

Belfair Sewer Advisory Committee

Recommendations
to the Mason County
Board of County
Commissioners

June 24, 2014

Belfair Sewer Advisory Committee Recommendations to the Mason County Board of County Commissioners

Mason County Board of County Commissioners (BOCC) Resolution 14-13 established a citizen advisory committee (the Committee) to provide *"Recommendations on the timing and location of sewer service expansion; Capital construction funding and make recommendations on how to fund expanded services including but not limited to current and future debt; Study feasibility of all statutorily authorized customer-based funding mechanisms (ULIDs, etc) and make recommendations if indicated; Strategies to promote development; Review existing sewer service code and regulations and make recommendations on any necessary revisions with the goal of allowing development immediately while increasing the system's customer base for the future."*

The Committee has completed its work as directed by the BOCC and respectfully submits the recommendations below in accordance with Resolution 14-13.

Prologue

As residents, property owners, and business owners of the Belfair area, Committee members are familiar with the community's issues concerning the Belfair sewer and sensitive to the economic realities of residents and businesses served by the sewer system.

Because sewer design was based on overly optimistic projections of growth in the Belfair UGA, due in part to an untimely economic downturn and feeble recovery, the existing plant has capacity and associated capital and operating costs in excess of the ability of the current user base to support.

It is unfair to expect current customers to make the shortfall up in rates. Because all of the existing residents and business had legal conforming septic systems they were required to abandon, this sewer system was really designed and built to serve growth. Even if all of the currently developed properties in all four phases are connected, the fees collected will still be insufficient to pay for the operation and maintenance and administration cost, let alone the debt, of the system.

In addition, the rural nature and demographics of North Mason cannot reasonably support escalating sewer costs.

Consequently the Committee considers that in order to maintain a sustainable sewer system, sewer costs in Belfair — as well as other County-owned sewer systems — must be both competitive and stable. This is essential to encourage the future development that will allow the customer base to increase to the point the system can become self-sustaining.

The Committee is concerned that current customers are protected from being overly burdened with increasing rates and fees and that future development not be discouraged by uncertainty and potentially high fees.

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Therefore the following recommendations reflect the Committee's unanimous advocacy for protecting customers as much as possible from escalating costs and that current rates and fees for the Belfair and other County-owned sewer systems be retained.

Recommendations

The following recommendations are **not** presented in priority order.

RECOMMENDATION 1: Actively pursue combining current and future County-owned and operated water and sanitary sewer utilities into a consolidated county utility.

Currently the County operates Rustlewood and Beards Cove water systems and the Rustlewood, North Bay/Case Inlet, and Belfair sewer systems as separate cost centers. This creates unnecessary additional bookkeeping and management costs.

- Originally proposed by FCS GROUP in 2007 and 2011
 - General Utility Management Study (FCS GROUP 2007) (Appendix A)
 - Issue Paper - Governance Option for Mason County Utilities (Appendix B)
 - Presentation - Governance Option for Mason County Utilities (Appendix C)
- Advantages
 - Allows more efficient management of the County utilities
 - Realizes economies of scale, lowering future rate levels for all customers
 - Simplifies incorporation of new service areas into the County's water and wastewater services
 - Gives the County greater ability to borrow/bond against the utility
 - Allows for the utilization of county resources (ex. trucks, employees, equipment) by and between the facilities
- Existing separate enterprise funds for managing capital costs would remain unchanged
- Consolidating the utilities would streamline future construction, operation and maintenance functions.

RECOMMENDATION 2: Actively pursue appointing a Citizens Advisory Committee with citizen representatives from each service area to propose issues to be considered by the Commission, including, but not limited to, capital expenditures, operation costs, rates and budgets

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RECOMMENDATION 3: Actively pursue constructing additional sewer infrastructure to provide all built and unbuilt properties in the buildable Belfair UGA "stub out" access to low capital cost, low-pressure sewer collection system.

- In order to impose a special benefit assessment (a/k/a "special district special assessment") RCW 85.38.150 requires that any assessed property "receives or will receive special benefits." This necessitates a full buildout of intercepting and lateral sewerage (See WAC 458-20-251) in currently unserved areas of Phase 1, plus Phases 2, 3 and 4 with a target completion date of 2017
- Approximately 35,000 feet of piping are required
- Most of the installation would be in current County right-of-way
- Installation would mostly be shallow trenching, which minimizes the risk of contaminated soils and other "surprises" encountered during Phase 1 construction in the SR-3 corridor
- Estimating \$40 per foot, the cost would be approximately \$2.6m, including pump stations where necessary
- A sewer stub out would be available to every buildable property in the UGA, satisfying the requirements of RCW 85.38.150 for imposing a special benefit assessment
- Technical design (pipe sizes, pump sizes and locations, etc) would be provided by the equipment manufacturer at no additional cost as part of their sales service
- Engineering design would cost about \$100k
- Projected Revenues Phase 1, 2, 3 and 4 (Appendix D)
- Expenses and Revenues Estimates (Appendix E)
- Grant application process should begin in 2014 to achieve the 2017 target completion

RECOMMENDATION 4: Actively pursue imposing a special benefit assessment ("special district special assessment" per RCW 85.38.150) for all built and unbuilt properties in the Belfair UGA with access to the sewer that are not connected, excepting those properties that are exempted from special benefit assessments.

- A special benefit assessment would require establishing a Utility Local Improvement District (ULID) per RCW 35.43.042
- The ULID should be established by user petition as opposed to Commission mandated (See RCW 36.94)
- Installation of sanitary sewer infrastructure to all buildable property lines in the UGA is required to impose a special benefit assessment

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- Properties designated as Open Space, Timber Land or Long Term Agricultural per RCW 84.33 and 84.34 are exempted from the special benefit assessment by RCW 84.33.210 and 84.34.300
- Large tracts of unbuilt property would have a single stub out with additional infrastructure to be installed by the developer when the property is subdivided
- Expenses and Revenues Estimate (Appendix E)

RECOMMENDATION 5: Actively pursue revising current sewer codes and construction standards to provide uniform requirements across all County-owned sewer systems.

- Review Mason County Code Title 13 Utilities - APWA Standards Specifications for Municipal Public Works
- Standards
 - Develop uniform standards for design and construction
 - Develop uniform policies and procedures
 - Reliance on other agency's standards
- Comprehensive planning documents
 - County wide approach
 - General Sewer Plan to include all sewer utilities
 - Water Comprehensive Plan to include all water utilities

RECOMMENDATION 6: Actively pursue imposing a local-option sales tax devoted to sanitary sewers.

- RCW 82.14.450 authorizes local-option sales tax for public safety
- Public Safety local-option used to pay down sewer system debt
- Frees General Fund monies for other purposes
- Requires County-wide popular vote. Shelton would receive 40% of the additional revenue, the County at large would receive 60%
- 1/3 of monies must be dedicated to public safety, but 2/3 could be available for other purposes, including sewers
- 0.02% with five-year sunset
- Funds to be used for repaying debt on county-owned sewer systems
- Mason County Ordinance 20-84 will need to be amended
- Expenses and Revenues Estimate (Appendix E)

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RECOMMENDATION 7: Continue to allocate "0.09% sales tax" and Real Estate Excise Tax (REET) funds to supplement reimbursements for Belfair sewer capital costs until the system can become self-supporting.

- "Sales and use tax for public facilities" in rural counties per RCW 82.14.370
- REET for "operations and maintenance of existing capital projects" though December 31, 2016 per RCW 82.46.010(7)
- Expenses and Revenues Estimates (Appendix E)

RECOMMENDATION 8: Allocate General Fund monies to repay debt on County-owned sewer systems.

RECOMMENDATION 9: Actively pursue revising current development regulations in the Belfair UGA to remove restrictions on onsite sewage treatment systems as part of approval of a plan to construct sewer infrastructure in the entire buildable UGA, with the requirement to connect when sewer is available.

RECOMMENDATION 10: Actively pursue reviewing the current UGA boundaries as part of the next scheduled Comprehensive Plan update.

- Update the buildable land inventory for the Belfair UGA
- Develop a critical areas inventory: Wetlands, geologically unstable and topographically challenging areas
- Reconcile with Shoreline Management Plan
- Consider excluding parcels designated as timber lands or agricultural land of long-term commercial significance under RCW 84.34 or amend County sewer ordinances to provide for an equitable cost for sewer connection when an exempted parcel is withdrawn from designation or its use is changed.
- Include the entirety of bisected properties within UGA boundaries
- Revise development regulations to allow existing parcels, and to require new construction or properties with failed septic systems that are adjacent to UGA boundaries, to connect to sewers if available.

RECOMMENDATION 11: Establish a Subarea Planning Committee for the UGAs to review the current zoning and development regulations to assure they are economically feasible in Mason County.

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- Healthy development of the UGA is essential to assure the long-term survival of the Belfair sewer system

RECOMMENDATION 12: Actively pursue alternatives for restructuring the Belfair sewer capital debt.

- Commercial line-of-credit instead of General Obligation bonds to fund debt shortfalls, taking advantage of lower interest rates and more favorable terms
- As the economy improves, increasing real estate purchases and new construction within the UGA, dedicate revenues to pay down the commercial lines ahead of schedule
- Expenses and Revenues Estimate (Appendix E)

RECOMMENDATION 13: Actively pursue revising codes to allow or require all properties to connect to the sewer when the sewer line fronts the property in cases where a road is used as a UGA boundary line, whether the property is inside or outside the UGA.

- Fully include properties currently bisected by the UGA boundary
- Include properties that should be connected to the sewer for environmental reasons, for example properties on the west side of the Old Belfair Highway, many of which have on-site septic systems near the Union River
- The provision of sewer services to these properties is permissible to protect the environment of the Union River and Hood Canal as allowed under RCW 36.70A.110(4).

RECOMMENDATION 14: Actively pursue extending sanitary sewer service to existing intensely developed residential areas outside the Belfair UGA in environmentally sensitive areas.

- RCW 36.70A.110(4) allows extension of sewers into rural areas to protect basic public health and safety and the environment when such services do not permit urban development.
- Prior to implementation of contemporary development regulations, areas along the North and South Shores of Hood Canal were considered for designation as a Local Areas of More Intense Rural Development (LAMIRD, WAC 365-196-425). The early plans for the Belfair sewer included recommendations extending the Belfair sewer to these areas.
- RCW 36.70A.110(4) allows extension of sewers into rural areas to protect basic public health and safety and the environment when such services do not permit urban development.
- State Route 106 from the State Route 3 junction to at least Sunset Beach

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- State Route 300 from the Belfair UGA boundary to Belfair State Park
- Require new development outside the UGA with sewer access to connect
- This recommendation does not include modifying development regulations to allow development outside the UGA in addition to that already allowed by existing codes.

RECOMMENDATION 15: Actively pursue extending sanitary sewer service to existing commercial and institutional development outside the Belfair UGA.

- RCW 36.70A.110(4) allows extension of sewers into rural areas to protect basic public health and safety and the environment when such services do not permit urban development.
- Belfair State Park
- Sand Hill Elementary School
- North Mason School District campus, specifically to the new North Mason High School
- Mission Creek Corrections Center for Women

RECOMMENDATION 16: Actively pursue providing sanitary sewer service to new major commercial, industrial and institutional development in the vicinity of the Belfair UGA, including Kitsap County.

- Planned South Kitsap Industrial Area (SKIA)
- Planned Department of Corrections Intake Center
- Residential subdivisions in Kitsap County along SR-3

RECOMMENDATION 17: Conduct a performance audit and a benefit/cost analysis of privatizing Belfair and other County-owned sewer systems.

- Review operation and maintenance, administrative and overhead costs
- Kitsap County District 7 and some tribal plants are operated by contractors
- Cost savings may be realized by privatizing sanitary sewer operations and maintenance
- Reduce the amount of administrative overhead cost (Appendix F)
- Expenses and Revenues Estimate (Appendix E)

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RECOMMENDATION 18: Actively pursue options for the sale of reclaimed water ("Class A reclaimed water") effluent from the County-owned sewage treatment plant.

- Revise or establish Mason County Code to allow sale of reclaimed water and form irrigation districts
- Public irrigation districts and private irrigation systems can install and manage "purple pipe" distribution systems for industrial, landscaping and agricultural use
- Recycling reclaimed water would be "environment friendly" and recharge ground water aquifers
- Reclamation would reduce operating costs by providing additional revenue
- Reclamation would potentially reduce capital costs by mitigating the need to increase the area necessary for an infiltration spray field
- Expenses and Revenues Estimate (Appendix E)

RECOMMENDATION 19: Extend the term of the Belfair Sewer Advisory Committee established by BOCC Resolution 14-13 through July 2015, as an oversight committee.

RECOMMENDATION 20: Develop and create a review and analysis process for all utility extensions and system expansions.

- Include future utility infrastructure requirements in the review and support of Mason county's Comprehensive Plan
- Assure that utilities are not incurring additional debt beyond the capacity of the users to repay in a 30-year timeframe¹.
- Create a process of review the includes the following:
 - Review of local zoning and capacity needs
 - Review of local future residential demographic needs
 - Review of local future commercial needs
 - Review of the impacts on county's debt, maintenance and operation, and other ongoing costs

Respectfully submitted,
Jack Johnson, Chair
Belfair Sewer Advisory Committee
June 24, 2014

¹ For example financial figures suggest that if future extensions cost more than \$20,600 per ERU a 30-year loan will require raising monthly rates in order to pay off the loan.

Belfair Sewer Advisory Committee Recommendations

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APPENDICES

- A. "General Utility Management Study" - FCS GROUP (July 2007)
- B. "Issue Paper #1: Governance Option for Mason County Utilities" FCS GROUP (February 14. 2011)
- C. "Governance Options for Mason County Utilities" FCS GROUP (February 14. 2011)
- D. Projected Revenues Phase 1, 2, 3 and 4 (May 2012)
- E. Expenses and Revenue Summary (June 2014)
- F. Facilities Plan Supplemental Information Treatment Alternative 2 (Murray, Smith & Associates, Inc.)