



## Community Development Department

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### MEMORANDUM

**TO:** Board of County Commissioners

**FROM:** Nick Lelack, Director  
Todd Cleveland, Environmental Soils Supervisor  
Sherri Pinner, Management Analyst

**DATE:** September 7, 2016

**SUBJECT:** Operation & Maintenance Program  
Groundwater Partnership & Newberry Neighborhood Funds Update

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### SUMMARY

The purpose of this memorandum and work session is to provide the Board of County Commissioners an update on the Community Development Department's (CDD) Alternative Treatment Technology (ATT) System Operation and Maintenance Program as requested by the Board, and the Newberry Neighborhood and Groundwater Partnership Funds. These programs are intended to preserve and protect Southern Deschutes County's high quality groundwater and drinking water systems.

Staff seeks Board direction (page 5 of this memorandum) on whether funds should be transferred to the NeighborImpact Septic Loan Program and/or Nitrogen Rebate Program and, if so, the timing and amounts of the transfers.

### 1. ATT SYSTEMS / OPERATION & MAINTENANCE PROGRAM

In 2005, the Department of Environmental Quality (DEQ) Onsite Wastewater Treatment System Rules (Oregon Administrative Rules (OAR) 340-071 and 073) were revised, including the approval of Alternative Treatment Technology (ATT) systems for use in Oregon (OAR 340-071-0345).

Deschutes County is a contract agent for DEQ in the onsite wastewater management program. CDD and DEQ staffs closely coordinate in implementing these rules.

Since January 1, 2006, 264 ATT systems have been installed to serve new homes on undeveloped lots and an additional 75 ATT systems have been installed to replace failing systems on developed lots as required by OAR. Therefore, a total of 339 ATT systems have been installed since 2006 in South County. Over 500 ATT systems have been installed throughout Deschutes County.

ATT systems consist of various types of mechanical components which require regular service to ensure they remain in proper working order.

Under OAR:

- ATT system owners are required to have an agreement with a State DEQ and ATT manufacturer certified maintenance service provider (service provider). This agreement is required prior to the issuance of a septic system construction installation permit, and it must continue for the life of the system (until the system is decommissioned).
- ATT system owners or their service providers are required to submit an annual fee and report demonstrating the system is in proper working order for each year the system is in operation.
- Deschutes County, as a contract agent of DEQ, is required to administer and implement the process to collect and review the reports ("report evaluation program") and collect fees to, at least partially, cover the costs to administer and implement this process.
- 2014 OAR revisions expanded the service agreements and reporting requirements to include other alternative systems (pressure distribution and sand filter systems), and required Holding Tank owners to submit an annual report that shows the pumping history for the previous year.

A. Report Evaluation Program & Fees

CDD is a fee supported department. It collects the following fees to partially cover the costs to administer the report evaluation program<sup>1</sup>:

- \$55 ATT, pressure distribution, sand filter system report evaluation fee; and
- \$32 Holding Tanks report evaluation fee.<sup>2</sup>
- Administering the report evaluation program includes the following:
  - Collect and process the reports;
  - Maintain ATT report evaluation records for each property, including tracking systems pertaining to reporting requirements;
  - Prepare and send letters/notices to both service providers and property owners as courtesy reminders (not required by OAR) related to annual ATT system required maintenance and reporting; and
  - Environmental Health Specialist/Wastewater Specialist review of each report for specific issues to determine the system is in compliance with Oregon OARs.
  - Systems determined to be out of compliance with annual reporting requirements are mailed additional letters and may include further coordination and communication with service providers and owners to obtain compliance. This may lead to site visits and further investigations of an Environmental Health Specialist and/or code enforcement technician.

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<sup>1</sup> CDD internally refers to this program as the Operation and Maintenance Program (O & M Program).

<sup>2</sup> DEQ charges the following fees in other counties where the agency provides direct services: \$60 for ATT, pressure distribution, and sand filter system reporting fees, and \$30 for holding tank reporting fees.

**NOTE:** The report evaluation program is highly technical, complex and resource intensive. The report evaluation fees do not cover the full costs of administering the program. Actual costs would be significantly higher. The reason actual costs are not charged is to encourage and facilitate compliance with these requirements.

## B. Current Status & Potential Next Steps

- CDD has recently updated its record-keeping software program following the transition from Accuterm to Accela. CDD is still working through details of the new software program with IT.
- One potential future change to simplify the reporting evaluation program may be to require all reporting due at the same time each year, and send a notice to both the service provider under contract and the owner. This is still to be determined.

## 2. NEWBERRY NEIGHBORHOOD & GROUNDWATER PARTNERSHIP FUNDS

These funds effectively work together to account for revenues generated from Transfer of Development Credits (TDC's), Pollution Reduction Credits (PRC's), development SDC's, and land sales. The revenue is used to provide financial assistance to protect high quality groundwater and drinking water in Southern Deschutes County and to pay debt service payments for the sewer expansion in La Pine.

### Fund 297 – Newberry Neighborhood

- This Fund is used to account for the debt service payments for the sewer expansion in La Pine (paid for by the FF&C Series 2012 Bond) and the SDC's associated with the Newberry Neighborhood development (repayment of LPSSD/City of La Pine sewer loan – balance of \$903,526 at June 30, 2016).
- Fund balance: approximately \$220,000.
- Annual debt service payments: approximately \$55,000 through 2032 (16 payments remaining for a total \$945,095 in outstanding debt).
- Approximately 4 years of debt service payments available.
- Fund is dependent on development in the Newberry Neighborhood for income. Only 4 SDC's in the amount of \$5,700 each have been received over the past several years – all have been received since April 2016. Approximately 10 new single family homes need to be developed annually to pay the debt service (\$5,700 X 10 = \$57,000) unless other larger developments are built. For example, the Little Deschutes Lodges 1 and 2 paid approximately \$75,000 each in sewer SDC's.
- Potential development in the New Neighborhood:
  1. Four (4) new single homes are under development in Crescent Creek (within the Newberry Neighborhood). This is the first development in the Newberry Neighborhood in several years, and the first since the completion of the Little Deschutes Lodges 1 and 2. The success of these new homes will be an indicator of future residential demand/sales over the next 1-3 years in Crescent Creek. If these four (4) homes sell in a reasonable period of time, the developer will proceed with building four (4)

more homes, and then continue this pattern based on market conditions until Crescent Creek is built-out. There are approximately 23 developable single family dwelling lots remaining in Crescent Creek.

2. St. Charles has announced it is developing a new medical facility across Huntington Ave. from the Newberry Neighborhood. This facility should increase the market demand for development in close proximity. A developer is currently considering a large residential project in the Newberry Neighborhood near this facility.
3. The County has indicated it may donate land for affordable housing next to Little Deschutes Lodges 1 and 2.
4. Quadrant 2a, 2b, and 2d of the Newberry Neighborhood received Tentative Plat approval on November 1, 2013 for 289 single family dwelling lots on 76.16 gross acres to complete the Crescent Creek Neighborhood. The County owns approximately two-thirds of these lots.

In sum, there are several strong indicators that development could take off over the next 1-3 years in the Newberry Neighborhood. However, CDD remains conservative in its SDC revenue projections until actual development becomes closer to reality (e.g., land use approval is obtained, building permits are under review).

#### Fund 296 – Groundwater Partnership

This Fund is used to account for revenues from PRC's, Newberry Neighborhood land sales, and more.

It provides funding to the Nitrogen Rebate Program (a \$3,750 rebate to property owners to upgrade standard septic systems to nitrogen reducing septic systems) and to the NeighborImpact Septic Loan Program.

- 17 rebates have been granted/approved since FY 14:
  - FY 14: 3 rebates;
  - FY 15: 11 rebates;
  - FY 16: 2 rebates; and
  - FY 17: 1 rebate.

Over time, the demand for rebates has decreased.

- NeighborImpact Septic Loan Program: This revolving loan program primarily provides loans to low income residents or residents who do not otherwise qualify for conventional loans to upgrade or repair septic systems to nitrogen reducing septic systems. A lien is placed on the property for loan repayment upon property sale.

This revolving loan program was funded with \$180,000 from Deschutes County in three \$60,000 payments in FY 11, FY 12 and FY 14.

Currently there are 11 outstanding loans, one loan repayment and an available balance of \$18,138 with NeighborImpact. NeighborImpact is currently requesting additional funds.

- Fund 296 balance: \$1,545.

## **Board Direction**

Staff seeks Board direction on whether to transfer none or some of the \$220,000 available in Fund 297 to Fund 296 to add resources to the NeighborImpact Septic Loan Program and/or Nitrogen Rebate Program.

With relatively limited resources available in the short term, pending a significant increase in development activity and corresponding revenue into these funds, **staff recommends all or most of the fund transfers be to the NeighborImpact Septic Loan Program** because it primarily benefits low income residents or residents who do not otherwise qualify for conventional loans to upgrade or repair septic systems.

## **Options:**

Please find below options for the Board's consideration.

1. Transfer \$55,000, leaving 3 years of debt service available in Fund 297. If this is the selected option, consider allocating:
  - a. All \$55,000 to the NeighborImpact Septic Loan Program, increasing its balance to \$73,138; **or**
  - b. Resources to both programs in the following amounts:
    - i. \$9,705 to the Nitrogen Rebate Program, creating a total fund balance of \$11,250. This amount would fund 3 more rebates in FY 17; and,
    - ii. \$45,295 to the NeighborImpact Septic Loan Program. NeighborImpact's balance for septic repairs and upgrades in South County would be \$63,433.
  - c. Other allocation.
2. Defer the decision for 6 months or at the time development activity is initiated, whichever comes first.
3. Do not transfer any funds at this time and re-evaluate during the FY 17-18 Budget.