

North Santiam Sewer Project

Detroit, Idanha, Gates, Lyons/Mehama, and Mill City

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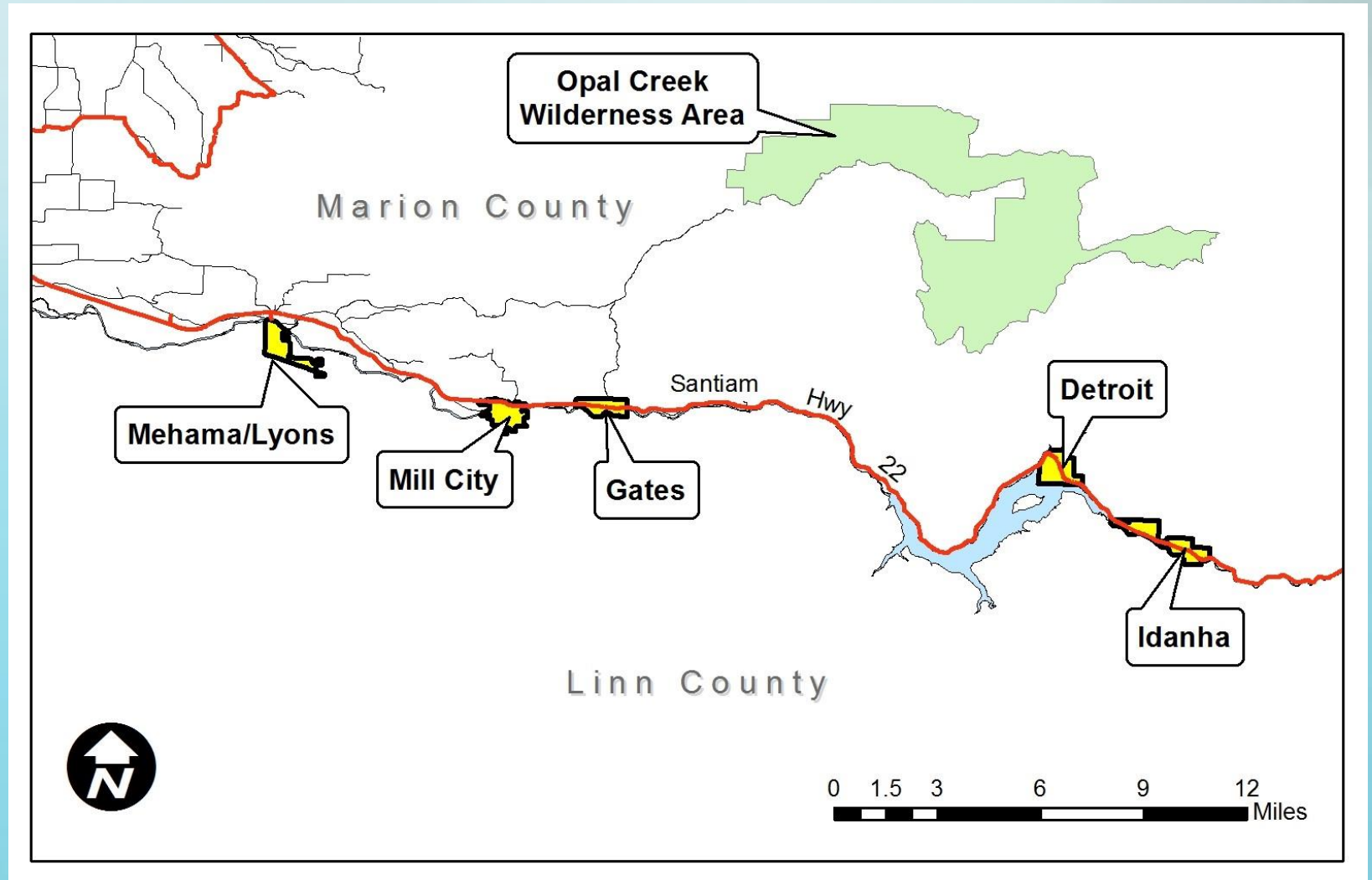
Contents of Presentation

- Where is the North Santiam Region?
- History of Economic Woes
- History of Wastewater in NSC
- What Have We Done?
- Business Problem
- Approach to Project
- Lessons Learned... So Far!



Defining the North Santiam Canyon Region

2016 PSU Population estimates:
Lyons/Mehama: 1,165
Mill City: 1,860
Gates: 485
Detroit: 210
Idanha: 140



History of Economic Woes

FALL OF A TIMBER TOWN

A vanishing way of life

Mill City residents worry about vanishing way of life

by Alan Gustafson

For the morning of the 1990s, the way of life in Mill City is vanishing. With a growing sense of foreboding, some people in this small town are worried that a culture of timber workers is disappearing. They worry it's not just the way of life, but the way of life that is vanishing. They worry it's not just the way of life, but the way of life that is vanishing. They worry it's not just the way of life, but the way of life that is vanishing.

Mill City's story is about pain

by Alan Gustafson

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Alan Gustafson

Experts: Social, economic woes will plague timber towns

by Alan Gustafson

Timber towns are not just a thing of the past. They are a way of life that is vanishing. They are a way of life that is vanishing. They are a way of life that is vanishing.

- | | |
|-------|---|
| 1990s | <ul style="list-style-type: none"> Endangered Species Act and Protection of Northern Spotted Owl Northwest Forest Plan Parks and Public Lands Omnibus and Management Act |
| 2000s | <ul style="list-style-type: none"> Designation of the Opal Creek Wilderness and Scenic Recreation Area North Santiam Canyon Economic Opportunity \$15 million for the transfer of land impact study (Funds were not appropriated and no funds matriculated) |

History of Wastewater in NSC

- Decades of Concern
- Decades of Studies
- Decades of Starts
- Decades of Failures
- Decades of Economic Distress



What have we done?

- Define the problem- Shared understanding of problem
- Define opportunities to resolve wastewater issues
- Learn the rules to get there
- ID all who care about topic: stakeholders, agencies, elected officials and potential funders
- Listen to the past, talk to the future
- Throw out wacky and really bad ideas
- All concerns are valid- answer them
- Manage expectations- be honest, realistic and positive
- Create a narrative story and support it with data and financial calculations
- Tell the story

North Santiam Wastewater Challenges

- History
- Cultural
- Site readiness
- Jobs
- Viability of economy
- City budget
- Regulatory





Idanha, Oregon
Population: 140



Why is now the right time?

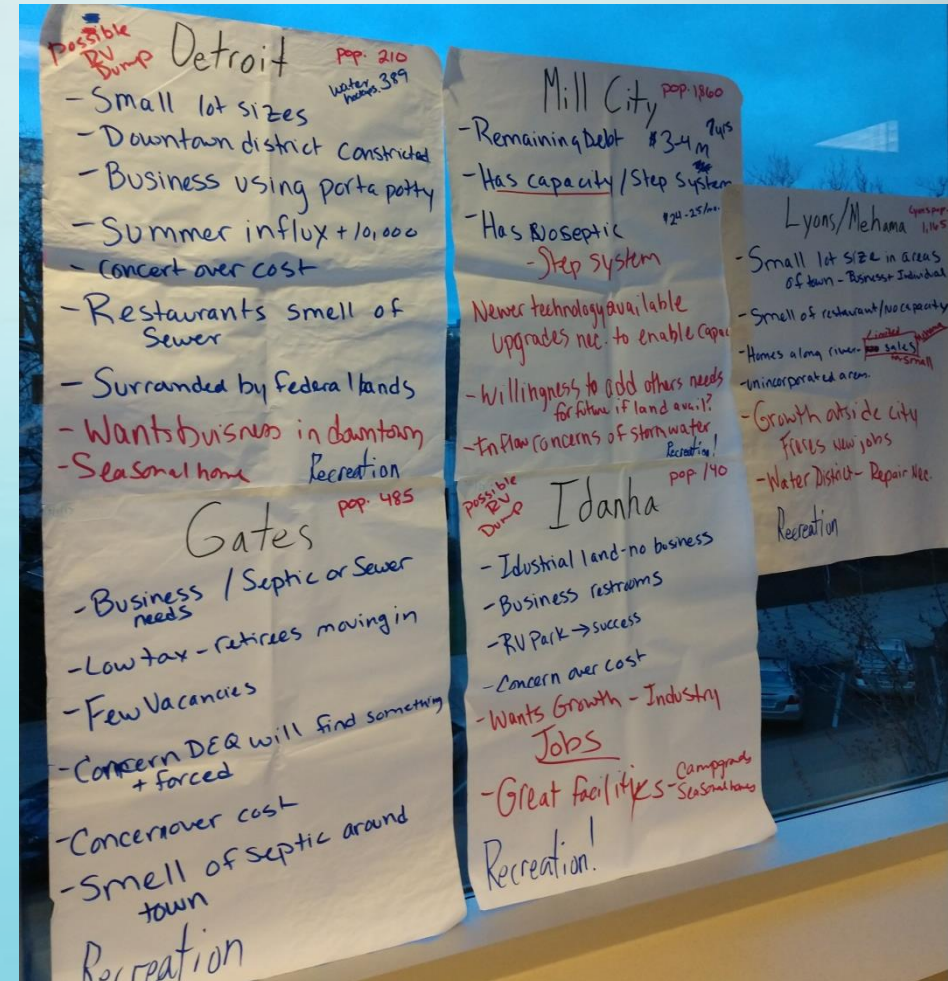
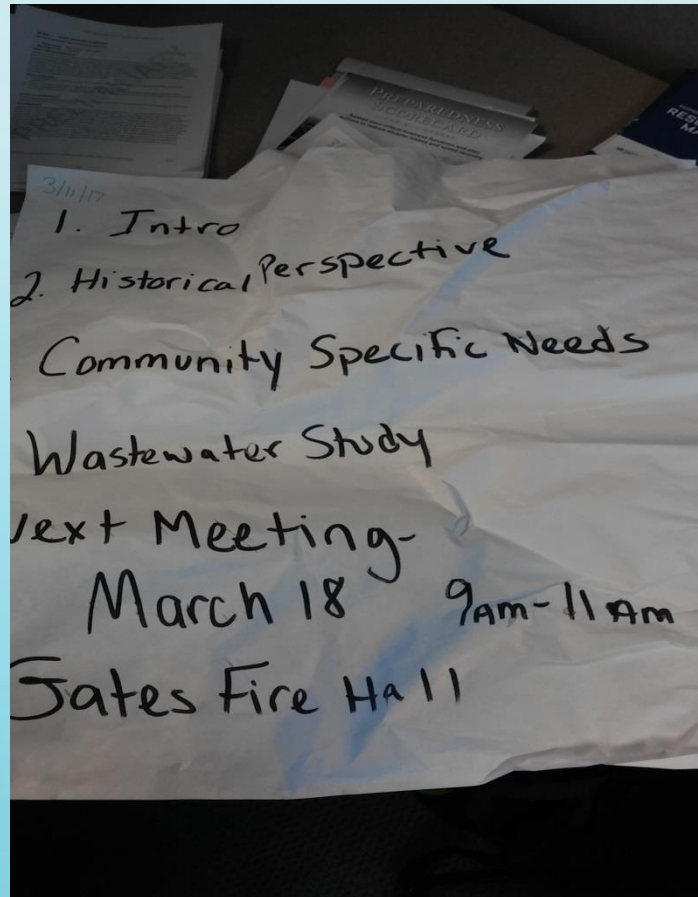
- Water source protection for more than 200,000 residents
- Cost of septic is higher and a greater risk to the health of watershed
- Diminishing property values
- Inability to permit new septic making some properties uninhabitable
- Negative new business climate
- Underutilization of commercial and industrial property
- Potential irreparable damage to tourism industry
- What is the alternative???

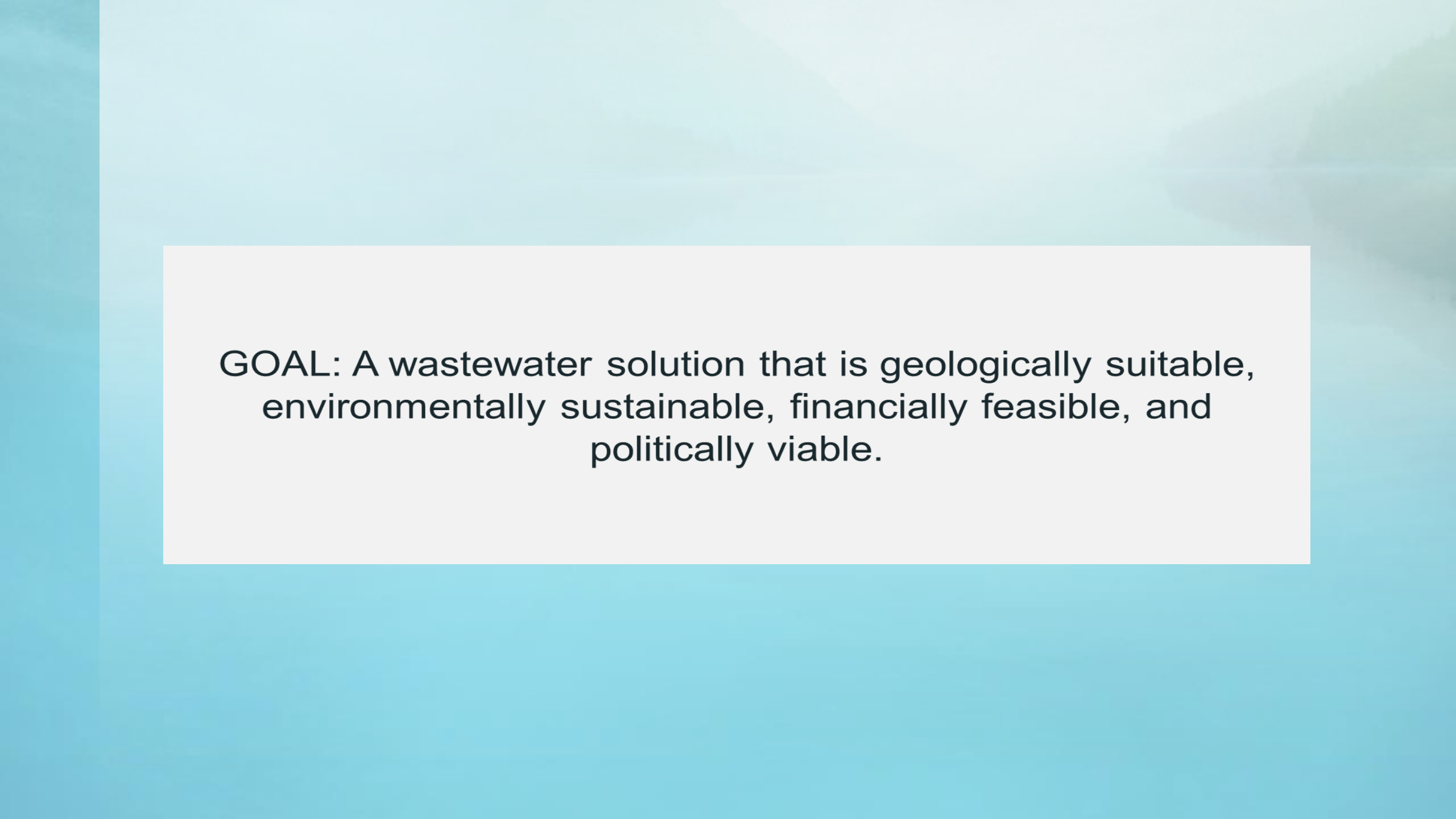
Business Problem- Shared Understanding

- Too few “customers,” many end users
- Invest now or invest more later
- Lack of human capital to facilitate
- Geological constraints (35 miles of rock)
- Complex regulatory measures inhibit action
- Economic development ROI value



Honor the past and assume nothing.....



The background of the slide features a soft-focus photograph of a calm lake reflecting the surrounding green, forested mountains under a pale sky. A solid light blue vertical bar is positioned on the left side of the image.

GOAL: A wastewater solution that is geologically suitable,
environmentally sustainable, financially feasible, and
politically viable.

Project Component: Cultural

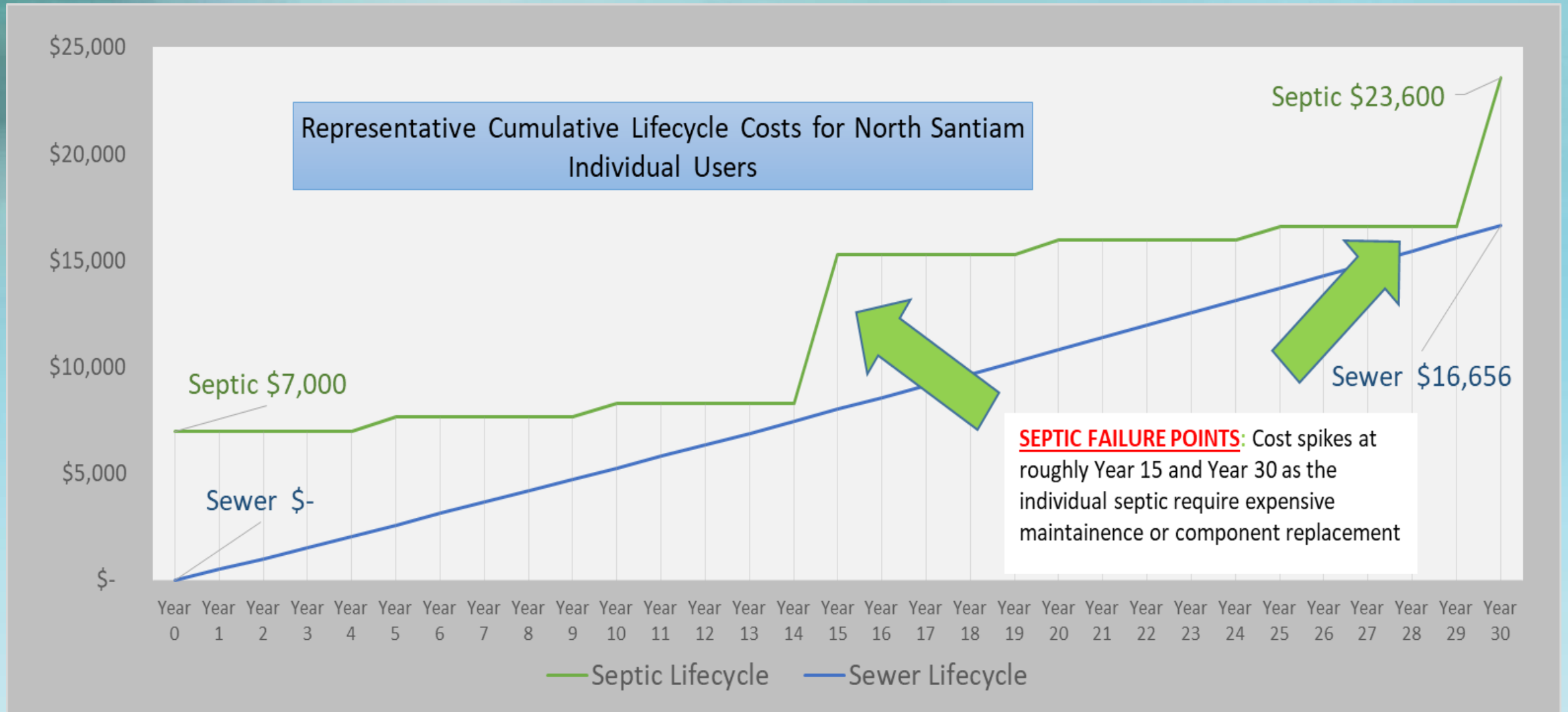
- Past failures to get to a solution
- Myth busting: Belief that septic is more expensive than sewer
- Cultural change in paying for a sewer bill
- General wariness of government intervention
- Desire for autonomous governance
- Removal of Lyons/Mehama from initial project

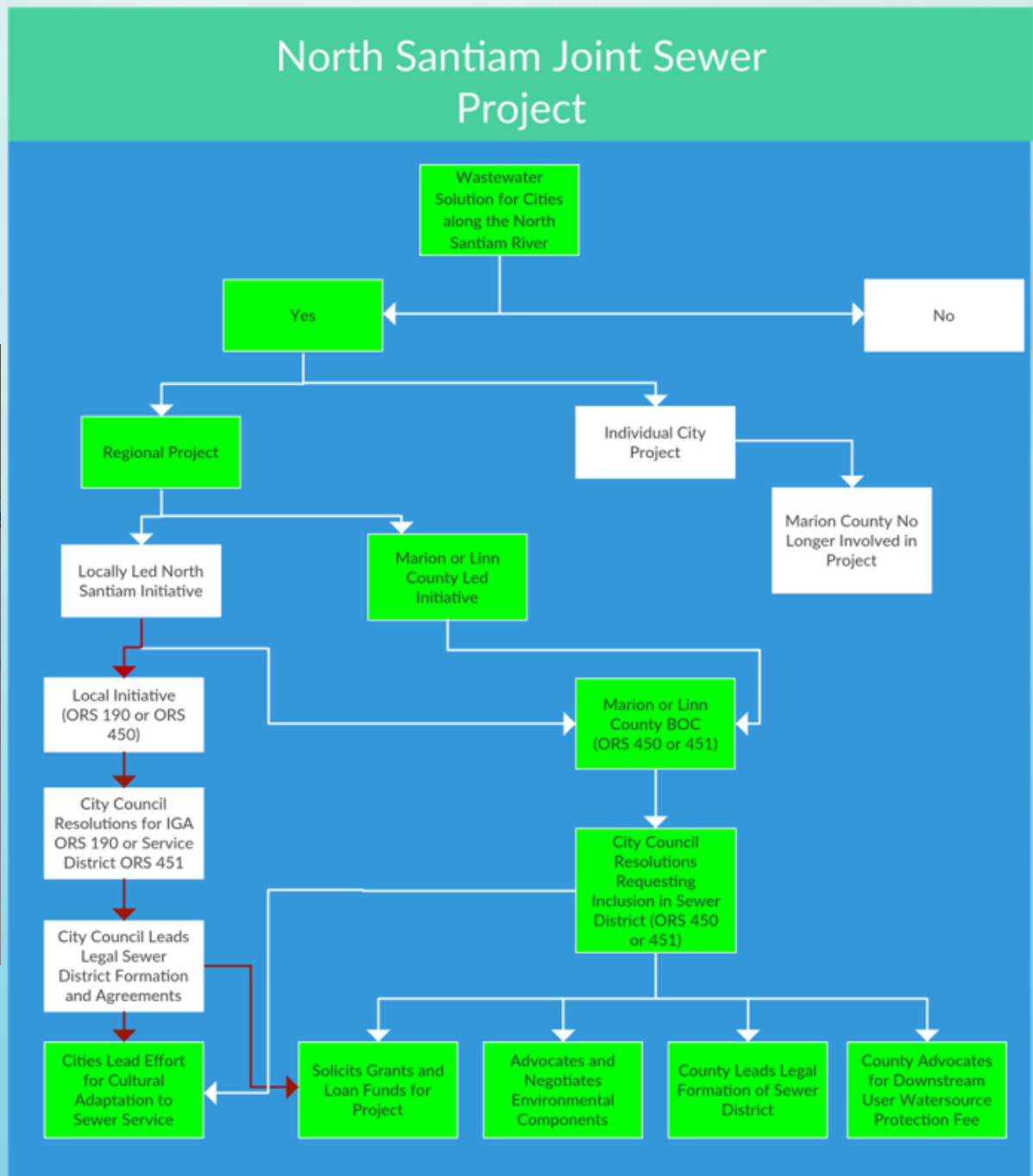


How is it possible that a sewer system is cheaper than a septic system?

	Detroit	Gates	Idanha	Mill City	Local Average	Oregon Average
2011-2015 Median Household Income (MHI)	\$44,792	\$36,875	\$29,464	\$38,689	\$37,455	\$51,243
1.4 percent Annual Sewer Rate Target Maximum (USDA)	\$627.09	\$516.25	\$412.50	\$541.65	\$524.37	\$717.40
Monthly Avg. Cost to Residential Consumer	\$52.26	\$43.02	\$34.37	\$45.14	\$43.70	\$59.78
MHI Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates						

The Real Septic v. Sewer Lifecycle Cost



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Small Decision Points

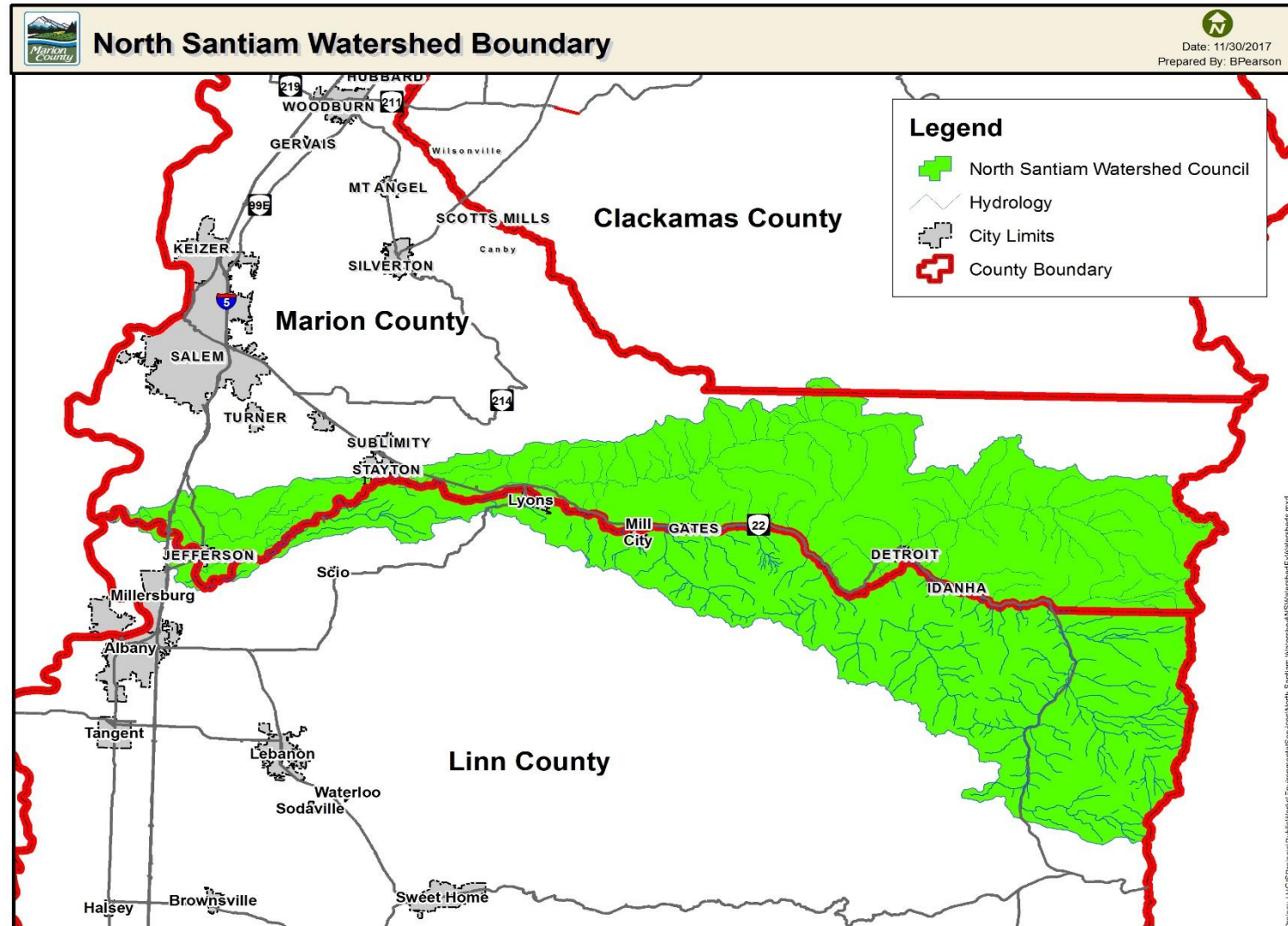
	Description of Action	RESULT	DATE
	Pathway to community decision for solution and governance		
Decision 1	Is a wastewater solution necessary for the North Santiam Canyon?	Yes	April-May 2017
Decision 2	Does the individual cities want to take this on themselves? or a Regional approach?	Regional	June 2017
Decision 3	With a regional approach, do you want it lead by the local communities or by a county lead initiative?	County Lead	July- August 2017
Decision 4	Local agreement (ORS 198), County and or Citizen Petition (ORS 450 ORS 451)	County Petition	
Decision 5	Recommendation to City Councils- Marion County initiative	Marion Co. petition	September 2017
Decision 6	City Council Resolutions- Request Marion Co to continue planning servicing district for North Santiam Joint Sewer District	Resolutions passed	January 2018
Decision 7	Citizen Petition (signatures, ballot measure) or County Board Order for formation of a Service District		
Decision 8	Legal descriptions, mapping of district and governance model of service district		
Decision 9	Recommendation by Work Group to City Councils for resolution to formally request formation of service district		
Decision 10	City Council resolutions to formally request Marion County to form of service district		

Project Component: Environmental

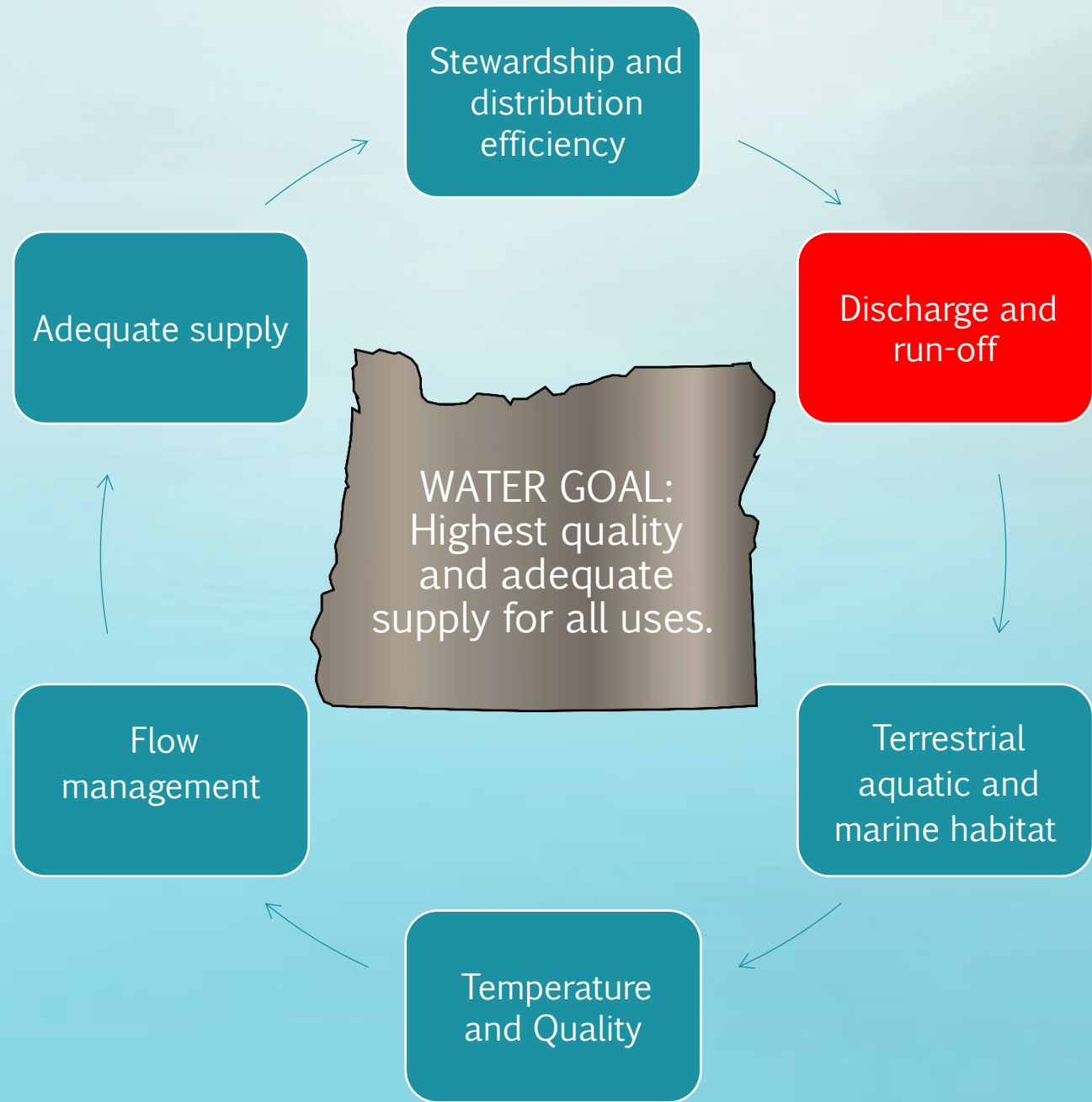
- Three Basin Rule- modification or variance
- Reduce cost of wastewater solution
- Draft modification or variation with stakeholder groups
- Ensure project can be sustainable to the communities



North Santiam Watershed



North Santiam Water Continuum



Project Component: Financial

- Affordability of user fees 1.4% MHI estimated at \$43.70/edu
- User fees could generate \$1.3 million for annual operations
- Debt servicing over 25 years, not to exceed 38% of annual user fees is approximately \$8.5 million in debt capacity
- \$2 North Santiam Water Source Protection Fee for downstream water users could net \$17.5 million over 20 years for future investment



Viability of the North Santiam Joint Sewer Project

Constraining Parameters	End User Fees 1.4% MHI	User Fee Annual Estimated Value	Recommended Annual Debt Servicing Operating Ratio Max Range 35-38%	Recommended Total Debt Capacity Load	Estimated Value of Potential Water Source Protection Fee after 20 years
	\$44	\$1,309,352	\$458,273 to \$497,554	\$8.5 million	\$17.5 million

How can a \$59 million project like this be funded on \$8.5 million in borrowing capacity?

It can be done, but it will be very hard.

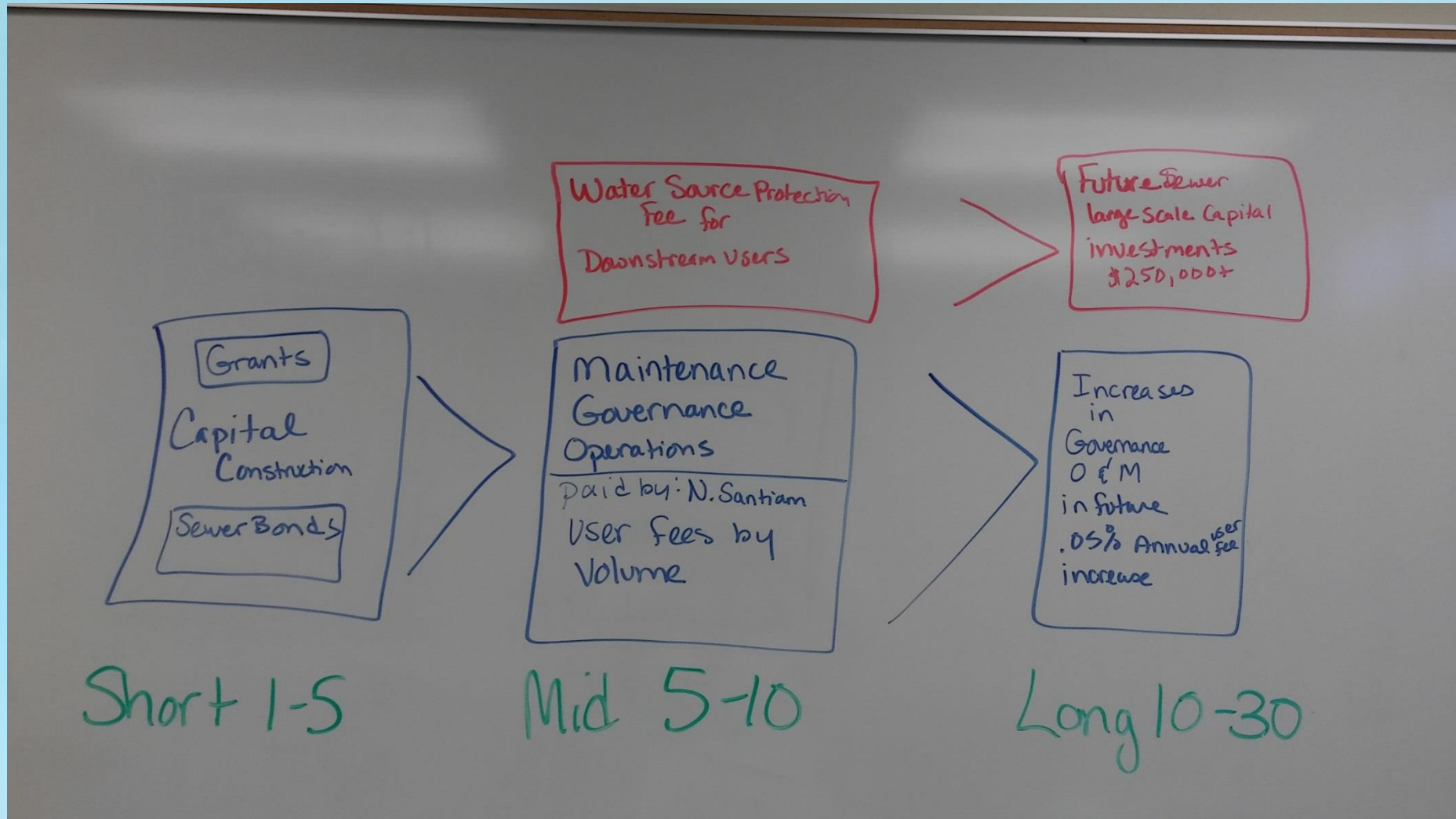
- Modification to the Three Basin Rule
- Diverse grants and funding available for construction from clean water agencies, wastewater agencies, economic development agencies
- Dual engineering designs with modified Three Basin Rule and one without
- Possibility of direct appropriation from state or federal government
- Downstream users as advocates and sponsors through Water Source Protection Fee
- Shared common interests, investment and user fees among all four communities
- Assumption of current sewer construction debt in exchange for sewer system from Mill City Ex. personnel, infrastructure, capacity, and resources

Balanced Watershed-Wide Approach

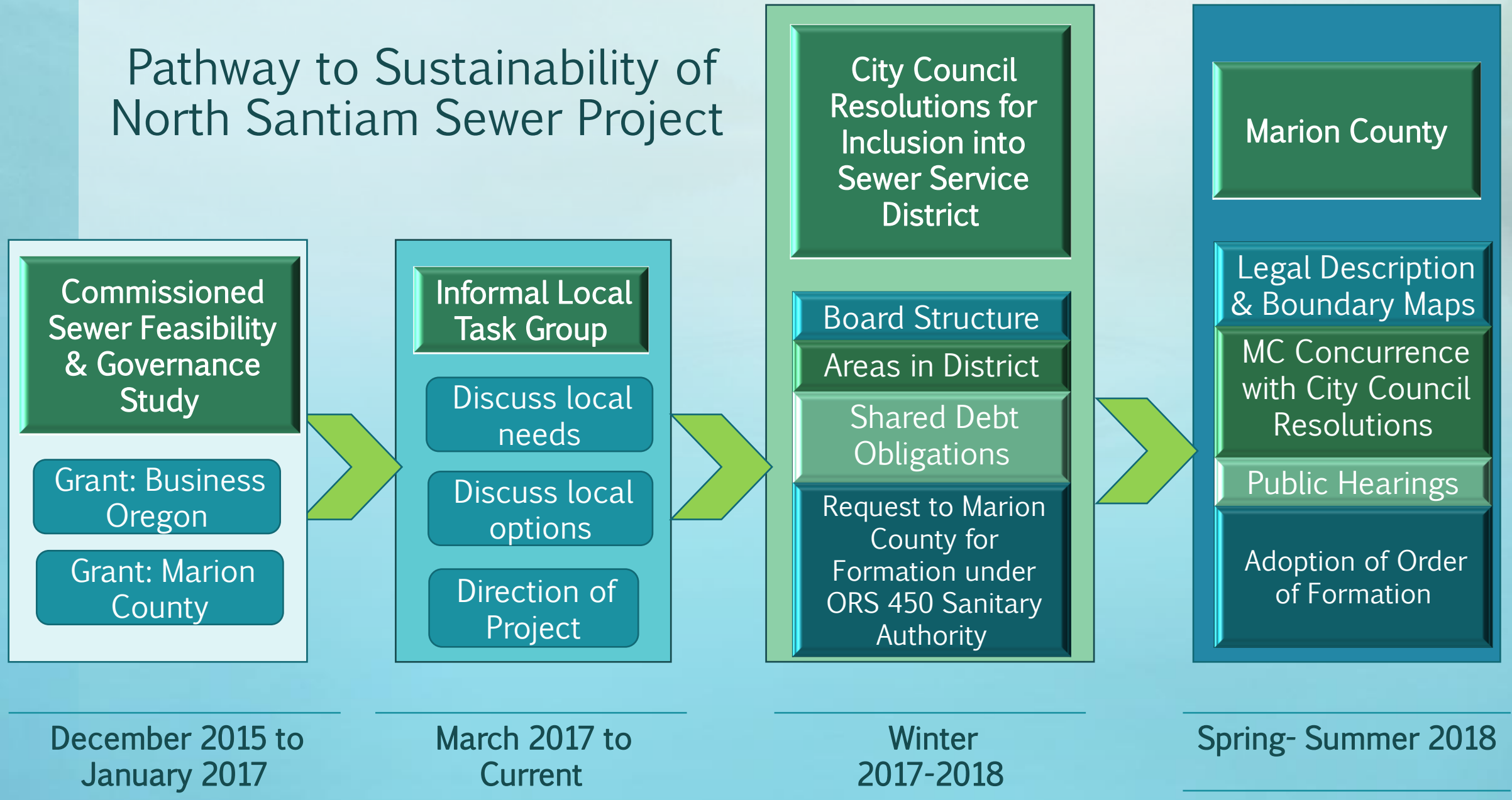


- Cultural
 - All direct stakeholder concerns are valid
 - Politically viable
- Environmental
 - Collaborate to remove barriers to protection efforts
- Financial
 - Sustainable cost from construction to reinvestment

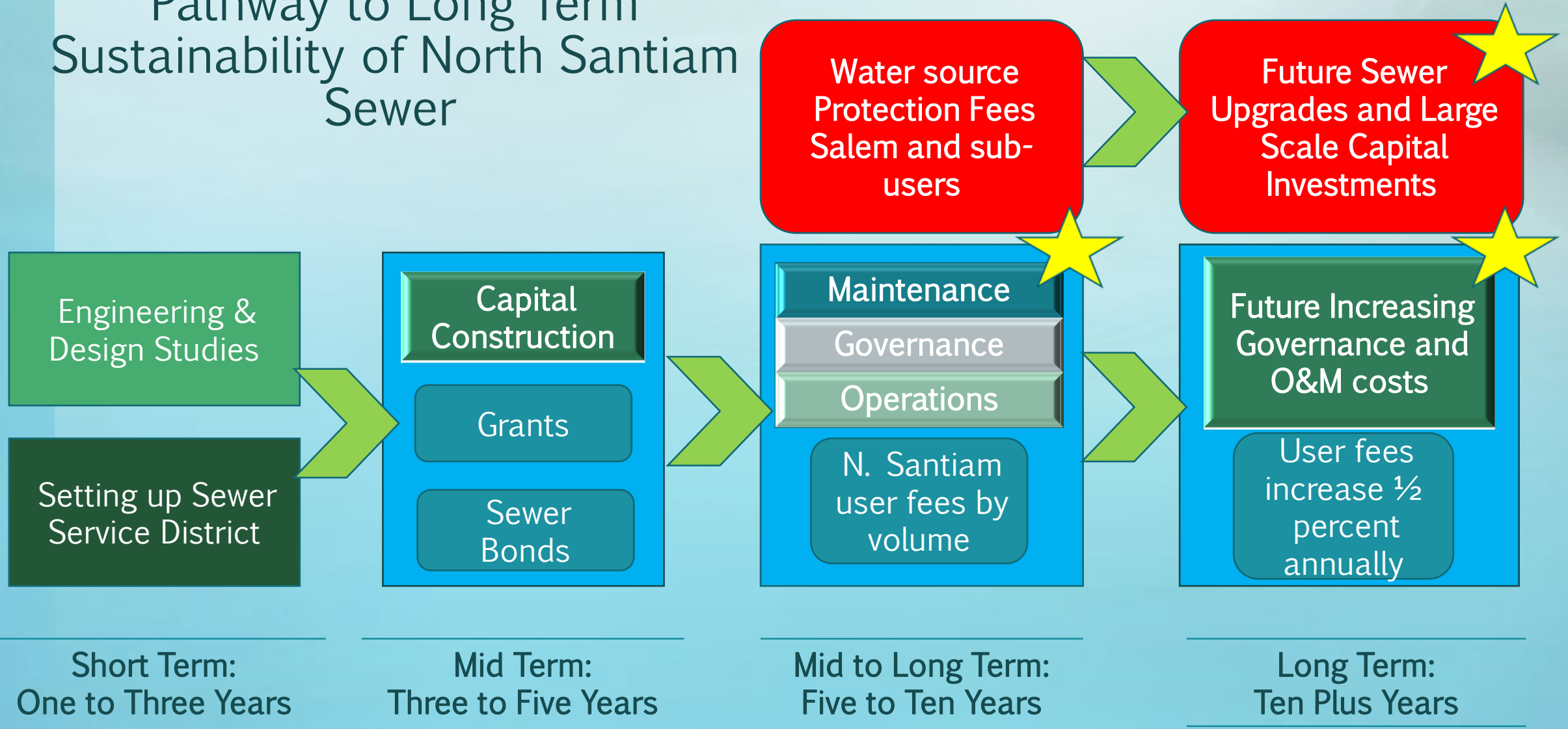
Meanwhile.....on the whiteboard



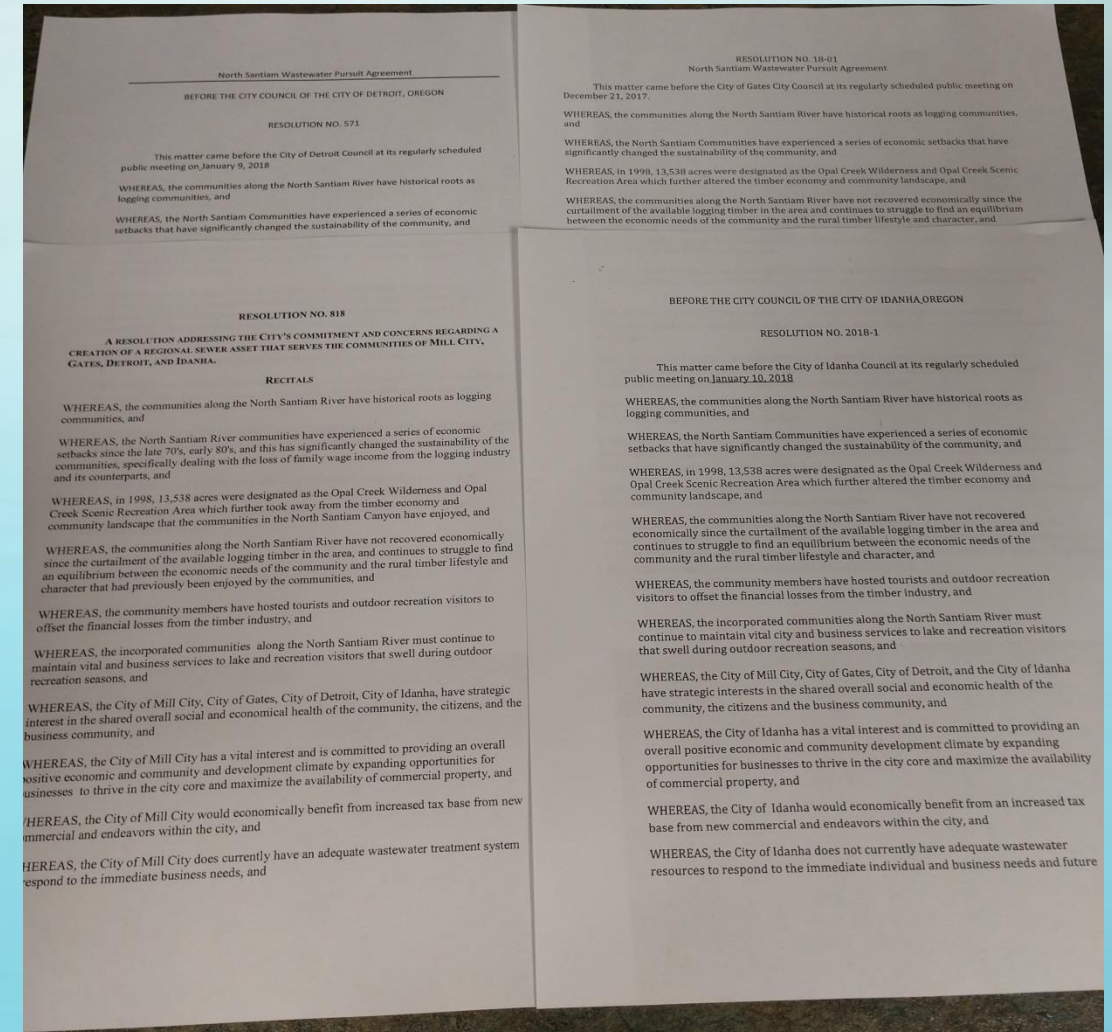
Pathway to Sustainability of North Santiam Sewer Project



Pathway to Long Term Sustainability of North Santiam Sewer



City Resolutions



What makes projects “fund-worthy”?

Four Components

1. Have vested and diverse stakeholders engaged in advocacy
2. Have a plan of action-specific and realistic
3. Have tangible (visible) outcomes to the project
4. Have a good story on why it is important- such as...*Four Rural Communities Conquer Behemoth Wastewater Project!!!*

Project Timeline

Phase I- Preplanning and Feasibility		Phase II- Governance and Design			Phase III- Construction Funding, Procurement, and Permitting		Phase III- Construction and Ongoing Servicing		
FY 2014-2015	FY 2015-2016	FY 2016-2017	FY 2017-2018	FY2018-2019	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024
Distressed Communities Workshop- April 2015	Loan Funding and Grant								
	Sewer Feasibility Study								
	Commercial and Industrial Land Supply Study								
		OHA NSC Health Assessment	Dual Engineering, Architecture and Design of Sewer Project						
		Value of Water Economic Analysis							
			Service District Formation						
			Legislative and Policy Work						
			Permitting						
							Construction of Sewer System		
								Service to Sewer Customers	

Next Steps

- Drafting of the Scope of Work and RFP, Procurement process for dual approach engineering and design
- Funding for the Dual Engineering, Architecture and Design Plan
- Watershed partners to help craft viable multi barrier approach to water of protection and complete economic analysis
- Discussions of potential of a water source protection fee
- Draft legal definition of District, Mapping and legal formation
- City Resolutions- Detroit, Gates, Idanha, Mill City
- County Resolutions- Linn and Marion County

Lessons Learned.....so far!



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www.northsantiamsewer.net