

## BOARD OF MASON COUNTY COMMISSIONERS' PROCEEDINGS

JULY 29, 2008

1. Call to Order – The Chairperson called the special meetings to order at 1:56 p.m. in the Mason County Building 1, Commission Chambers with the flag salute.
2. Roll Call - Present: Cmmr. Dist. 1 – Lynda Ring Erickson; Cmmr. Dist. 2 – Tim Sheldon; Cmmr. Dist. 3 – Ross Gallagher.
3. 1:55 p.m. - Approval to close North Shore Road (County Road No. 70390) on both sides of milepost 11.121 for storm damage repairs. The closure is to begin August 5, 2008 until repairs can be completed.

Bill Tabor, County Engineer, reported on the damage on North Shore Road as a result of the December 2007 storm. They had a couple of slides on North Shore Road at milepost 11.121. He requested the Board close the road until repairs are complete in that area. There are houses located below the road at this location, between Hood Canal and the roadway. They have continued to keep the road open to one-way traffic through the area. In April, they closed the road to through traffic but still allowed residents to access their homes in the area.. They have not seen a decrease in the amount of traffic, especially truck traffic. The traffic causes concern about the impact to the damaged area. They continue to see the road to degrade. They requested to permanently close the road until it is repaired.

They have 90% drawings into Federal Emergency Management Agency (FEMA) for approval and are finalizing the contract documents. They hope to be start construction some time in September and be done before the end of the year.

Cmmr. Sheldon asked if it would be a premature closure by six weeks.

Mr. Tabor replied, yes,

Cmmr. Sheldon stated he was out at the waterside and there was evidence of damage. He asked about detour signage. A business owner called about preventing RV's from continuing on the road.

Mr. Tabor noted they need to provide signage prior to the detour indicating there is no turn around point for RV's or boats. Possibly they need to find a location along North Shore to provide a turn around. The road is very tight. It is something they need to look at it.

Cmmr. Ring Erickson asked what the traffic count is on the road.

Mr. Tabor responded that the count varies from approx. 800 cars per day in the Belfair area to 100 cars per day at the southern end where Burma Road ends.

Cmmr. Ring Erickson noted that there are seasonal fluctuations probably. The intended closure was from September to December. They anticipate closing it earlier due to the deterioration of the road.

Cmmr. Sheldon asked where the detour route is located.

Mr. Tabor stated on the north end of North Shore where the Belfair Tahuya Road takes off there is a "Y" with a detour sign. They already are directing traffic to detour in that direction and will continue to detour traffic. Travelers that want to get on the other side of North Shore Road at milepost 11.121 would have to travel the Belfair Tahuya Road back down to where it intersects with North Shore at Kay's Corner. It is approximately milepost 12.06. It is approximately 3 miles past the closure.

Beverly VosPedrinis, Summertide Resort, 15781 North Shore Road, was surprised about the rather instant closure of the North Shore Road. It has been a one-way road for some time. A lot of trucks have turned

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around in their RV Park. It is no wonder there has been a lot of traffic. The detour sign is after where you are supposed to turn. She suggested moving the detour sign back with a couple warnings.

The Board asked if it is possible to have cones in place to narrow the lane to discourage large vehicles from travelling further down the detour route.

Mr. Tabor responded he would like to talk with the traffic control person to see what can be done. He was thinking of putting a series of lighted barricades to alert a large vehicle.

Ryan Cloud, Mason County Fire Protection District #2, noted their fire district provides advanced life support for that area. A concern is the road is one of the main access roads to the area. If it was to be closed they do not want to put their vehicles in danger. He wanted to know if there is still a possibility of taking their ambulances across and having some type of lock box for a gate. The ambulances weigh approx. 15,000 lbs. They make one trip a week, on average, to the area. They would be adding 10 – 15 minutes to their response time to get from Belfair to the closed area. They would not be bringing fire or water trucks across the closed road.

**Cmmr. Gallagher/Ring Erickson moved and seconded to execute the resolution to close a portion of North Shore Road (both sides of MP 11.121) to allow storm damage repairs resulting from the December 2007 winter storms. The closure will start 8:00 a.m. Tuesday, August 5, 2008 and will remain in effect until repairs have been completed. Motion carried unanimously. G-aye; RE-aye; S-aye. Resolution No. 96-08 (Exhibit A)**

4. 2:00 p.m. - Public Hearings and Items Set for a Certain Time

Public Hearing to consider adoption of modifications to the Capital Facilities Chapter of the Mason County Comprehensive Plan regarding the development of sewers in the Belfair UGA including a projection of future sewer line location, phasing of sewer line development and a financial strategy to fund capital development in response to a Compliance Order issued by the Western Washington Growth Management Hearings Board.

Tom Moore, Utilities & Waste Management, introduced Mike Sharrar and Mike McCormick who have been assisting the Director of Utilities & Waste Management, to comply with the Growth Management Act (GMA) in the Belfair UGA.

Mike Sharrar, Planning Consultant, noted that the proposal is to augment the Capital Facilities element of the Comprehensive Plan to include significant items regarding Belfair. The phasing of sewers in Belfair and the overall approach to how they will be extended including a plan for financing. The reason this is being requested is because of the need to comply with the GMA. working in local government for 40 years. 10 years as assistant director. In January 1994 left state and has been planning consultant working with local government.

Mike McCormick, Planning Consultant, stated he has worked with Mason County with the challenges of Growth Management. Today is finishing off a package of changes that the county has prepared a response to the remand from the Western Washington Growth Management Hearings Board. The Capital Facilities Plan for the Belfair component dealing with sewer is fairly straightforward. He felt it is a good package including the materials that have been adopted previously. He has high confidence that the GMA will find that it meets the concerns and hopefully will get this taken care of in early September.

Cmmr. Gallagher asked why the increase from \$40,000 to \$73 million

Mike Sharrar responded that the key characteristics before the Board includes the following: 1) location and sizing of sewer lines within the entire Belfair Urban Growth Areas, envisioning 20 years out; 2) an organized method for extending the sewers, which is sometimes referred to as phasing; and 3) a financial plan that

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shows in general terms how they think they might be ready to pay for this. There are some things that are clearly not here nor inferred or otherwise intended. First is the addition to the Capital Facilities Plan Element of the Comprehensive Plan or plans. The Commissioners have the right or opportunity to revise them as conditions change. Conditions will change. Secondly, the action applies only to the Belfair Urban Growth Area. Third, this is not intended to be any kind of statement about what connection charges and rates are going to be. This is entirely premature at this point. It is a demonstration that has been thought about, considered, and is a strategy that will work.

The UGA is divided into four areas: The blue area is known as the initial zone or connection zone #1; the salmon color area is also known as the Old Belfair Highway zone #2; and the Zone 3 is the Newkirk Road Connection which is the third in the phasing of sewer extensions; and the final is the southern connection zone which is the last of the zones which would be sewered under the plan. The intention is to have sewer online and functional by 2011 Zone 1; begin work in 2011 and end in 2017 Old Belfair Hwy zone #2; 2017-2020 Newkirk Road Zone 3; and 2020-2025 for Zone 4. The timing may not follow exactly that sequence.

There is approximately 1223 equivalent residential units at full build out. It is the bulk of the population for this area. It is also a zone that has the greatest proximity to Hood Canal and greatest source of any pollutants, which may be coming from this area to Hood Canal.

The next most diverse in terms of ownership with several owners with varying degrees of density is proposed for urban utility local improvement kind of financing. This financing would allow for the property owners to pay over time to get their connection charges settled. When property turns over, if a piece is sold off and developed, the ULID obligation is satisfied as part of the transaction. This is the only zone where a utility local improvement district is contemplated. In this area, it is anticipated this would be funded primarily through connection charges which would be up front payments by developers. Developers would have an opportunity in this area to achieve some credits. If they decide they are ready to build certain parts of the infrastructure they can get a credit in terms of equivalent residential units (ERU) for that line.

They will be estimating what the cost is. If they are able to build it for less than the estimated cost, then they have an opportunity to do a little better and reduce their cost for development.

The connection charge will be burdensome for some of the owners. They have devised a financial plan that says in this particular zone they will have an element of capital facilities overall cost paid by connection. It will be a small element. They have divided the overall cost into three parts: the treatment plant; the trunk lines; and the collection lines. Grants under the financing plan apply first to the treatment plant. That capacity which will be sufficient for the entire full build out of the area is shared equally by everyone who ultimately connects.

The collection systems are the next in line for grant proceeds and last in line for grant proceeds are the trunk lines. The trunk line portion will be a small amount and they would expect the people of the zone 1 would pay that connection fee. The salmon area the connection fee would be funded through the LID and there would not be an upfront cost. They want to make a distinction between existing people converting to sewer and the new growth that is coming onto sewer. The conversions get the very best deal they can offer. The new development has a standard full price ticket for their connection charge.

They have looked at this in great detail and are satisfied it will work. Why are they not talking about precise numbers? The costs to build the system are pretty unclear. They have some good ideas of what it will be, but the cost of fuel is affecting a lot of things. The cost of cement and steel are uncertain. There is always the possibility they will discover something they have not anticipated. Perhaps they will run into a large area that has cultural resources that have to be dealt with and carefully avoided; perhaps there will be a soil condition that no one has identified; or will go into a bidding climate where contractors are willing to bid at a very low price or high. All of the variables are tough to deal with. They are made tougher by the current economic

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condition. The connection charges are going to be \$15,000 - \$20,000 and substantially less than that for conversion kinds of connections in some of the zones. The monthly rates will be in the vicinity of \$100 per month. They cannot say with any certainty at this point. If the Board wanted to set rates at this time, he would recommend against it, because they do not know enough. They will know more when they get a bid. For that reason it is important to know that the finance plan is a plan and probably needs to be revisited with annual reconsideration of the estimates for all the phases of the projects and not just those current phases but also those phases 20 years out.

Cmmr. Ring Erickson asked if this is enough specificity to satisfy the Growth Management Hearings Board.

Mr. Sharrar responded, yes in his opinion.

Mr. McCormick also stated it is his opinion, yes. The County has looked out to completion and have looked out for the 20 years and have made a conservative set of assumptions about what is likely to happen. The County has put together a plan on how it will finance the capital facilities. That clearly meets the statutory test and feels it is a well-done capital facilities element.

Cmmr. Sheldon stated that they have experienced at the state level bidding on some of the road projects, some of the bids have been lower than expected because large companies like to keep a continuum of work.

Mr. McCormick responded there is a variety of factors that could affect the overall cost either up or down. Planners and engineers understand that. If anything there is more specificity in the financial aspects of the capital facilities plan than has been seen in a lot of other plans.

Mr. Sharrar responded to the increase of the cost to \$73 million. He stated this is an element that causes them to carefully reconsider it annually. The \$73 million is born on the costs being escalated at 8% a year until each piece of the plan is put in place. When they add up and take into account when parts are scheduled to be done it makes that much larger number.

Cmmr. Gallagher noted that financing relying on REET Funds the risk is a potential that the county will not collect sufficient REET funds.

Mr. Sharrar stated the plan anticipates their being Real Estate Excise Tax (REET) revenues within the UGA of approximately \$200,000 or more annually. That would be applied to the capital cost. It is possible that number would not be met. The issue is how they use the money. One way to use the money is they will keep putting it aside to use on a cash basis to pay the capital. Another more risky approach is to pledge that money in repayment of debt. If that money is pledged then they have a more difficult position to deal with. Similarly the Capital Facilities charge is typically not pledged for debt repayment, but debt is necessary as part of this conservative financial plan. If it is pledged, then they must have a higher debt service coverage which means they have to collect what it costs to operate the system, but an additional factor to provide coverage on that debt payment. The difference if you include REET and capital facilities charge is from 25 – 50% extra. In various finance schemes it makes sense and is less burdensome on the ratepayer on a monthly basis to go ahead and do that debt service coverage. It gets to be a blinding complex array of stuff and is why it is not a good idea to adopt rates at this time. This is a long conversation that they will be a part of over the next several months and then annually from here on out.

The financial plan assumes the county will receive zero more grants; zero more low interest loans. The entire capital extra amount has to be made up by traditional revenue debt financed borrowing. The County has been extremely successful in getting loans and in particular grants. If they can expect to get \$4 – 5 million more in grants, it makes a sharp difference in the rates and how this comes together. They have assumed none of that.

Ken VanBuskirk asked why it was decided the salmon colored area would be the next phase.

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Mr. Sharrar replied it is the next most densely populated area. Of the remaining areas, it should have the greatest hydraulic continuity with Hood Canal. For those reasons, it was considered to be second.

David Overton, General Manager for family partnership in Mason County since the early 1920's. They own a large area in the yellow section (NewKirk Road area). They have been working cooperatively with the County staff on this plan. Mason County's proposed plan is a much more conservative and detailed approach than was approved in Kitsap County. They believe it has a high likelihood of passing. He felt it is a marked difference from plans in the past. It is very comprehensive look at what can happen. This approach has worked well and allows for phasing to happen when the market demands and does not put a burden on those who would like to expand housing opportunities and does allow for affordable housing to happen inside the Belfair Urban Growth Area. He felt the County has done a thoughtful job to address public concerns. This is a plan and is one spot in the spectrum of acceptable choices that could happen.

Ken VanBuskirk stated he has read and re-read the financial and rate forecast. He looked at the proposed phasing maps. He is most familiar with the old Belfair Highway phase. He recently attended a science summit that Congressman Dicks hosted in Bremerton. He suggested the old Belfair Highway be the last phase to connect after Newkirk and the southern connections. This would give the scientists a chance to gather more information on the nitrogen issue in the Canal and the amount of stormwater runoff generated by impervious surfaces in the Urban Growth Area and along the shores of the Canal. When he obtained a copy of the finance rate forecast he was told not to get hung up on the numbers. There are so many numbers and figures that it is hard for a resident to even get a handle on it.

Table 2 talks about ERU's and growth summary. When he looked at that, it is the most concerning one to him. He believed it shows the old Belfair Highway phase carries a disproportionate amount of the ERU connections as compared to the other two phases. A fee of \$370 on the Old Belfair Highway compared to \$169 in Newkirk and \$21 in the southern connection. The numbers seem a little off. There is too much ERU connection proposed for the Old Belfair Highway phase. In addition, there are several streams and critical areas crisscrossing the area in the Old Belfair Highway as well as the critical aquifer recharge area. This would drive up housing construction costs as well as additional sewer costs.

For example, Map 4, shows a proposed force main down the Old Belfair Highway, but there is no proposed pump station and he assumed a force main would require a pump, which would be an additional cost. He also imagined the dewatering costs would be substantial with the stream crossings in the critical areas, as there are several there. Another number of concern is the conservative assumption in the forecast. He believed the beginning monthly rate of \$205 is not feasible.

The forecast also suggests that financing Old Belfair Highway Phase might be through formation of the utility local improvement district. It is his understanding that ULIDs can be formed by two means, either by petitioning initiated by property owners or by resolution. It would appear the resolution is the preferred alternative and it is not secret that developers are buying property in the Union River Valley speculating on profits. He asked that the Board consider surveying property owners along the Old Belfair Highway Phase on the creation of the ULID and extend the public comment session.

He believed the Old Belfair Highway Phase is too expensive to service even the agricultural resource lands in the Union River Valley, both inside and outside the UGA. The streams and wetlands and critical aquifer recharge area is too special to develop. There is an opportunity to focus the development in the urban growth area where it needs to go up on the plateau and not in the Union River Valley and away from the river.

Cmmr. Sheldon added this is a beginning of a plan. It is very difficult to project out to the future with the uncertainty of financial markets and construction costs. They are hopeful those things will come together as it moves forward. They cannot move forward without the Growth Management Hearings Board approval.

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**Cmmr. Ring Erickson/Gallagher moved and seconded to adopt the modifications to the Capital Facilities Chapter of the Mason County Comprehensive Plan including the Capital Development and financial requirements for the Belfair sewer utility in response to the Compliance Order issued by the Western Washington Growth Management Hearings Board. Motion carried unanimously. G-aye; RE-aye; S-aye. Ordinance No. 97-08 (Exhibit B)**

5. Adjournment – The meeting adjourned at 2:54 p.m.

BOARD OF COUNTY COMMISSIONERS  
MASON COUNTY, WASHINGTON

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Tim Sheldon, Chair

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Lynda Ring Erickson, Commissioner

ATTEST:

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Rebecca S. Rogers, Clerk of the Board

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Ross Gallagher, Commissioner