issues. [Note: Moore's recollection was correct. ORS 198.750 (1) (g) provides that the petition proposing formation of the special district must "include a proposed permanent rate limit for operating taxes sufficient to support the services and functions" of the proposed district.]

Green asked if, given the benefit of a healthy Devils Lake to the city at large, the city would consider subsidizing the initial potentially high user fees for the early adopters of the sewer system. Chandler said that would be a decision for the sanitary district. Green said that the city will ultimately determine those user fees based on a determination of operational costs previously discussed. Chandler said such a decision would ultimately be a policy decision to be made by the city Council.

Moore said there was a big difference between hook up costs for those residents with homes close to the main pressure line and some of those on E. Devils Lake Rd. Who would require

laterals of several hundred feet for hook up. Reid pointed out that it had been mentioned at the last meeting that the initial design, construction, and costs of the system could include buildout and hook up all at once, or hook up very shortly after completion of the backbone. Moore said felt that this model would generate the most hookups at the earliest time because the cost of hook up would already be included in monthly assessment. Chandler suggested another incentive option would be to offer lower hook up costs to those hooking up earlier. He said he felt that the project would have a greater chance of success by providing incentives for early hook up rather than subsidies or discounts for user fees. Moore suggested another option would be to provide the property owner a discounted price, or subsidy from the sanitary district, to bring the lateral further toward the ultimate hookup location during initial construction of the backbone.

Chandler said that the district would be better off funding the entire cost of the backbone from a property tax levy. Green suggested that the property tax levy should also include additional funds to subsidize the hook up costs for the first property owners to hook up. Moore said grants might also be available to subsidize those costs.

Moore also suggested that it might be possible to create a larger district with a split tax rate similar to the Devils Lake Water Improvement District. Green said it might be possible because the rationale for the sanitary district would be the same as for the DLWID: property throughout Lincoln City is benefited by improvements to the water quality and recreational value of Devils Lake.

Duerfeldt asked if there was a penalty for failing to meet a mandatory hook up date. Green replied that the statute provides that a violation of a special district ordinance is a class C misdemeanor, which is a crime subjecting the owner to criminal penalties. Committee members generally discussed that it was better to provide incentives for hookups than threatening criminal penalties, and Green said he had never heard of criminal prosecution for violation of a special district ordinance.

Moore stated that "layered funding" supporting additional features added to the project such as a bike path, and/or road paving in, for instance, Neotsu would increase the chances for acceptance by the property owners. Reid and Green said this could be very helpful.

Green said he felt that sewerage would decrease the likelihood of annexation. Moore said that some residents think that, once the sewer line is installed, annexation would be easier for the city. Chancellor said he was not aware of any discussion among city officials regarding annexation and that, while he had not studied the issue, there was a question whether the cost of providing services to the area would exceed the amount of property taxes generated by annexation.

Bradley said that the project would not involve replacement of the waterline in E. Devils Lake Rd. That water line was not scheduled for replacement because it had been replaced within the past 15 years.

Moore said he would try to view GIS data regarding the age and condition of septic systems around the Lake on a viewer, if a viewer became available.

Reid suggested that we start including the County Sanitarian in our meetings because, apparently, he gets a lot of questions regarding the possibility of sewer on the East side of Devils Lake.

Moore mentioned an EPA law and related regulations regarding septic system inspection requirements upon transfer of the property going into effect on January 1 and that this should create additional incentives for property owners to be interested in hooking up to sewer.

Green said that he had reviewed and compared the cost opinions of E- One and PACE Engineering and found that the cost of pipe estimated by E – One was \$17 per lineal foot for 66,000 feet, resulting in a cost of approximately \$1.1 million, and PACE estimated the amount of pipe at 46,000 feet, at an average cost of \$67 per lineal foot, for total of \$3.1 million. Green said he was surprised by these findings. Reid said she felt it was likely that the cost estimated by E – One was too low, since the pipe could not be purchased for \$17 per lineal foot. Reid and Green agreed that further investigation of the difference in the cost estimate was warranted.

Discussion moved on to the possibility that the experience of other sewer entities may assist our formation process. Green reported that there were 39 sanitary districts and seven sanitary authorities that are members of the Special Districts Association of Oregon, and contact persons and phone numbers were available for all of them on the SDAO website.

(Moore left the meeting at 11:15 AM due to a prior commitment.)

Wood described his perspective that the project should be accomplished in two phases. Phase I would consist of a public information and discussion process, including public meetings, that would culminate in an election on the question of formation of the district. Assuming an affirmative vote, Phase II would consist of the development of the information necessary to build a budget that would provide the basis for necessary taxing authority to support construction and operation of the sewer system. [**Note:** the previous citation that the petition for formation must include the tax rate.] The public information and discussion process would continue in this phase.

In addition to the general question of funding design and construction of the project, specific issues identified for investigation for this second phase were the very substantial hook up costs for some property owners who have to run several hundred feet of lateral line for their hook up and the substantial disparities in hook up costs between individual property owners based on the distances their laterals are required to travel; whether the budget would include all or a portion of the hook up costs for the properties in the district; analysis of the benefits and liabilities resulting from the numbers of hookups achieved earlier vs. later; examples of incentives for hooking up early; allowances for pump replacement after exhaustion of useful life; whether the district would require employees for administration and financial management; and whether such employees could be eliminated or reduced after a period of time.

(Chandler left the meeting at 11:25 AM due to a prior commitment.)

Wood said that each homeowner would have to know the cost of hooking up. Wood thought it was ill advised to put the cost of hook up on the homeowner because of likely wide variations in the ability or desire of homeowners to comply with hook up design and installation requirements. Reid and Bradley said that there were several inspections during the homeowner hook up process, and also that the problems they were aware of with respect to E – One low pressure installations were the result of improper hook up and not the pump or its components.

Reid said she had worked on a project in which the individual hookups were made by the property owners working with preferred contractors as the main line was being installed, with nothing left to the discretion of the property owner. Wood said he believed this protocol was preferable. Bradley said that she thought that three local contractors were presently certified for such installations.

Wood said he thought that the project was very complex and that the next step should be for the sewer committee to discuss the available information and determine how to proceed.

(Read and Bradley left the meeting at 11:30 AM)

Green said, in answer to Moore's question at the previous meeting, the sanitary district could require the owner of a newly created lot to hook up to the sewer, and require that owner to pay the cost of doing so.

Green also reported that Moore had located a "Lincoln County Community and Economic Development Fund Grant" offered by the Lincoln County Board of Commissioners, and more had provided information, including eligibility and prioritization criteria, together with an application form to Green. Green reported talking with county staff who advised that the application period for 2016 was not yet open, but was likely to open around October 1 with an early November deadline.

Election of Officers.

By a vote of 5 to 0, the committee members elected Brian Green to be Chairman.

By a vote of 5 to 0, the committee members elected Mitch Moore to be Vice – Chairman.

By a vote of 5 to 0, the committee members elected Bruce Polvi to be Secretary – Treasurer.

Non- Agenda Items.

After discussion with the committee members and unanimous consensus on the terms of service for each of the initial committee appointees, Green designated the terms of service for the committee members as follows:

Bruce Polvi and Miles Schlesinger to serve one-year terms.

Irving Potter and Tim Duerfeldt to serve two-year terms.

Mitch Moore and Brian Green to serve three-year terms.

Next Meeting Date. After discussion, the committee members decided to reschedule their regular monthly meeting date to the second Friday of each month at 4:30 PM and that, therefore, the next meeting of the committee would be on Friday, September 16, at 4:30 PM. DLWID manager Tom Wood stated that he would attempt to secure meeting space at the Oregon Coast Community College and post the required public notices.

Adjournment.

There being no further business to come before the committee, the meeting was adjourned that 11:55 AM.

Respectfully submitted,

Brian Green