

Belfair Sewer Advisory Committee

Special Meeting Minutes – Tuesday, December 23, 2014

http://www.co.mason.wa.us/ac/belfair_sewer/

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Special meeting called to order on December 23, at 12:08 pm by Jack Johnson, Chair.

Members: Jack Johnson, Judy Scott, Rob Drexler, Greg Waggett, Lee Swoboda, Jennifer Hines (via teleconference). Not present: Bob Harris.

Staff: None

Guests: Jeff Carey

Motion: Greg moved to approve the minutes of the December 18 meeting as emailed. Rob seconded. Motion passed.

Greg asked an agenda item be added for discussion of a letter in the *Kitsap Sun*.

Motion: Lee moved to approve the agenda as amended. Rob seconded. Motion passed.

Discussion item: Greg presented a letter that appeared in the *Kitsap Sun* on December 23, 2014¹. The letter discussed the impact a proposed ULID in South Kitsap would have on existing property owners. The sense of the Committee is that impact on property owners is of major consideration when implementing any ULID.

Discussion item: Lee provided a draft of the written proposal Commissioner Neatherlin promised at our December 18 meeting, summarizing his proposed financial plan for the Belfair sewer.

- The proposed plan includes most of the Committee's recommendations in our July 25, 2014, report to the BOCC, specifically, 3, 4, 7, 8, 9 and 12.
- The internal bond fulfills our recommendation 12 for innovative debt restructuring.
- The plan includes a ULID with Benefit Assessment Charge (BAC) as the Committee recommended (recommendation 4), but in discussing the details of implementing the ULID as proposed, the sense of the Committee is that there are some unresolved details:
 - How will the BAC be assessed to the larger undeveloped properties: as a single parcel as the plan appears to do, or based on potential densities allowed in the zoning code? Will in-lieu of assessments be allowed? Will payback of deferred BACs be required when a property is short-platted?
 - Should/can a fixed BAC be applied to all properties uniformly or should/must the charge be based on assessed value?
 - How is the vote evaluated: per parcel or based on assessed value?
- The sense of the Committee is the plan's ULID proposal is complex enough it would be difficult to "sell" to property owners. A property-owner-approved ULID must be equitable to all four categories of properties in the Belfair UGA:
 - Phase 1 developed and connected
 - Phase 1 undeveloped and connected
 - Phase 1-4 developed and unconnected
 - Phase 1-4 undeveloped and unconnected
- The sense of the Committee is that inflation should be applied differently than in the plan:
 - Inflation should be applied to operation and maintenance (O&M) costs but not to capital costs; the latter are fixed when the debt is incurred, therefore not subject to inflation.

¹ Flores, Toni. "Utility district charges would harm owners." *Kitsap Sun*. 22 Dec 2014. http://www.kitsapsun.com/opinion/letters-utility-district-charges-would-harm-owners_87569792. Accessed 23 Dec 2014.

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- The sense of the Committee is that the plan's application of inflation using the current service rate as a baseline will not bring Belfair rates in line with surrounding areas by the maturity of the ULID in 2026².
- An uncompetitive sewer service rate runs counter to the Committee's overarching objective of expanding the sewer's customer base by encouraging growth within the UGA.

The Committee agreed to explore the feasibility of financial model(s) alternatives based on the following criteria:

- Connecting the approximately 225 existing developed parcels in the northwest portion of the UGA along Old Belfair Highway, Newkirk Road, etc (formerly Phase 2);
- Mandatory connection of developed properties in this region upon availability of sewerage;
- Establishing a ULID for undeveloped properties in all regions of the UGA, which should not require a voter petition;
- Provide sufficient cashflow such that the system would not need to borrow additional funds in 2022-2025;
- Keep connection fees at \$10k for as long as possible to encourage new construction;
- Keep service rates at \$99 for as long as possible, with the goal of allowing surrounding areas to "catch up," which would restore the competitiveness of Belfair sewer utilities.

Jeff offered to prepare financial models of the alternative scenarios suggested by the Committee.

Action item: Prepare alternative financial models for comparison at the next meeting. **Action:** Jeff

STAFF REPORT none

PUBLIC COMMENT included in the above discussions

Meeting adjourned at 2:38 pm.

Special meeting: December 29, at 12:00 pm in the Port of Allyn conference room.

Respectfully submitted,
Judy Scott, secretary
LS

² Belfair's nearest "competitor" is Kitsap County, with a current service rate of under \$50. At the plan's assumed 3 percent inflation, the Kitsap rate would be about \$71 ($50 * 1.03^{12} = 71.29$) in 2026, which would still be 57% higher than the plan's proposed rate of \$125 and still uncompetitive.