

BOARD OF MASON COUNTY COMMISSIONERS' PROCEEDINGS

MAY 23, 2006

1. Call to Order – The regular meeting was called to order at 6:02 p.m. by the Chairperson.
2. Pledge of Allegiance – The chairperson led the flag salute.
3. Roll Call - Present: Dist. 1 – Lynda Ring Erickson; Cmmr. Dist. 2 – Tim Sheldon; Cmmr. Dist. 3 – Jayni L. Kamin.
4. Correspondence and Organizational Business
 - 4.1 Correspondence
 - 4.1.1 The Squaxin Island Tribe sent their 2005 Annual Report. (On file with the Clerk of the Board.)
 - 4.1.2 Doug Haskins is seeking appointment to the Solid Waste Advisory Committee.
 - 4.1.3 Arvilla Ohlde, Mike Jensen and Frank Benavente are seeking appointment to the Mason County Parks & Recreation Advisory Committee
 - 4.1.4 Washington State Parks and Recreation Commission sent notice of intent to acquire land in Mason County through a WWRP grant for IAC Project #06-1678 A. (Copy given to Parks.)
 - 4.1.5 The Washington State Department of Ecology approved the proposed amendments to the Mason County Shoreline Master Program.
 - 4.1.6 Congressman Norm Dicks asked for assistance in addressing the sewer questions raised by one of his constituents, Ms. Barbara Prichard.
 - 4.1.7 The Port of Shelton requests consideration and possible participation in the creation of a plan by the Port of Shelton to operate as a Washington Public Port, independent of the Shelton Urban Growth Area.
 - 4.1.8 Ray T. Hanson would like to know why there is not centralized purchasing and mail in the County offices.
 - 4.1.9 George D. Funk and Robert & Durlyn Finnie submitted written testimony for the May 23rd North Bay/Case Inlet Sewer System Public Hearing.
 - 4.2 News Release - County Leadership Institute. Betty Wing read aloud the news release announcing that Cmmr. Lynda Ring Erickson has been selected by the National Association of Counties to attend the County Leadership Institute which is a joint effort of the National Association of Counties and the New York University Robert F Wagner Graduate School of Public Service.
5. Open Forum for Citizen Input
 - 5.1 Drew Noble addressed the issue of the Alpine Evergreen development across the street from Oak Park on Brockdale Road. He would like to have the Oak Park operations manager sell water across the street to the new development, Alpine Evergreen. The City of Shelton also wants the development to hook up, but he did not believe it would be within a reasonable length of time.

The Board suggested he meet with the Community Development Director to discuss this further.
6. Adoption of Agenda – **Cmmr. Kamin/Sheldon moved and seconded to adopt the agenda as published. Motion carried unanimously. K-aye; S-aye; RE-aye.**
7. Approval of Minutes – None
8. Approval of Consent Agenda:
 - 8.1 Approval of Grant No. G0600332 between the State of Washington Department of Ecology and Mason County for the Skokomish Annas Bay Restoration Study. Total cost is \$142,340 with \$106,755 from the Department of Ecology, \$25,195 cash match and \$10,390 in-kind and is budgeted.

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- 8.2 ~~Approval of the resolution to amend the Non-Union Salary Range Table to reflect salary range changes to reflect a reorganization in the Prosecutor's Office and combining the Community Development and Utilities/Waste Management Departments. Removed~~
- 8.3 Approval of the contract with Robert W. Droll to complete Design Services and a Biological Assessment for the Latimer's Landing Project. The cost of the amendment is not to exceed \$55,822.40 and would be budgeted from REET 2 Capital Project Funds.
- 8.4 Approval to award the contract for CRP 1853, Wivell Road culvert replacement, to Huston Excavating for their bid amount of \$120,400, and authorize the Chairperson to execute the contract and all other pertinent documentation.
- 8.5 Approval of the Interlocal Drug Task Force Agreement between Kitsap and Mason Counties, Cities of Bainbridge Island, Bremerton, Port Orchard, Poulsbo, Shelton and Gig Harbor for the period of June 20, 2006 through June 30, 2009.
- 8.6 No objections to the special occasion liquor license application for: Harstine Island Community Club, Date: May 27, 2006, Time: 3 – 7 p.m., Place: 3371 North Island Road North, Shelton.
- 8.7 Approval to sign the public comment letter to the Department of Ecology regarding the FY 2007 Draft Offer and Applicant List for the Centennial Clean Water Fund pertaining to the Belfair Water Reclamation Facility Design.
- 8.8 Approval of Veterans Assistance Fund applications for: Donald G. Benninger - housing \$335.00; Walter P. Bloomfield (June) - burial \$600.00; and Samuel Richardson - housing \$600.00 for a total of \$1,535.00 as recommended by the Veterans Assistance Fund Screening Committee.
- 8.9 Approval of the resolution increasing the Mason County Public Works Department Petty Cash Fund from \$250 to \$400. **Resolution No. 45-06 (Exhibit C)**
- 8.10 Approval of Warrants:
Salary Clearing Fund Warrant #'s 157399-157672 \$238,837.00
- 8.11 Approval of the agreement between Mason County and Construct Inc. as low bid for the Mason County Elections Department remodel in the amount of \$74,800.
- 8.12 Approval of the agreement between Mason County and Construct Inc as low bid for the Mason County Public Works remodel in the amount of \$29,000.

Cmmr. Sheldon/Kamin moved and seconded to approve the consent agenda items 8.1 through 8.12 as presented. Motion carried unanimously. K-aye; RE-aye; S-aye.

9. 6:30 p.m. Public Hearings and Items Set for a Certain Time

- 9.1 Public hearing to consider revisions to the Title 8 Environmental Policy Ordinance and Title 15 Development Code regarding SEPA appeals.

Allan Borden, Planner, presented the staff report. The Environmental Policy Ordinance addresses environmental review on proposed projects. The Development Code is the process for permit review and approval that the county undertakes. Changes were proposed to provide consistency in each of the Titles. It was proposed to delete administrative appeals being reviewed before the Hearings Examiner. The Planning Advisory Commission recommended adoption of the new revisions.

There were duplicate processes that were a little bit different and this will help streamline it and clarify the one process.

No public commented at this hearing.

Cmmr. Sheldon/Kamin moved and seconded the Board of County Commissioners adopt Ordinance No. 43-06 to revise Title 8 Environmental Policy Ordinance regarding SEPA appeals and not revise Title 15 Development Code regarding SEPA administrative appeals. Ordinance No. 43-06 (Exhibit A)

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- 9.2 Public hearing to consider Road Vacation File No. 342, vacation of a portion of Lincoln Place, County Road Number 52220, as requested by Byron Debban and William Batstone.

Rick Brush, Right-of-Way Agent, explained that the petition is to vacate a portion of a segment of the former Mason Lake Road where it led down to SR 3 at its intersection. The segment of road was renamed and became a local access road when Mason Lake Road was realigned and a new intersection of SR3 constructed. Public Works recommends approval of the petition for vacation.

It was clarified that the County does not see any interest in ever reopening the road. The road has been permanently blocked off.

Mrs. Cookson was present and noted she lives at the end of the road next to SR 3 on Willey Lane. She asked who is the legal owner of the property and if they will get the access paved.

She asked if this will affect Willey Lane as far as county maintenance.

Mr. Brush responded the petitioner, Byron Debban, is the property owner on one side of the right-of-way to be vacated and William Batstone is the owner on the other side. They are co-petitioners and will be responsible for payment of 100% of the appraised value of the area to be vacated. This will not affect Willey Lane.

A question was raised as to the pavement that exists.

Mr. Brush replied the pavement is from the old Mason Lake Road.

The public comment was closed.

Cmmr. Kamin/Sheldon moved and seconded that this road vacation be approved as petitioned, subject to existing easements for ingress and egress or any other purpose, if any, and in accordance with RCW 36.87.170, retaining an easement in favor of Mason County for any utilities present in the vacated road right-of-way; and further subject to the payment to the County of 100% of fair market value as determined by the County Assessor. Motion carried unanimously. K-aye; RE-aye; S-aye.

- 9.3 Public hearing to consider revising the monthly utility rate and capital facility charge for the North Bay/Case Inlet Sewer System.

Emmett Dobey, Utilities Director, reported the hearing is to discuss the proposed rate increase and an increase in the Capital Facilities charge for North Bay Case Inlet sewer district.

There is also a small housekeeping item that has to do with securing a building permit and having to pay the connection charge. They also mailed individual notices to each ratepayer and tried to prepare a history of events that occurred up to this point.

Mr. Ed Cebon, Financial Consultants Group (FCS Group), made a brief presentation. He noted that the financial condition of the utility is characterized as slow erosion. Cash balances are declining and are depicted to be depleted by year end. The recommendations are centered around remedial actions. A part of the effort was to look at Capital Facilities charges. These are charges for new development at the time of connection to the system. They are intended to be an equitable share of capital costs of the system that it is being connected to. It is a sewer enterprise and is funded from within the utility. New development has not paid in any way toward the capital costs of the system. The findings in the area are that the current charges should be increased to be equitable to a level of \$8,150 and the

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recommendation is to do that as soon as practical. This provides a basis by which a newcomer to the system has paid in an amount commensurate with the value of the capacity being provided and puts them on par with the other ratepayers from that point forward. Due to the accumulation of debt service and interest costs this should escalate at \$500 per year for the next several years.

Rates are necessary to fund the ongoing costs of the utility. They include not only operating expenses, but debt service or debt repayment and also to support the ability to reinvest and sustain the system. The current rate levels are not at a level to support that on an ongoing basis and it is recommended for a series of rate increases. It is recommended for a current rate increase as soon as practical to \$76 per month from the current charge of \$48.50, and as of January 1 an increase to \$86 per month. With that, there would be a several year period that the \$86 per month would be sufficient before further adjustments would be needed. They looked at a number of scenarios and options. Part of the report included consideration of some of the costs within the utility, specifically, a reduction in the payment of the state in excise tax based on what is allowed under the statutory and administrative code, as well as submission for tax refund for overpayment in recent years. They worked with utility management and reduced some assumed capital outlays. They also examined the possibility of refinancing debt as a means of reducing costs. They would have had obtained an assisted program loan if they allow refinancing at all and put that at the lowest priority. They also examined scenarios that considered the possibility of outside support from other County activities and reviewed those. In general, the utilities are intended to be self-supporting.

The rate recommendation is for getting back to sound footing. There will be further steps taken for longer term needs. There are budget provisions to deal with what might occur for grinder pumps.

Cmmr. Kamin questioned how the history of slow erosion has occurred and if it is because the County did not have an adequate figure for connection fee charge (CFC).

Mr. Cebron replied that under law the County is allowed to recover the capital investment that is made and over time the County is allowed to accumulate interest on that. That may be something where they were not updated with large enough increments and have fallen behind. The monthly rates probably should have been adjusted since inception to keep up with costs.

Cmmr. Kamin noted that if the County raised the fee at \$10 per month they would be able to bring in \$130,000- \$150,000 per year to offset that from a designated funding stream.

Mr. Cebron commented that they reviewed the possibility of using tax resources or other outside resources to mitigate the rate impacts. Approximately \$10 of the monthly rate relates to about \$130,000 in revenue. To lower any particular year's rate by \$10 per month would require that much. To lower it \$20 per month beginning next year it would be \$260,000 - \$270,000 and that tends to increase over time.

Cmmr. Sheldon noted the issue of growth has come up for Allyn. He questioned if there is a possibility to lower the rates realizing the growth.

Mr. Cebron responded there could be a possibility. They assumed fifty new homes constructed in 2006. They have shown the growth declining to just under 20 new homes per year. If it proves to sustain at 50 the capital facilities charges that it generates could help pay the debt service and the added customer base increases revenues more than it would increase expenses. It would provide the opportunity for some rate relief.

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Emmett Dobe, Community Development Director, noted the county allocated population across the entire county. A certain portion of that was allocated to Allyn. If they were going to increase the growth, it requires another action to amend the growth boundaries to add more population.

Cmmr. Ring Erickson commented that the enterprise funds have to be run like a business and support themselves. They don't make a profit and they can't take a loss. There are two other systems the county manages and they are also enterprise funds. The rates they pay are not subsidized by any county funds.

Cmmr Kamin noted that one way the Allyn system has benefited from growth is in the generation of Real Estate Excise Tax (REET). All the new homes being sold are generating a substantial amount of REET. There seems there could be a way to dedicate a funding stream using the real estate excise tax. Within the last year and a half Lakeland Village alone has generated over \$100,000 in REET.

Cmmr. Sheldon interjected that they checked with legal counsel at Municipal Research Services and the County was advised that they can only use REET 1 or 2 to build a new plant or capital improvements on an existing plant. He felt if they use REET 1 or 2 they would be subsidizing the rates. Currently, the County is taking approximately \$40,000 each month out of the capital account. If they put the REET money into that account, they would be indirectly subsidizing rates with REET. Over the years, previous commissions have subsidized the Allyn system up to approximately \$400,000 from the .08 money collected from rural counties. That money has gone for construction projects. As a legislator he helped write the bill and those funds are really for job creation. There are legal limitations that mean an existing enterprise fund has to pay for itself.

The chairperson opened up for public comment:

Kristy Buck, Mason County Association of Realtors President, submitted copies of written comments. They supported the idea of using REET 1 and 2 funds generated by sales in Allyn for increasing capacity of the Allyn sewer and developing new water resources.

Rob Drexler noted there may be ways to do this. He sells real estate in that area and the population is approximately 60 – 65 percent on fixed incomes in Lakeland Village and North Bay/Case Inlet sewer system. He urged the Board to be careful to ensure they are not doing something they cannot undo.

Bob Murray stated he believes in fairness, especially in the use of his money in the county. He believes in user fees. He would like to see a different way of assessing rates, maybe by water usage since he is the only person in his home. He questioned if there has been a performance audit done on the study. He was concerned about efficiencies.

Joe Feuerstein stated he checked with the building department and projections are forecast to be 50 new homes this year and they are already at 60 new homes in the area. He sent emails to each commissioner expressing views. He is concerned that he is new to the area and was not aware of the sewer problem. He did a little research and felt the shortfall is a result of O & M expenditures exceeding what the income is. Connection fees initially were very low. He urged the Board to raise rates for the year of 2006 only to the number recommended by Mr. Cebon. He recommended the Board defer anything further until there is an in depth comprehensive impartial review.

George Funk noted he submitted written testimony prior and requested that be included in the record. The users of the system were not parties to the construction or financing agreements. The system is owned by the County. The intent is for user fees to cover the cash requirements, debts or general obligations of the county. The general obligation status is based on specific provisions of the debt agreements and on recitals and commission resolutions. He felt the monthly user fees are adequate to

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cover approx. 50% of the debt payments and operating costs. He stated the enterprise fund is a county characterization to keep track of money.

He asked that the County attempt to renegotiate the interest component of the General Obligation Bond and to provide funding from county general funds in the amount of \$317,000.

Mike Blodgett stated he has recreational property that is used three months out of the year. He does not use it nine months out of the year. There are seven people that do the same.

Debbie Baxter shared that she looked up sewer rate comparisons on line around the country and it appears they are proposing a lot more per month.

The Board suggested she speak with Mr. Cebren after the hearing. He has some additional information she may be interested in.

Tom Pinkney noted he is in property holding and development for some property in Allyn that was in his family for approx. 50 years. The maintenance of this system is really high. When the pump is not used, the seals dry up and they have to replace all the parts. There are products for sewer septic tanks that do not need to be put in the system. The water that comes out of the septic tank has a fecal count of 3 – 5. Maybe they should give people an alternative to put in their own clean system that is approved by the Washington State Dept. of Ecology.

Jeff Carey, Allyn Community Association President, stated there is a trust issue and they will have to work at that. He is not against growth paying for itself. He would like to see the rate across the board. The growth projection on the sewer does not match the comprehensive plan. He was concerned with the current rate structure as it might still be short.

Larry Seymour noted he has two properties in Allyn. DNR is probably the biggest beneficiary of this sewer system with the increased oysterbed production and increased plant bed production. Taylor Bay Fishing benefits from stuff they use. He questioned if the revenue the state is collecting from these sources would provide revenue for the system. Also, he questioned if the Puget Sound Clean Up Funds were available for this program. There is a huge benefit to the Puget Sound area and the entire region.

Drew Noble noted this is based on user amounts. He questioned if this means the official feeling of the people is that they want water meters on every individual well and every service connection.

Ron Jackson, Lakeland Village, he asked if the \$76/month takes into account all the operating capital needs they have.

Mr. Cebren replied that it covers the costs through the end of 2006. The increase in 2007 is necessary.

Toby Smith questioned how many grinder pumps have been replaced since the system went into effect.

Tom Moore, Program Manager, stated he has worked on the system since its inception. At this point, they have gone through the peak of problems incurred as a result of construction. There were some policies that were instituted with respect to allowing people to keep their septic tank, overflow systems that did not work out for them. They allowed water to leak in and the pumps do not do well with groundwater. The pumps were not high volume pumps, They had a lot of problems with the installation and dirt getting in. The pumps will usually last about 8 years without some form of repair or maintenance. They are now down to one a week or three replacements a month.

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Mr. Cebron clarified there is a continued deficit for the remainder of the year at \$76/month. It is between \$10,000 - \$12,000 per month.

Cmmr. Kamin stated she is not ready to make a decision and would like to explore other funding issues. The North Mason area property values have recently been reassessed. The values have gone up 43% and it is adding additional revenue in the general fund. They don't have a good estimation of sustainability and affordability. Somehow they need to be able to balance the two.

The board expressed appreciation for the input and investigation the citizens made on their own.

Cmmr. Sheldon noted they have had a lot of discussion about sewer in Mason County the last couple of years. This commission has tried very hard to look to the future and what they can make in improvements. There were mistakes made by previous commissions. They have to deal with what they have today and move forward. They need to protect against a default in the system. There needs to be sufficient reserves. Each week they are taking \$10,000 more out of the reserves. He cannot recommend that taxpayer funds from other communities in Mason County be used to lower sewer rates in Allyn. He felt it is his duty to stabilize the situation so they don't get into any future difficulty,

Cmmr. Ring Erickson stated one of the reasons she ran for County Commissioner is that she felt previous commissions had not fully understood the consequence of some of the policy decisions made. By a variety of reasons this system has been underfunded since its inception. They are looking at a system that is going bankrupt. They are involved in struggling to keep the rates down and also looking at new systems coming on in Belfair, Hoodspport and possible additional systems surrounding other parts of Puget Sound. The City of Shelton pays significantly higher sewer rates than was quoted from the survey off the internet. They will continue to keep rates and be efficient.

Cmmr. Sheldon/Ring Erickson moved and seconded to approve the resolution revising the monthly utility rate and capital facility charge for the North Bay/Case Inlet sewer system. Motion carried unanimously. K-nay; RE-aye; S-aye. Resolution No. 44-06 (Exhibit B)

10. Other Business (Department Heads and Elected Officials) - None
11. Board's Reports & Calendar – Highlights from the previous week were provided as well as agendas for the upcoming week.
12. Adjournment – The meeting adjourned at 8:01 p.m.

BOARD OF COUNTY COMMISSIONERS
MASON COUNTY, WASHINGTON

Lynda Ring Erickson, Chair

Tim Sheldon, Commissioner

ATTEST:

Rebecca S. Rogers, Clerk of the Board

Jayni L. Kamin, Commissioner

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