



MINUTES

Coburg City Council

Work Session

July 25, 2006 - 7:00 P.M.

Coburg Municipal Court

32694 East Pearl Street - Coburg

COUNCILORS PRESENT: Mayor Judy Volta; Bill Judd, Don Nelson, Michelle Sunia, John Thiel, Mike Watson

COUNCILORS ABSENT: Brian Pech,

STAFF PRESENT: Don Schuessler, Jack Detweiler, Sammy Egbert, Jack Harris, Milo Mecham

RECORDED BY: Dan Lindstrom

I. CALL TO ORDER

Mayor Judy Volta called the meeting of the Coburg City Council to order at 7:05 p.m. Minutes Recorder Dan Lindstrom called the roll and stated that a quorum was present.

II. COBURG WASTEWATER PROJECT

Wastewater Project Manager Jack Detweiler presided over a Work Session providing information pertinent to the project, assisted by financial consultant Shaun Pigott and City Attorney Milo Mecham, as follows:

1. *Why should sewers be part of Coburg's future?*

There is groundwater contamination in our wells. The water from 30 of the 70 wells tested within two miles of Coburg had nitrate contamination levels greater than seven parts per million (ppm). The Environmental Protection Agency (EPA) threshold for safe nitrate concentration is ten ppm. Excess nitrate consumption can harm livestock and contributes to human infant and young child developmental issues such as blue baby syndrome, diabetes, cancer, miscarriage, and premature birth.

A Coburg sewer system would eliminate contamination from current septic systems. Nitrate removal processes can be added to existing septic tanks at a cost of \$8-\$10,000 each. Nitrate contamination from dairy farming and excess plant fertilization in the area would also require remediation.

Coburg will be able to grow as envisioned with sewers. An increased population will support its school. Large lots currently used for septic drain fields will be available for infill development.

Without sewers, future housing in Coburg will continue to require large lots and drain fields. Industrial and commercial expansion will be limited and could go elsewhere.

2. What will Coburg's Wastewater System be like?

The system being planned is for a population of 3,300, the anticipated growth in the next 20 years. All existing and new development will be served. Gravity lines will be installed wherever feasible. Some pressurized laterals will be required in the lowest areas of town.

Property for a treatment facility north of town has been acquired. It will discharge into the McKenzie River. It will be used for seasonal irrigation when river levels are too low. Uninhabited sections of Muddy Creek are also being studied for discharge. An extensive study is underway to determine the cost of connecting the system to the Eugene/Springfield metropolitan area treatment facility.

Complete detailed design and bid documents for the collection system, required environmental reviews, and the needed discharge permits will be in hand by the time construction of the collection system begins in 2007. The entire system will be completed by fall 2009.

The estimated total cost of the project is \$19.1 million, approximately \$1 million having been spent to date.

3. What financing options are available?

Each cost allocation choice to be made will tap different financial resources:

- Grants (federal, state, foundation) – *cost shifted to non-users*
- Local Improvement District Assessments (LID) – *cost assumed by current Users*
- System Development Charges (SDC) – *cost assumed by future users*
- Sewer User Rate Charges – *cost assumed by current users*
- Urban Renewal District – *cost shifted to non-users*
- Annexation Agreements – *cost assumed by future users*

4. How can the cost of the project be divided among the financing options?

Capital cost of the system is estimated to be \$17,718,604 in 2004 dollars, with an inflated cost of \$19,107,154 anticipated by 2009. Current property owners will be responsible for operations and maintenance (O&M), lateral installation, private plumbing costs, and septic system decommissioning. Future customers will be responsible

by contributions made through System Development Charges. Future benefited properties will contribute through Annexation Agreements.

The cost of private plumbing, septic system decommissioning, and lateral installation expenses will be paid by property owners. There are currently 388 connections to be made. The City will establish a “private plumbing assistance fund,” with a one-time cost of \$75,000. The City will offer financing by issuing Bancroft Bonds – 15-year term, 6% coupon rate.

Current and future property owners are responsible for funding the annual O&M cost of \$461,000 to begin in 2009.

System Development Charges will support required debt service payments to begin in 2010. The anticipated cash flow is based on growth projections of the Lane Council of Governments Region 2050 Project. They will pay for \$6.65 million in capital construction costs for infrastructure to serve the growth. New development is assumed to be completed by 2028.

Urban Renewal District property tax receipts will pay capital costs. The permanent rate of \$2.15 per \$1,000 of assessed value, with the allowed annual three percent growth in assessed value assumed, will yield \$317,000 in 2009.

Using this funding plan, the capital cost of the system will be paid, as follows:

- Future Benefited Properties and Urban Renewal District
 - o 80% of collection system construction cost
 - o 50% of treatment system construction cost
 - o \$11.89 million of total cost
 - o Responsible for debt service on the two existing loans
- Service Development Charges
 - o 20% of collection system construction
 - o 59% of treatment system construction cost
 - o \$6.65 million of total cost
- All grant proceeds are used to “buy down” capital costs

Annexation Agreements are between the City and property owners outside the current Urban Growth Boundary (UGB). The agreement is that if the properties are included in the UGB and annexed into the City, they will contribute to defray the cost of sewers. They have the *advantage* of being a dedicated funding source to capitalize the system and take financial pressure off existing residents/customers. They have the *disadvantage* of being speculative – no agreements have been negotiated to date, lenders will only bond agreements in hand, if agreements do not materialize, the financial burden will fall upon existing residents/customers.

Annexation Agreements have been used by the Peach Heath River Bend Hospital and are proposed for development of the McKenzie-Willamette Triad Hospital. They are intended to pay for extraordinary costs incurred beyond Service Development Charges payments.

Assumptions of Financial Analysis:

- To keep user rates at \$55.00 a month
 - o Grants will need to be received of \$3 - \$4 million
 - o Assumed annual growth in Urban Renewal District assessed value must be maintained
 - o Annexation agreements need to be approved and accepted as financial security
 - o Service Development Charges need to raise \$6.7 million (\$6,725 per dwelling unit)

Risks of Financial Analysis:

- Delay will cause the price to rise
- Grants will be very limited
- Growth will not occur in a way that funds sewer costs
 - o No additional development in Urban Renewal District
 - o Service Development Charges are inadequate
 - o Cannot arrange Annexation Agreements

5. What are the Next Steps to be taken?

The City Council will need to make policy decisions on cost allocation between future and current system users. Growth choices, including annexation agreements, will need to be made within the next six to eight months.

Growth planning discussions with potential developers and an Urban Growth Boundary analysis will need to be made.

Design of the system will need to be completed.

Evaluation of the proposal to connect with the Eugene/Springfield metropolitan area wastewater treatment facility.

The meeting adjourned at 9:10 p.m.

ACCEPTANCE

Yes: _____

No: _____

Abstained: _____

Passed: _____ Rejected: _____

Signed this _____ day of _____ 2006

Judith Volta, Mayor

Attest:

Donald Schuessler, City Recorder