

James Simmons

President, Board of Directors
Crescent Sanitary District
P.O. Box 265
Crescent, OR 97733-0265

February 27, 2025

Department of Justice

Civil Enforcement Division
State of Oregon
Attn: Mr. Andrew T. Reilly
Senior Assistant Attorney General

Subject: Acceptance of Counter-Proposal – Loan Agreements R25100, R25102 & Financing Contract Y17003

Dear Mr. Reilly,

We acknowledge receipt of your letter dated February 18, 2025, detailing the proposed deferment plan for the above-referenced loan agreements. The Crescent Sanitary District (CSD), along with its stakeholders and the Crescent community, sincerely appreciates the Oregon Department of Environmental Quality (DEQ) and the Oregon Business Development Department (OBDD) for their consideration in granting this deferment, including the moratorium on interest accrual and associated fees.

CSD fully agrees to the terms outlined in your letter and looks forward to receiving the necessary documentation to finalize the amendments to these loan agreements.

CSD's Commitment to Financial and Operational Stability

In response to the requirements outlined in paragraph four of your counter-proposal, CSD has undertaken several initiatives to strengthen financial stability and ensure the long-term sustainability of our operations. Our key actions include:

1. Budget Development

- Actively recruiting community members to establish a budget committee dedicated to preparing the Fiscal Year 2026 operational budget.

2. Infrastructure and Operational Improvements

- Implementing recommendations from the South Suburban Sanitary District (SSSD) assessment, commissioned by Klamath County Commissioners.
- Collaborating with State Representative E. Werner Reschke for professional guidance and financial assistance to address critical deficiencies in the Gilchrist and Crescent collection systems.

- Working with Representative Reschke, DEQ, OBDD, and the State of Oregon to identify potential grants and subsidies for necessary heavy equipment and operational expenses.
- Engaging SSSD management professionals to assist in hiring a new District Manager.
- Actively recruiting community members to fill all five board positions.
- Restarting the rate study in collaboration with Ms. Dessa Wells, RCAC Regional Field Manager.
- Acquiring budgeted capital outlays for essential repairs and maintenance, including necessary tools for daily operations.

Commitment to Financial Oversight

CSD remains dedicated to improving financial oversight through regular audits and budget reviews, ensuring fiscal responsibility and long-term sustainability.

We appreciate the cooperative approach taken in these negotiations and remain committed to meeting our financial obligations while maintaining essential services for the Crescent community.

Sincerely,



James Simmons

President, Board of Directors
Crescent Sanitary District

cc:

A. Gildelatorre, Senior Accountant (gil@biztaxes1120.com)
Tom Fuller, CSD Vice President (fullerw@hotmail.com)
Ernie Morreira, CSD Member at Large (ejmorreira@gmail.com)
Joe Spendolini, SSSD (jow@sssd.org)
Dessa Wells, RCAC | Environmental (dessa.wells@rcac.org)

Attachment:

- SSSD Facility Assessment Recommendations (Pages 7-9)

ATTACHMENT
SSSD Facility Assessment Recommendations
(Pages 7-9)

Recommendations

Governance and Leadership

- Hire a District Manager: Though currently cost-prohibitive, planning for a District Manager hire is essential to provide leadership and support to office staff.
- Fill all 5 board positions.

Financial Management

- Cancel and Discontinue Use of Debit Cards: Replace all debit cards with credit cards to improve financial control.
- Develop cost cutting measures that ensure CSD can maintain service levels to the citizens.
- Switch to Fund Accounting: Transition from QuickBooks to secure, audit-friendly fund accounting software recommended for local governments.
- Local Government Investment Pool (LGIP): Move reserve funds into the LGIP, currently offering 5.00% interest. System Development Charges (SDCs) should be placed in a separate LGIP account.
- Through negotiations with OBDD, ODEQ, and now ODOJ, seek a modification and forgiveness of all or portion of the current delinquent loans.
- Engage State Representative E. Werner Reschke in seeking his expertise and advice for potential assistance from the state.

Operational Improvements

In addition to addressing the following operational specifics, CSD needs a secure facility to house much needed spare parts inventory, expensive tools, vehicles, and equipment. The harsh weather conditions during winter months take a toll on the service vehicle and vacuum truck owned by the district. This would also protect against vandalism and theft.

CSD is also in need of reliable access to a backhoe for maintenance and snow removal. The treatment plant is enclosed by a chain link fence with access through a chain link swinging gate. With heavy snowfalls, equipment is needed to clear snow away from the gate to gain access to the chlorine building and treatment ponds.

Gilchrist Collection System:

- Install new manholes and replace deteriorating main lines.
- Develop a preventive maintenance program with regular cleaning and televising.
- Replace failing pumps and create a maintenance plan.
- Discontinue use of lime to kill roots in collection system. This causes floatable solids to solidify, sink, and could block flow. Could cause issues with the lagoon system as well. Utilize proper root cutter(s) for collection pipe sizes to clear pipes.
- Routine collection system flushing and cleaning i.e., monthly or weekly for troubled areas to remove sand and silt.
- Develop long range plan for the design, construction, and funding of a modern collections system to replace the outdated system in place since the 1930's.
 - Replace aged/deteriorated Terracotta mains.
 - Route mainlines in public rights-of-way.
- Install other types of pumps rather than grinder pumps; essential to preventing failures.
- Develop a maintenance plan for pump stations and pumps.
- Acquire books and/or maintenance manuals for all pumps.
- Seal kits are essential inventory items to keep on hand for pumps, impellers, and grinder pumps.
- Pumps should be inspected annually for wear.
- Acquire necessary tools to perform basic day-to-day maintenance.
- Training for basic pump repair to assist Operators.

Crescent Collection System:

- Resolve wiring issues and connect lift station generators to the SCADA system.
- Address the issues created by lift stations that have been installed at or below grade.
- Install other types of pumps rather than grinder pumps; essential to preventing failures.
- Develop a maintenance plan for pump stations and pumps.
- Acquire books and/or maintenance manuals for all pumps.
- Seal kits are essential inventory items to keep on hand for pumps, impellers, and grinder pumps.
- Pumps should be inspected annually for wear.
- Acquire necessary tools to perform basic day-to-day maintenance.
- Training for basic pump repair to assist Operators.

Treatment Plant:

- Re-establish Float Alarms: Remove zip-ties from floats and reset alarms.

- Install Air Diffuser: Add an air diffuser to improve water movement and reduce corrosion.
- Safety ropes should be installed around lined sewer ponds to allow people to exit the ponds if they fall in.
- Develop Overflow policies and procedures. A copy may be required to be sent to DEQ.
- Some type of screening needed at the wastewater treatment facility to remove gravel, silt, and sand to prevent debris buildup in lagoons.
- Better monitoring and proper dosing of chlorine could reduce or Eliminate corrosion to seals, pipes, and concrete.

Conclusion

The Crescent Sanitary District faces serious operational and financial challenges, particularly in the Gilchrist and Crescent collection systems and treatment plant. Immediate action on the recommendations in this report could help restore operational stability, enhance financial sustainability, improve service delivery, and begin rebuilding trust and confidence within the Crescent and Gilchrist community.

By collaborating with state and local agencies and following these recommendations, CSD can strengthen its operations, improve relations with citizens, and build a stable financial future.

If you have any questions or require further details, please do not hesitate to contact me by email or phone.

Respectfully,

Joe Spendolini and the SSSD Team

Joe@sssd.org

(541) 892-5460

Attachments:

- Attachment A: Commissioners Request
- Attachment B: Crescent Sanitary District Boundary Map
- Attachment C: CSD Board Appointments
- Attachment D: Engineer's Observations Report
- Attachment E: 2024 - 2025 Operational Budget
- Attachment F: Accountants' Assessment and Concerns
- Attachment G: OBDD and DEQ Debt Obligations Summary
- Attachment H ODOJ Civil Enforcement Division Demand Letter