LETTERS TO THE EDITOR

TO THE EDITOR:

In 1964 I attended a legislative conference in Washington, D.C. I suddenly found myself a minor celebrity of sorts among the 100 conferees — not because of anything I had done, but simply because I was from Oregon.

"How do you manage to elect such wonderful people from Oregon — like Senator Morse and Maureen Neuberger?" they asked.

"Oh, it's not hard," I replied. "They are such capable people that Oregonians just naturally recognize their outstanding qualities."

I remember when Morse and Neuberger stood together (and alone among all senators) in a filibuster against our government's giving Telstar to ITT — the same ITT that has won for its monopolistic self so many favors and special privileges direct from the public treasury.

Do you remember when Morse single-handedly began to lecture and inveigh against our getting involved in a land war in Indo-China? People did not understand the implication of this matter at the time — but how right his judgement proved to be.

People of integrity and vision and deep understanding are too rare in Washington, D.C. today. So, if Wayne Morse decides to run for his old seat in the Senate, I shall wholeheartedly work for his election with all the resources at my command.

If there is anything our government needs today, it is integrity and clear thinking. With these qualities, Morse is richly blessed — in the same way that Irving Brant, Justice William O. Douglas, and Archibald Cox are. We need their counsel, their advice, their rare sagacity.

Sincerely,
DOROTHY LEEPER
Temporary address,
36 Brooks St.
Concord, Mass.

TO THE EDITOR:
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City of Mill City
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Gentlemen:

We have received a copy of a letter to the editor of The Enterprise which evidently appeared on Feb. 6, 1974. There are several fine questions which are sure will be of concern to many of the citizens of Mill City.

Question No. 1

"It was reported in the Mill City Enterprise that total costs of project would approximate $2,800,000 and that federal and state agencies would provide GRANTS totaling 75% of this sum. Is this not a very erroneous statement?"

Answer No. 1

In terms of 1974 dollars, our best estimate of construction costs for a sewer system that might be built would be as summarized in Table VIII-7, page VIII-12 of the report, for a total of $2,763,000, which includes a 10% contingency over our best estimate of probable costs. With inflation running rampant as it is today, we are never sure what contractors will bid and the contingency of 20% seems appropriate. If a treatment plant of 400,000 gpd capacity is installed (as suggested if Gates is to also be served), then the total cost in table VIII-7 would be $2,847,000 which is a difference of $84,000. Total cost including the 20% contingency is still, in round numbers, $2,800,000.

Federal grants through the Environmental Protection Agency (EPA) in aid are available to aid in construction of interceptors and treatment works only. These grants, as shown in Table IX-2, are expected to be on the order of $754,000 or, if the 20% contingency on this portion of the syetem is used, the grant could increase to about $900,000. The 75% grant would not be available on the total system through this agency under today's guidelines.

Three other sources of grants may become available.

1. The law which creates EPA grant monies allows 75% grant on the total system. Because of the large national need and the amounts of money appropriated and not impounded by President Nixon, the agency has written rules restricting grants to the interceptors and treatment works. If a major recession occurs, previously impounded monies may be released to spur the economy on. The courts have so far indicated that the impoundment is illegal. If, for either reason, previously impounded monies are released, the EPA rules are likely to be relaxed which will make some more money available to aid in construction of the collection system.

2. If a major recession occurs (it has not yet been declared), another federal agency may be created to pump money into public works. This may make money available for the collection system at a yet undetermined percentage of total cost.

3. Farmers Home Administration (FHA) had a grant program which was halted by legislative action two years ago. Just recently this program was revived in part allowing FHA to reinstate those projects on which they were working on at the time the program was originally halted. Mill City Sewer Study Update is not on the list of these projects. With pressures presently being exerted and with this being an election year, the program may be expanded.

The FHA program was, in our opinion, one of the fairest in that the grants they provided were based on need and the amount of grant was set so that cost to the homeowner would not exceed normal costs to homeowners in other cities of the state or vicinity. In this regard, Mill City would certainly be eligible.

Question No. 2

"Page IX-1 of Proposal says that 'Federal Grants-in-aid are available for **sewerage treatment works** and **interceptor sewers** through EPA.' Is this still true? And if this be true is it not true that NO FEDERAL AID monies are available to help in the installation of total collector system, street repairs and household connections,"

Answer No. 2

Refer to Answer No. 1

The street repairs connected with installation of interceptor sewers is part of the eligible cost on which the 75% grant is made available.

Household connections from the main line to the property line are part of the cost estimated in the report. Costs of the household connection from the property line on private property would be the responsibility of the homeowner. Under situations (generally low-income families) FHA and other federal agencies can loan money to property owners for this household improvement. To the best of our knowledge, this is a loan and must be repaid at prevailing FHA rates with 5% interest.

Question No. 3

"Page IX-1 also states that State LOANS are available for surveying, design costs, etc. But, is not ALL state money available only in the form of LOANS that must be paid back, with interest,"

Answer No. 3

To date the answer must be a qualified "yes"'.

In December the state emergency board authorized the Department of Environmental Quality (DEQ) to utilize $1,600,000 for loans and, "in hardship cases," for grants for construction or research. We believe that Mill City may well qualify as a "hardship case".

Depending on one's analysis of the probability of a recession and the likelihood of federal funds being released to combat an economic disaster, it may be in Mill City's best interest to borrow funds to have plans and specs prepared for installation of a system so that when the money is available, the city will be ready to apply for it. Experience with these programs indicate that when this situation arose in the past, the only communities to receive much benefit were those that were ready for the situation.

Question No. 4

"Page VIII-2 establishes a proposed cost for interceptor and collector syetems at some $2,104,400. Page VIII-9 proposes a 400,000 gallon per day (gpd) treatment plant at a cost of $735,000. Added together we then have a total system cost of $2,839,000, do we not?

"Page IX-2 establishes **Total** Granst-in-aid at $754,000. Does not this leave $2,085,000 to be covered by local bond issue? And does not this have to be repaid by local property owners? Why, then, do they state on Page IX-7 that "with a loan of $1,450" when loan obviously has to be in excess of $2,000,000?"

Answer No. 4

In referring to Table IX-1 it is shown that an "Intital connection Fee' is proposed. As proposed, this fee must be paid to cause the service connection to be installed from the main line sewer to the property line. As shown in Table VIII-1 we estimate that as many as 1,400 such service extensions may be requested to serve existing dwellings and vacant lots on which the owners hope to build. We are therefore proposing a connection fee of between $330 and $390 depending on the construction costs and how much of the 20% contingency is used. One alternative to a variable connection fee is to set the connection fee at a given figure and bond for the remainder that may be needed.

It is desirable that all service extensions, including those to vacant lots, be installed in the initial construction so that the streets will be torn up only once. After the initial installation it is customary to increase the connection fee substantially to pay for the inconvenience and inspection costs of seeing to it that street repairs are properly accom-

If the connection fees are collected in advance, bonds of $1,450,000 will be sufficient assuming that the 20% contingency is adequate. Each of the past year's construction costs have been inflated 10% or more. If construction is to be done in 1975 we estimate that construction costs will likely be on the order of $2,600,000 and that the bonded indebtedness authorization should be $1,600,000.

Question No. 5

"Mill City's current valuation, as stated on Page IX-6 is $7,610,000. A bond issue then to cover above amount would have to exceed 28% of city's total valuation when all expenses are included. Is not this too heavy a tax burden for our property owners to bear, when super-imposed on top of all current taxes?"

Answer No. 5

Using the rationale presented in No. 4 above, bonded indebtedness would be on the order of 19%. If service extensions to the property lines are included in the bonded costs, then the ratio would be 25% if the total 20% contingency is used.

Question No. 6

"If above figures are reliable, and with a $7,610,000 total city valuation carrying a $2,085,000 tax lien bond burden will not the city be faced with an annual Interest-plus-Principal bond retirement of approximately $125,000? (Based on 5% Interest plus 1% Principal).

"To this amount should we not add the annual cost of operations and maintenance of at least $27,000 as stated on Page VIII-10? And should there not be some provision for a Sinking Fund to care for equipment replacement (pumps, etc.) of a bare minimum of perhaps $5,000 per year? So then we have an annual cost of perhaps $157,100 per year, do we not? And will this not go for the next 40 years?"

Answer No. 6

The operation and maintenance (O & M) costs presented on page VIII-10 includes $5,500 per year for maintenance.

Assuming that connection fees are collected in advance, say during the year before the sewer is ready for use $350/12 equals $30/mo.), a bond issue of $1,450,000 at 5% with uniform repayment schedule would have an annual payment of $84,506. When adding the O & M costs of $27,000, this results in an annual cost of $111,506. This will go on for 40 years, except that the O & M costs will inflate as does the rest of the economy.

Question No. 7

"If above figures are approximate would not the tax rate, for th si wenbonindgaARp" for this new bonding assessment only, have to be some $20.65 per $1,000 valuation? And would not this have to be paid for the next 40 years? And this would be on top of all other property owner expenses and current taxes?"

Answer No. 7

The cost per homeowner will be different over the 40-year period for several reasons. The following assumptions seem reasonable.

1. Population will at least double in this time period.
2. Assessed value in "constant" dollars will keep pace with population.
3. Inflation will average at least 4% over the 40-year period.

Then:

Assessed value (1975)
$ 8,000.000 plus or minus
Assessed Value (2015) (constant dollars)
$16,000,000 plus or minus
Assessed Value (2015) (inflated dollars)
$76,000,000 plus or minus
Average assessed value for 40 years
$42,000,000 plus or minus

From No. 6 above, the average annual repayment on bonded indebtedness (with assumption of pre-collecting the connection fees) is $84,506.

$84,506/$42,000,000 x 1,000 equals $2 plus or minus per $1,000 assessed value

It can be argued that the house valuation is also inflating and therefore the tax levy on the same house will be more. At the same time this is occurring the value of the dollar will decrease and, in terms of an income that keeps pace with inflation, the average of $2 per $1,000 is realistic.

Although many projects are sold on the basis of average costs, we believe there are too many other factors which must be considered (such as new sewers to be built to serve some of the new population), and that although the average is nice, it leaves some very unhappy citizens when they learn what the tax levy will actually be in the first years.

We also believe that a combination of methods of financing should be used which should include:

1. General bond issue for the interceptor and treatment works.
2. Assessments and user charges to pay for the collection system.
3. Connection fees collected in advance to reduce the total bonded indebtedness and to be sure that the persons requesting service connections to vacant land are not getting their property improved at the expense of the rest of the community.

Question No. 8

"Assuming 600 initial users (Page VIII-13 would not cost per initial user be closer to top figure of $4,750 than the minimum of $3,500 per user? Can, in your opinion, the average homeowner in Mill City afford a $4,750 or more tax levy burden on his property?"

Answer No. 8

Referring to Table VIII-7, the spread in cost per user is the difference between what we estimate reasonable 1974 costs to be and the contingency we have added to take care of the known inflation that is occurring. The magnitude of the inflation is really unknown.

The question of whether Mill City residents can afford this is, we believe, one which you must answer at the polls. With construction costs inflating at a rate of nearly twice that of the general economy, we believe that if Mill City is to install sewers you will be well advised to do it soon. We also believe that there are enough problems with septic tanks that the city will be forced to construct sewers within the next ten years. In our opinion, population growth will be restricted without sewers, and gain in population to help pay for the system will not offset increased costs.

Question No. 9

"If above figures are approximately true would not the cost to the owner of a $15,000 home (assuming that bond repayment levy is prorated assessment - valuation - wise) be just about $310 per year, for the entire 40 years? And this would be true whether sewer bond retirement plus operating costs were paid as a direct tax levy, or as a combination of user fee plus tax levy? And is not $310 per year a more realistic figure than the $229 quoted on page IX-7?"

Answer No. 9

We believe that the prepaid connection fee (although difficult to finance by many) is appropriate. If this is accomplished, the $229 first-year costs are approximately correct.

With increased population occurring over the 40 years and with the inflation occurring, the average annual cost to pay for the bonded indebtedness will decrease substantially, especially in terms of constant value dollars. In terms of real dollars, as time progresses, the sewer system O & M costs will escalate.

The above answers are not complete in that we need, through public hearings and work sessions with the council or their committees, to determine:

1. Should we proceed with planning a sewer system for Mill City?
2. Which combinations of the alternate financing schemes should be selected?

We hope, however, that you will find the answers satisfactory for the time being.

Very Truly yours,
Clark & Groff Eng., Inc.
Wayne A. Taylor
P. E.

The North Santiam Federal Credit Union will hold its annual meeting at the Stayton Middle School Thursday, Feb. 21, at 8:00 p.m.

Visitors Welcome

Matt Martin,
Sec.-Treasurer