STAFF REPORT

Meeting Type:	City Council Work Session
Meeting Date:	May 4, 2026
From:	AJ Thorne, Public Works Director
Subject:	Wastewater Facility Plan Amendment Work Session

DECISION TO BE MADE:

No decision is required in this meeting.

APPLICABLE COUNCIL GOAL:

- **Goal 7.6.1**: Complete and adopt the Wastewater Facilities Plan Amendment.

BACKGROUND / CONTEXT:

The purpose of this Wastewater Facility Plan Amendment, required by the City's Consent Decree with the US Environmental Protection Agency (EPA) and the Oregon Department of Environmental Quality (DEQ), is to plan for near-term and long-term improvements at the City's Wastewater Treatment Plant (WWTP) and develop a viable long-term wastewater treatment and discharge strategy to accommodate Sandy's future population.

The City previously adopted a Wastewater System Facilities Plan in 2019. However, by early 2022 it began to become apparent that the improvements contemplated in the 2019 plan were no longer appropriate for the City's circumstances. For example, the additional collection pipe rehabilitation required by the EPA meant the treatment facilities in the plan were likely oversized. In addition, the plan underestimated the cost of treatment facilities, leading to the true cost of the recommended plan being unaffordable. Finally, the 2019 plan significantly underestimated the schedule to finance, permit, and construct such significant and environmentally complex projects. (In fact, the 2019 plan estimated the City could, in addition to everything completed to date, have built a second satellite treatment plant and completed construction of a Sandy River Outfall by 2024, which would have been vastly unrealistic and infeasible). Therefore, an updated/amended facility plan that better addressed the City's needs and that incorporated more accurate schedules and budgets was necessary to provide a true pathway to regulatory compliance.

Development Moratorium Context

Pursuant to the Consent Decree, the City implemented a moratorium on new development applications that would result in increased wastewater flows beginning in October 2022. The City has been investing in increased capacity at the wastewater treatment plant by rehabilitating aging sewer pipes (reducing peak flows to the WWTP) and conducting stress testing to determine the plant's maximum capacity. A Comprehensive Capacity Evaluation Report was submitted in to EPA and DEQ in

September 2023, demonstrating that 760 ERUs should be approved for connection to the existing wastewater treatment plant as part of the Capacity Assurance Program (CAP), per requirements of the Consent Decree.

Clarifications and discussions with legal counsel were completed in May 2024 which resulted in EPA granting conditional approval of 570 ERUs with an additional 190 ERUs that will be released once the City completes several improvements to the existing treatment and discharge system. Those improvements are scheduled to be completed in 2026.

Approval of additional growth beyond the 760 ERUs requires completion of the long-term improvements established in the Facility Plan Amendment, which include a new discharge and additional treatment plant improvements and expansion.

KEY CONSIDERATIONS / ANALYSIS:

The Facility Plan Amendment (linked here) determined the City needs to pursue near-term improvements, long-term improvements, and permit modifications to maintain compliance and meet the requirements of the Consent Decree.

1. **NEAR-TERM IMPROVEMENTS**

Near-term improvements will allow the City to request approval for release of the remaining 190 ERUs under EPA's conditional approval and will allow plant staff to continue to operate the WWTP reliably until the long-term wastewater discharge project is completed. Most near-term improvements will be completed using grant funding secured for projects that can be completed by fall 2026. Spending grant funding is key to keeping rates as manageable as possible.

2. **LONG-TERM IMPROVEMENTS**

The Facility Plan Amendment evaluated a variety of long-term alternatives for expanding the existing wastewater treatment plant (WWTP) and constructing a new outfall as well as regional solutions for wastewater treatment. The Consent Decree requires long-term improvements to be constructed within 15 years of the signing of the decree.

The two alternatives initially identified as viable in late 2024 included:

A. Treatment at Existing WWTP and Discharge to Sandy River: Three treatment processes were considered to maintain treatment at the Jarl Road facility. All processes would continue to provide a minimum of high level of treatment (tertiary filtered effluent). Effluent would continue to be used for irrigation during the summer and would be discharged to Tickle Creek as allowed during the winter, with peak flows diverted to a new Sandy River outfall.

B. Regional Treatment and Discharge: This alternative would include constructing a new pump station and pipeline to send flow from Sandy to a nearby larger wastewater treatment plant. The City of Gresham was identified as the most viable regional treatment and discharge partner.

- Note: in late 2024 groundwater recharge (discussed later in this staff report) was not considered to be a viable approach under the regulatory environment that existed in Oregon at that time.

Study of the Gresham Regional Treatment Option

In December 2024, staff presented a draft Facility Plan Amendment to the City Council that identified the alternative of pumping flow to the City of Gresham for treatment and discharge as the preferred alternative because it provided the greatest long-term certainty regarding treatment requirements and could be designed, constructed, and permitted with the fewest unknowns. Expanding the existing WWTP and constructing a new Sandy River Outfall was the other viable alternative identified, however costs for this alternative were comparable to the Gresham alternative while also introducing the need for a new outfall permit, which requires a lengthy and uncertain public process. Council authorized City staff to request an extension of the Facility Plan Amendment submittal date to further investigate the regional treatment alternative, and this extension was approved.

The studies and inter-city coordination conducted in 2025 confirmed that the Gresham WWTP has capacity to serve the City of Sandy and that the City of Gresham is willing to partner with Sandy to find a long-term solution to its wastewater treatment challenges. Studies also determined that the most cost-effective approach to conveying flow to Gresham is through a new pump station, force main, and dedicated gravity pipe discharging into a portion of the City of Gresham's collection system that has available capacity.

However, during the process of confirming the viability of the Gresham discharge solution, more detailed cost analysis showed that this alternative was more expensive than previously estimated. Major cost increases were driven by the need for a redundant force main and an odor control facility, as well as more detailed route analysis combined with additional requirements determined in meetings with Gresham staff. In late 2025, these increased project costs crossed from being extremely expensive to unaffordable for Sandy. Relevant cost estimating increases were applied to the Sandy River discharge alternative and the two were compared again. The result was a similarly equivalent cost for both alternatives and an assessment that neither were affordable.

New Preferred Alternative: Groundwater Recharge

In late 2025, the City became aware of recently enacted state legislation (HB 2169) demonstrating that the State is interested in expanding water reuse. This change in the state's stance makes groundwater recharge (which was previously considered but dismissed as unrealistic) newly viable as a discharge solution. In light of this, the City asked for a final, six month, extension to the due date for Facility Plan Amendment. This was granted, and the City began work on exploring a groundwater recharge discharge alternative.

This new draft of the Facility Plan Amendment now being presented to the Council includes **groundwater recharge as the preferred alternative for Sandy's long-term discharge**. The solution proposed will be in the form of either a deep or shallow discharge to groundwater in a location near the existing outfall. This solution is similar to the Sandy River discharge in many ways and begins with the construction of Membrane Bioreactor (MBR) treatment at the existing plant. The effluent will then be treated further or 'polished,' to a level determined by the nature of the discharge and the requirements imparted by the State. This option will be substantially less expensive than either the Sandy River outfall, or a pipeline to Gresham. Operationally, this solution will help in the short term by providing Sandy discharge options during shoulder season storms or times when flow in Tickle Creek is too low to allow discharge during the winter period. In the long term, this solution will allow Sandy to grow without impacting the limits of the Three Basin Rule.

Staff is currently working on plans to move forward with this solution immediately after this Facility Plan is adopted. The first steps will be starting the process to build an MBR at the treatment plant while simultaneously starting the required studies of the intended recharge location. With this plan, a new

Sandy River discharge now becomes the backup alternative because it would also require the construction of an MBR. The regional (Gresham) alternative, which would not involve any on-site treatment, would no longer be a practical backup.

Risk Considerations and Timelines

It should be noted that all three studied discharge alternatives carry risk. Below are notable risk factors to consider, as well as estimated timelines for completion:

- Regional (Gresham): extreme expense; challenging intergovernmental agreement negotiations related to connection fee, maintenance responsibilities, and rate increase procedures; significant and distant infrastructure to maintain with high consequence of failure; however, lack of ongoing treatment responsibilities. Estimated timeline: 4 years
- Sandy River: extreme expense; lengthy and uncertain new discharge permitting process with anticipated public opposition; ongoing treatment responsibilities. Estimated timeline: 6 to 8 years[1]
- Groundwater Recharge: large but more manageable expense; approval process uncertainty due to project novelty in Oregon; ongoing treatment responsibilities. Estimated timeline: 4 to 7 years[1]

3. **PERMIT MODIFICATIONS**

The City's NPDES permit is currently being renewed, with a draft permit developed in 2026. City team members are working with DEQ permitting staff to negotiate a bridging strategy to maintain compliance until long-term improvements are in place.

BUDGET IMPACT:

While the act of adopting the Facility Plan Amendment does not have an immediate budget impact, the planning estimates for project completion will inform future rate models and SDC valuation.

Estimated totals for the studied discharge alternatives are as follows:

- Groundwater Recharge: $134M - $147M*
- Sandy River Discharge: $165M
- Regional Solution (Gresham Connection): $184M - $195M**

**The groundwater recharge is represented as a range due to multiple water polishing and discharge depth options.*

***The regional solution option is represented as a range due to and unknown value of capacity purchase.*

In addition to the discharge alternatives noted above, it's also important to note the system improvements that have already been implemented, and additional collection system improvements that still need to be made. From July 2020 through mid-April 2026, approximately $40 million has been invested in the wastewater system. The Facility Plan Amendment calls for an additional $14 million to be spent over the next several years to improve the collection system further, and address Category 4 and 5 defects, in alignment with the Consent Decree. These costs, coupled with the Groundwater Recharge option, yield a program total of $188 million.

[1] Range due to uncertainty of permitting duration

The last time Council received a comprehensive utility rate update was in December 2024. At that time, the wastewater rate projection was as follows:

December 2024 Rate Projections

2026	2027	2028	2029	2030	2031	2032	2033	2034
15%	14%	14%	14%	14%	10%	10%	10%	8.5%

The Biennium 2025-27 budget reflects the 15% and 14% in years one and two.

Based on the information that has been garnered throughout the Facility Plan Amendment process, a rate projection for each alternative has been compiled. Please note that these projections are estimates and once a final alternative is adopted the City's rate consultants will do a final projection for both rates and System Development Charges (SDC).

Discharge Alternative Impact on Utility Rate Projections

Sandy River Discharge

The estimated rate schedule for this alternative is presented below. The annual debt service to construct this project would be in excess of $12 million upon completion of the project.

2026	2027	2028	2029	2030	2031	2032	2033	2034
15%	15%	15%	15%	15%	15%	15%	12%	12%

The estimated SDC for this alternative is $17,257.

City of Gresham Discharge

The estimated rate schedule for this alternative is presented below. The annual debt service to construct this project would be approximately $14 million upon completion of the project.

2026	2027	2028	2029	2030	2031	2032	2033	2034
16%	16%	16%	16%	16%	16%	16%	12%	12%

The estimated SDC for this alternative is $26,327.

Groundwater Recharge

The estimated rate schedule for this alternative is presented below. The annual debt service to construct this project would be approximately $10 million upon completion of the project.

2026	2027	2028	2029	2030	2031	2032	2033	2034
12%	12%	12%	12%	12%	12%	12%	12%	12%

The estimated SDC for this alternative is $12,235.

Upon plan adoption, staff will re-engage with FCS to formally revise the rate and SDC projections.

RECOMMENDATION:

Continue review of the Facility Plan Amendment to prepare for adoption in June of 2026. Staff is available to answer questions or to attend council meetings to further discuss the contents of plan.

SUGGESTED MOTION LANGUAGE:

None at this time.

LIST OF ATTACHMENTS / EXHIBITS:

- Draft Wastewater Facility Plan Amendment – May 2026 (link)