



**BEND SEPTIC TO SEWER
CITY COUNCIL MEETING
OCTOBER 3, 2018**

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MELISSA BRADLEY, PRINCIPAL BUDGET & FINANCIAL ANALYST

STEWART WINSLOW, PERFORMANCE ANALYST



- Recap of prior work sessions
- Rate model impacts - residential, commercial & extra strength charge (ESC) customers
- Safety net program examples
- Direction/Decisions Needed:
 - Cost share split funded by City
 - Project timing
 - Other options to reduce rate impact
 - Safety net options

RATE MODEL IMPLICATIONS OF PUBLIC SHARE OF PROJECT COST

SUMMARY OF REQUESTED SCENARIOS



1. 50% City Funded – homeowners connect on failure
2. 72.6% City Funded – homeowners connect when construction is complete
3. 90% City Funded – homeowners connect when construction is complete
4. 100% City Funded– homeowners connect when construction is complete

RATE MODEL ASSUMPTIONS



- Scenarios build off current rate model which includes North Interceptor, Plant Interceptor, Water Reclamation Facility (WRF) Capacity Improvements and \$1M set aside annually for Septic to Sewer
- Project Area cost is \$30M
- Remainder of unsewered properties (outside Project Area) have connections constructed within 20 years (150 homes per year at \$6.25M)
- Majority of homeowners finance cost over 20 years

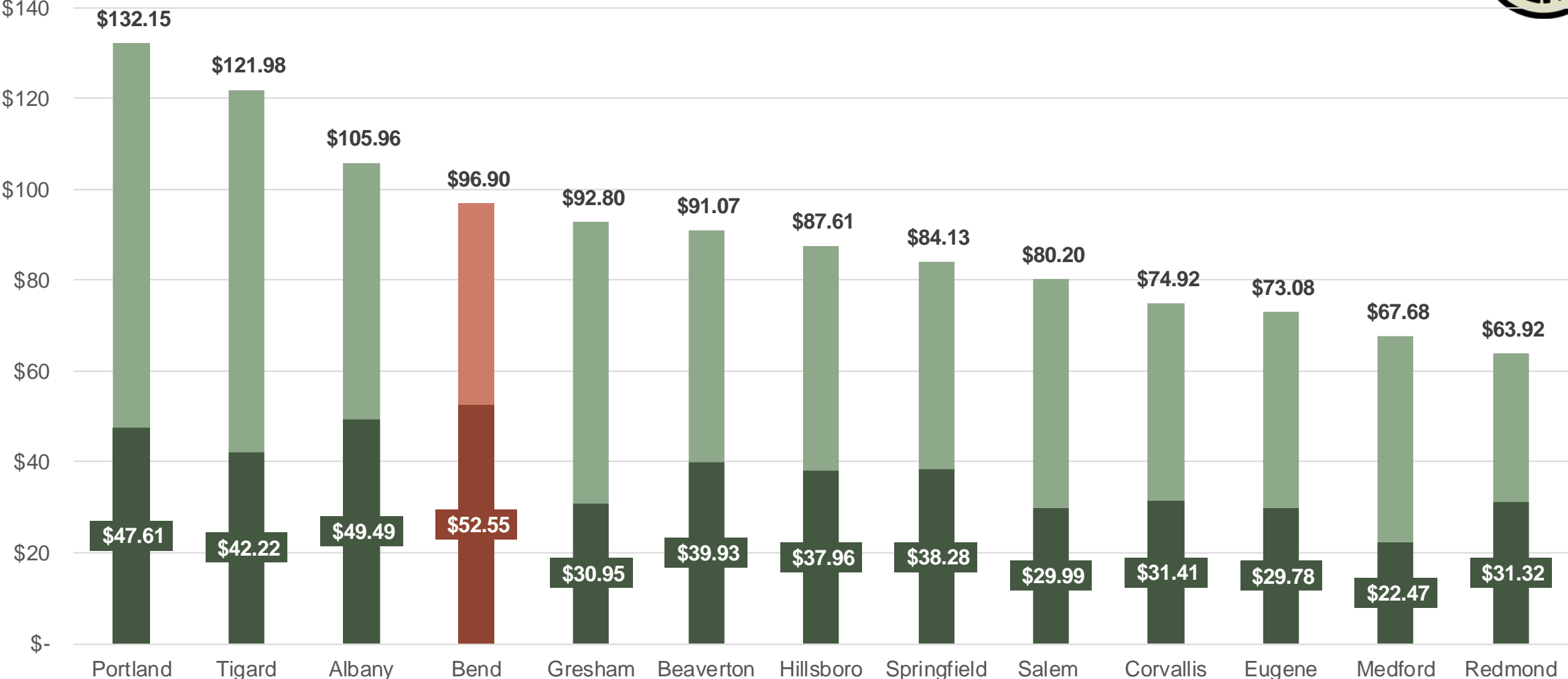
STUDY AREA-ESTIMATED MONTHLY PAYMENT FOR PUBLIC COST



Scenario	Monthly Payment	Annual Payment
50% City Funded	\$212	\$2,540
72.6% City Funded (Committee Recommendation)	\$116	\$1,390
90% City Funded	\$42	\$510
100% City Funded	\$0	\$0

- Cost does not include private costs or monthly sewer bill
- Assumes 5% interest to be consistent with assumptions used by committee

SNAPSHOT OF RESIDENTIAL AVERAGE UTILITY BILL

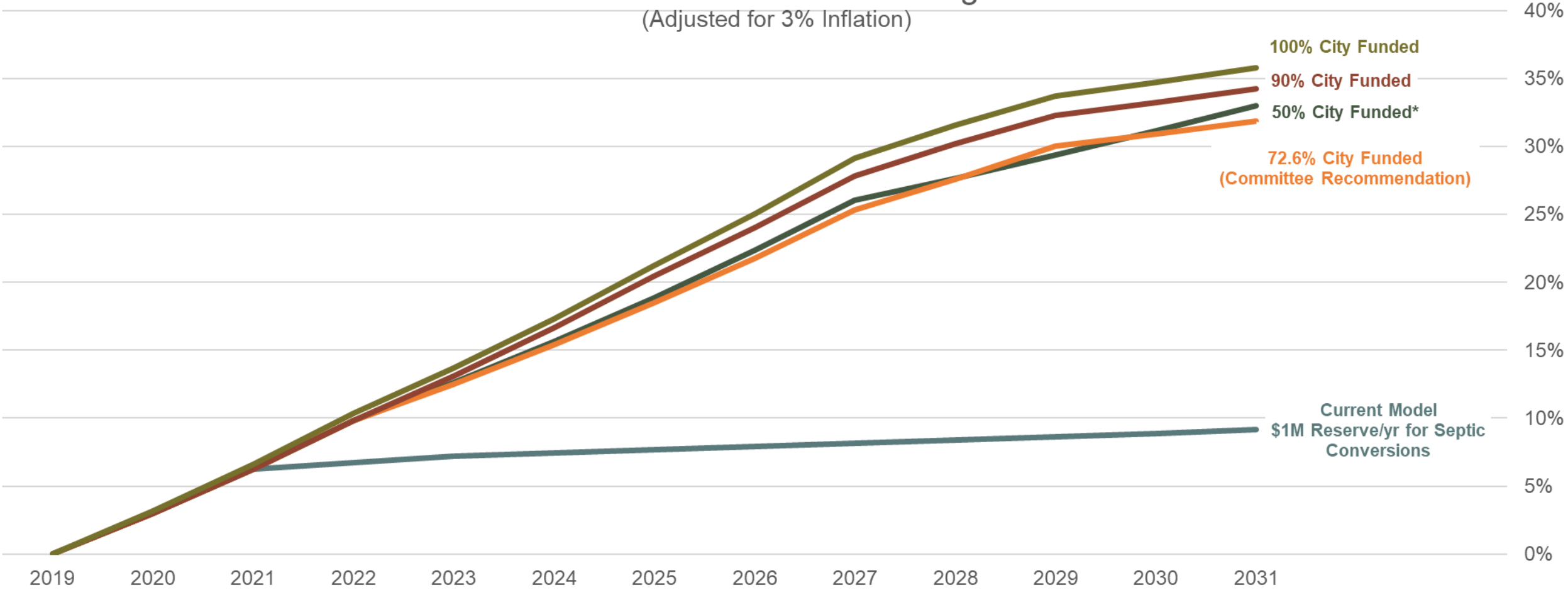


Note: The City of Bend Sewer System is in a high growth period with rates that reflect the capital investment needed to support infrastructure demands identified in adopted master plans.

CUMULATIVE RATE INCREASES BY YEAR



Cumulative Rate Increases through 2031
(Adjusted for 3% Inflation)



*The 50% City Funded scenario assumes that homeowners are not required to connect to City sewer immediately after construction.

RESIDENTIAL – 2031 ESTIMATED MONTHLY BILL*



2019 Average Monthly Residential Sewer Bill = \$52.52

Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$76.65	\$24.13

*Based on single family customer winter quarter average (WQA) of 456 cu ft.

RESIDENTIAL – 2031 ESTIMATED MONTHLY BILL*



2019 Average Monthly Residential Sewer Bill = \$52.52

Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$76.65	\$24.13
72.6% City Funded (Committee Recommendation)	88.11	35.59

*Based on single family customer winter quarter average (WQA) of 456 cu ft.

RESIDENTIAL – 2031 ESTIMATED MONTHLY BILL*



2019 Average Monthly Residential Sewer Bill = \$52.52

Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$76.65	\$24.13
72.6% City Funded (Committee Recommendation)	88.11	35.59
50% City Funded	88.71	36.19

*Based on single family customer winter quarter average (WQA) of 456 cu ft.

RESIDENTIAL – 2031 ESTIMATED MONTHLY BILL*



2019 Average Monthly Residential Sewer Bill = \$52.52

Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$76.65	\$24.13
72.6% City Funded (Committee Recommendation)	88.11	35.59
50% City Funded	88.71	36.19
90% City Funded	89.33	36.81

*Based on single family customer winter quarter average (WQA) of 456 cu ft.

RESIDENTIAL – 2031 ESTIMATED MONTHLY BILL*



2019 Average Monthly Residential Sewer Bill = \$52.52

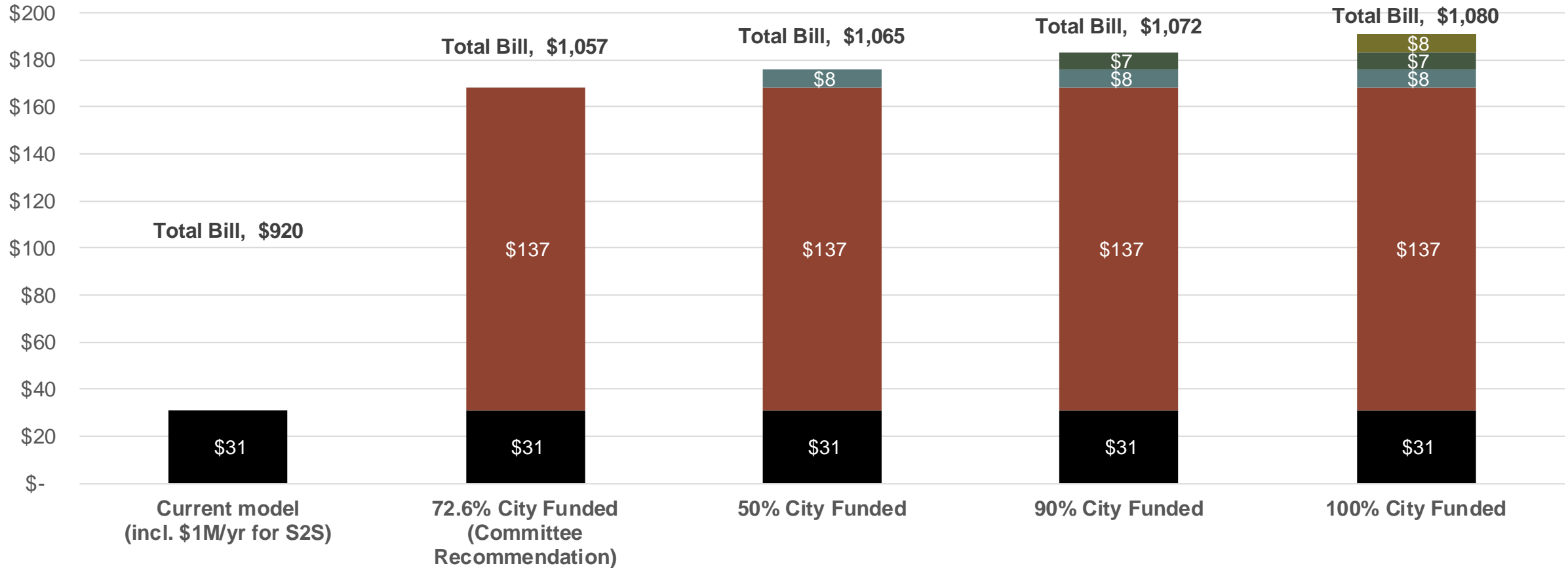
Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$76.65	\$24.13
72.6% City Funded (Committee Recommendation)	88.11	35.59
50% City Funded	88.71	36.19
90% City Funded	89.33	36.81
100% City Funded	89.97	37.45

*Based on single family customer winter quarter average (WQA) of 456 cu ft.

RESIDENTIAL – 2031 ESTIMATED ANNUAL BILL*



Residential Estimated Annual Sewer Bill increases in 2031
(Adjusted for 3% Inflation)



*Based on single family customer winter quarter average (WQA) of 456 cu ft.

2019 Average Annual Residential Sewer Bill = \$630

COMMERCIAL - 2031 ESTIMATED MONTHLY BILL* (ADVANCED MANUFACTURING CUSTOMER)



2019 Monthly Sewer Bill = \$1,668

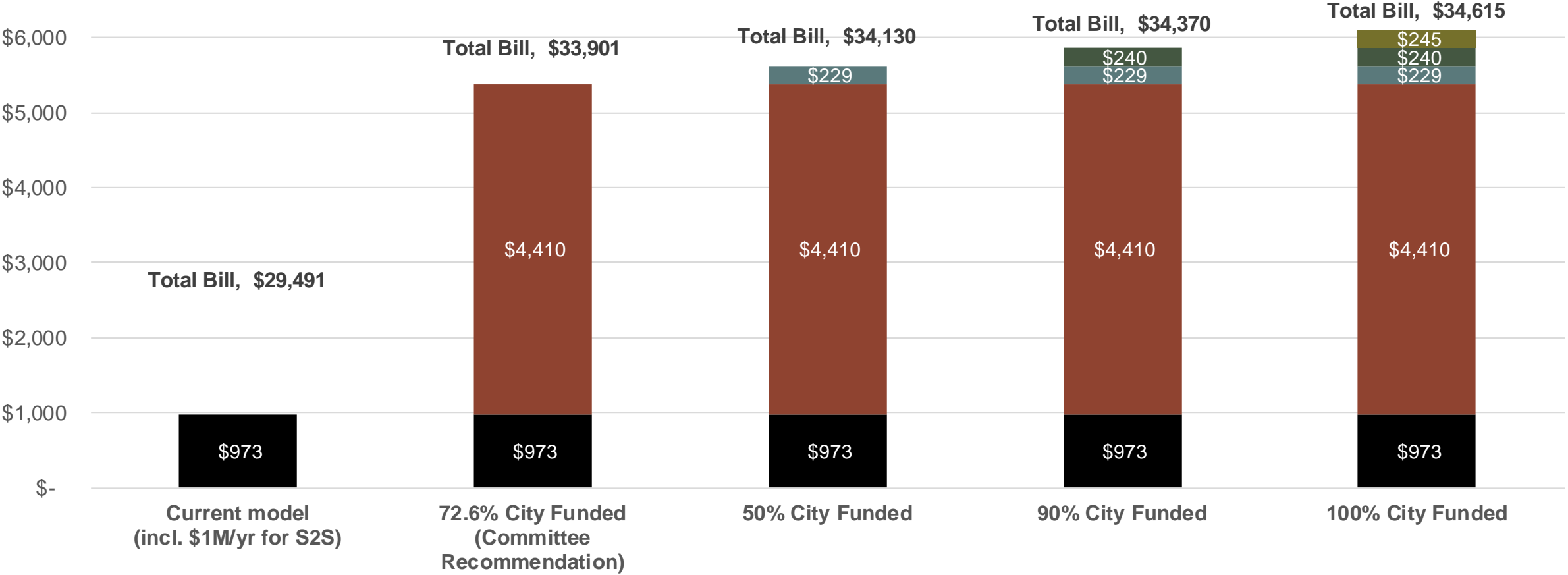
Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$2,458	\$789
72.6% City Funded (Committee Recommendation)	2,825	1,157
50% City Funded	2,844	1,176
90% City Funded	2,864	1,196
100% City Funded	2,885	1,216

*Based on customer specific winter quarter average (WQA) of 43,746 cu ft.

COMMERCIAL – 2031 ESTIMATED ANNUAL BILL* (ADVANCED MANUFACTURING CUSTOMER)



Commercial (Advanced Manufacturing) Estimated Annual Sewer Bill increases in 2031
(Adjusted for 3% Inflation)



2019 Annual Sewer Bill = \$20,016

*Based on single family customer winter quarter average (WQA) of 43,746 cu ft.

EXTRA STRENGTH LOW (RETAIL CUSTOMER) ESTIMATED MONTHLY BILL*



2019 Monthly Sewer Bill = \$3,471

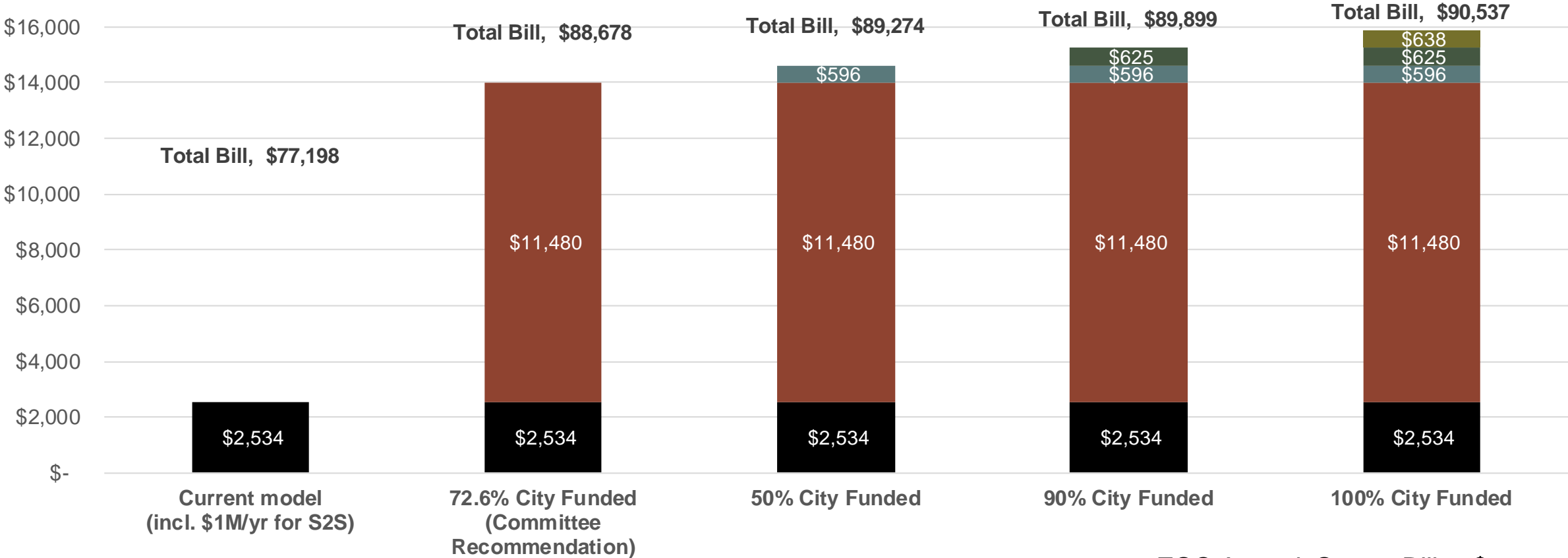
Scenario	2031 Average Monthly Bill	2031 Average Monthly Increase
Current model (incl. \$1M/yr. for S2S)	\$6,433	\$2,963
72.6% City Funded (Committee Recommendation)	7,390	3,919
50% City Funded	7,440	3,969
90% City Funded	7,492	4,021
100% City Funded	7,545	4,074

*Based on customer specific winter quarter average (WQA) of 40,389 cu ft.

ESC LOW – 2031 ESTIMATED MONTHLY BILL*



Commercial (Advanced Manufacturing) Estimated Annual Sewer Bill increases in 2031
(Adjusted for 3% Inflation)



2019 ESC Annual Sewer Bill = \$41,652

*Based on single family customer winter quarter average (WQA) of 40,389 cu ft.

FUNDING OPTIONS TO REDUCE THE RATE IMPACT

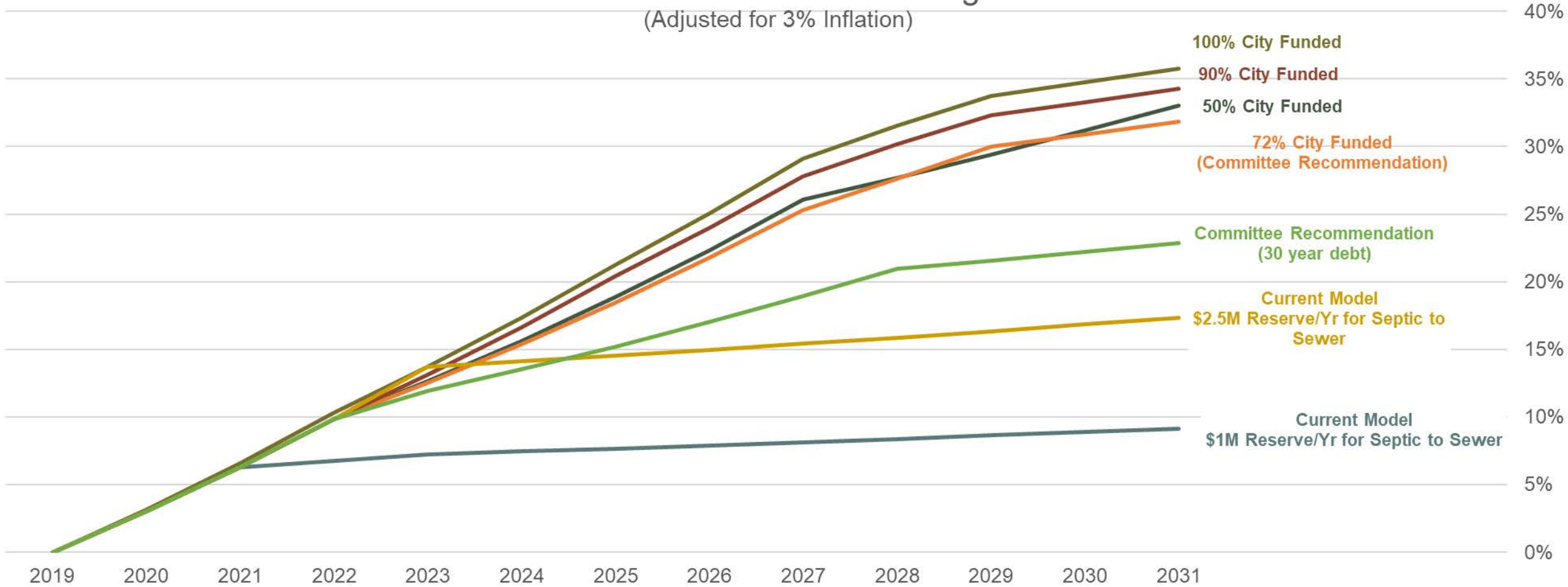


Option	Risks
General Obligation Bond for the sewer mainline	<ul style="list-style-type: none"> • City wide voter approval required
Issue 30 year debt	<ul style="list-style-type: none"> • Higher total interest cost
Property owner’s portion of costs paid up front	<ul style="list-style-type: none"> • Property owners may have to obtain private financing in order to make lump sum payment
<p>Spread out cost of city-wide septic conversions as smaller projects based on City funding of \$X/year rather than designing and constructing entire large neighborhoods</p> <p>This option would include potential connection fee paid by property owners</p>	<ul style="list-style-type: none"> • Requires DEQ partnership • Creates uncertainty for homeowners on Septic systems • Overall conversion costs are higher with a piecemeal process • Prioritization process for where funds are spent

CUMULATIVE RATE INCREASES BY YEAR FOR EACH SCENARIOS



Cumulative Rate Increases through 2031
(Adjusted for 3% Inflation)



*The 50% City Funded scenario assumes that homeowners are not required to connect to City Sewer immediately after construction.

SAFETY NET PROGRAMS



Cost to Connect

(Public Right of Way)

- **City Loans**
 - (3) 5-20 yr.. terms
 - 5.2% (Portland)
 - 1% (Vancouver)
 - 1.42% (Sacramento)
- **Incentives**
 - Connect in <2-3yrs
 - (2) offered cost share for Sewer Mainline

Cost to Connect

(Private Property)

- **City Loans**
 - (2) 5-10 year terms
 - 1.42% (Sacramento)
 - 6.1% (Portland)
- **Incentives**
 - Connect in <2-3yrs
 - (1) waived and/or reduced SDC

Low Income/Hardship

- **City Programs**
 - (1) Loan payment Deferral @ 1.5%/5%
 - (1) Partial SDC waiver
- **HUD/CDBG**
 - Challenging to qualify for (prior liens, liquid assets)
 - Admin & Staff needed to process

- **City Loan programs primary source of aid (3 out of 7 cities)**
- **Financial incentives commonly utilized to encourage quick connections**
- **HUD/CDBG is the primary low income/hardship safety net**

HUD INCOME QUALIFICATIONS



FY 2018 Income Limit Area	Median Family Income	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Bend-Redmond, OR MSA	\$69,600	Very Low (50%) Income Limits (\$)	24,400	27,850	31,350	34,800	37,600	40,400	43,200	45,950
		Extremely Low Income Limits (\$)	14,650	16,750	20,780	25,100	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$)	39,000	44,600	50,150	55,700	60,200	64,650	69,100	73,550

Homes in Project Area:

- \$59,000 median income – just above the citywide median and \$5,000 above the statewide figure
- 53% married couples without children at home
- 39% 3+ person households
- 9.9% families below poverty (9.0% Bend, 11.4% statewide average)

SUMMARY

DIRECTION/DECISIONS NEEDED



- Cost Share Funded by City
 - 50%, 72.6% (committee recommendation), 90%, 100%
- Project Timing
 - Complete Project Area and construct 150 connections per year
 - Spread septic to sewer conversion cost over time
- Other Options to Reduce Rate Impact
 - GO Bond
 - Issue longer term debt
 - Property owner's portion of costs paid up front
- Safety Net Options
 - Loans
 - Incentives
 - SDC waivers
 - Explore HUD/CDBG Grants

COUNCIL Q&A

UPCOMING WORK SESSIONS



Sept. 19: Flexibility & Accountability

- ~~Summary from other cities and ideas from these peer cities~~
- ~~Legality of STEP fee~~
- ~~Are there other rate scenarios we should model?~~
- ~~Also: Moving to 100% design (regular meeting)~~

October 3: Affordability & Cost Sharing

- ~~Rate model and cost sharing scenarios~~
- ~~Examples of criteria for safety net program~~

October 19: Ability to Pay Over Time

- Mechanics of LID
- Connection fees and considerations

November 7th: Assistance with Private Property Work

- Bundling private work in our public contract- risks and opportunities
- SEI Stub Out lots
- DEQ update

December 5: Work Session & Regular Meeting: Direction on Financing & Implementation Plan Elements