

Belfair Sewer Advisory Committee

Meeting Minutes – Thursday, September 19, 2013

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A special meeting of the Belfair Sewer Advisory Committee was scheduled on Thursday, September 19, 2013, at the Port of Allyn building to discuss an alternate proposal for funding the anticipated shortfalls for Belfair Sewer capital funding repayments and the Mason County Planning Advisory Committee public hearing on the capital facilities chapter of the Comprehensive Plan scheduled for September 23, 2013.

Committee Chair Jack Johnson called the meeting to order at 3:00 pm.

Committee Chair Jack Johnson, Vice Chair Jennifer Hines and committee members Randy Neatherlin, Bob Harris, Rob Drexler, Greg Waggett and Lee Swoboda were present, which constituted a quorum.

Committee Secretary Judy Scott and members Matt Matayoshi and Ed Kurk were not present.

Community members in attendance were Jeff Carey and Jerry Eckenrode.

In the absence of Committee Secretary Judy Scott the Chair appointed Lee as secretary for this meeting.

Jennifer moved to accept the agenda. Rob seconded. The motion was approved.

NEW BUSINESS

Randy presented a summary of the current capital liabilities of the Belfair Sewer and an option for repayment, as follows:

- The funds for sewer construction were provided by mix of grants, an LTGO¹ bond and four loans from the Department of Ecology with interest rates of 1.5, 2.1, 2.8 and 3.5 percent. The current sewer connection fees and monthly charges are insufficient to offset capital repayment and operation and maintenance (O&M) costs, leaving a shortfall of approximately \$815k in 2013, with similar shortfalls in future years.
- The current idea being investigated for offsetting the shortfall is to issue an estimated \$9.3m bond to repay the current loans and bond. The new bond would have an interest rate of approximately 5.35-5.5 percent, a term of 35 years and would repay only interest for the first 10 years. The first year payment for the bond would be approximately \$500k, which would be entirely interest.
- The new bond would lower the current total capital repayments by about \$120k per year.
- Consolidating capital obligations into a single bond would leave current restrictions on new development within the UGA in effect.
- Once it is issued, the bond is fixed for its 35-year life; the interest rate and coupon are fixed, so repayment cannot be accelerated.
- Even with the new bond, the current hookup and monthly rates would not offset the combined life-cycle capital recovery and O&M costs of the sewer system, leaving shortfalls in future years that would have to be compensated by future rate increases or funds from other sources.
- As a comparison, Kitsap County charges \$48/month for 240 gpd² of sewer service, whereas Belfair's rate is currently \$96/month for 155 gpd of service, making Belfair's per-gallon rate three times that of Kitsap. Any increases in Belfair's monthly rate would make this disparity even greater, which would be a disincentive to new development.
- Using a line of credit to finance annual shortfalls as they occur could stabilize the Belfair monthly rate at \$96/month for a longer period of time and reduce the total cost of capital repayment compared with the bond option.

¹ Limited Tax General Obligation

² Gallons per day

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- Attachment 1 compares the cost of the two options. Both options assume \$300k per year of .09 funds³, \$200K per year of REET⁴ funds and \$200k annual proceeds from a potential ten-year ULID⁵ would be applied to Belfair Sewer shortfalls to supplement user fees.
- Projected shortfall adjustments included in Attachment 1, assuming supplemental funds from other sources are diverted to the Belfair Sewer, are as follows:

	EST FUNDS	EST SHORTFALL
Current estimate annual shortfall		≈ (\$1000k)
.09 funds	300k	(\$680k)
REET funds	200k	(\$480k)
ULID funds	200k	(\$280k)

- Applying the \$120k per year gained by restructuring the current debt into a consolidation bond would still leave an approximately annual \$160k shortfall.
- Even if the bond option is adopted, receipts would still not be sufficient to cover all costs without raising fees or other means.
- Fully funding the existing loan payments with a line of credit at an assumed 5 percent, well above the current 2.1 percent rate, would result in a cumulative interest of \$485k over 20 years, which is less than just the first year’s interest on the potential bond.
- Line-of-credit financing costs could be reduced if new growth is above the 1 percent assumption in Attachment 1 or if additional supplemental funds are applied to the cash flow.
- The potential advantages of a voter-petitioned ULID could be:
 - New hookups within the boundaries of the ULID could be made optional rather than mandatory, except for failures of existing on-site septic systems.
 - Current restrictions on new development within the UGA could potentially be removed.

Rob moved to endorse the plan for stabilizing monthly sewer costs at \$96 per month by using a line of credit to fund sewer shortfalls, supplemented with .09, REET and ULID funds.

Jennifer seconded. The motion passed unanimously.

Discussion ensued on the sense of the committee about mandatory hookups, which will be a topic of the upcoming Planning Advisory Commission public hearing. Rob recused himself.

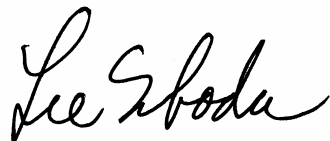
Jennifer moved to support not requiring hookups for existing businesses and residences within the UGA except for failed septic systems.

Bob seconded. The motion passed unanimously with Rob abstaining.

Greg moved to approve the minutes of this meeting, which will allow the committee’s motions to be considered in upcoming County deliberations. Rob seconded. The motion passed.

Rob moved to adjourn. Jack adjourned the meeting at 4:28 pm.

Respectfully submitted,



Lee Swoboda, ad hoc secretary

³ Sales and use tax for public facilities in rural counties, see RCW 82.14.370

⁴ Real Estate Excise Tax, see RCW 82.45.060

⁵ Utility Local Improvement District, see RCW 36.94.230

Belfair Sewer Debt Service													
Year End Debt Service Principle Reconciliation By Year													
jac; 09/13/2013													
Ecology Loans & \$6.2M LTGO Bond													
Year End	L0400005	L0800017	\$6.2M Bond	L100026	L1100013	L1200025	As Is Sub-total	Line of Credit	Line of Credit	Option Total	\$9M Bond	Additional Line of Credit	\$9M Bond
													Option Total
2013	\$ 255,057	\$ 2,716,083	\$ 4,190,000	\$ 3,969,202	\$ 1,118,451	\$ 152,615	\$ 12,401,408	\$ 815,589	\$ 13,216,997	\$ 9,380,000	\$ -	\$ -	\$ 13,825,057
2014	\$ 238,560	\$ 2,582,864	\$ 4,190,000	\$ 3,803,077	\$ 1,071,640	\$ 146,321	\$ 12,032,462	\$ 925,567	\$ 12,958,029	\$ 9,380,000	\$ -	\$ -	\$ 13,808,560
2015	\$ 221,814	\$ 2,445,456	\$ 4,190,000	\$ 3,632,241	\$ 1,023,501	\$ 139,861	\$ 11,652,873	\$ 1,038,194	\$ 12,691,067	\$ 9,380,000	\$ -	\$ -	\$ 13,791,814
2016	\$ 204,814	\$ 2,303,727	\$ 4,190,000	\$ 3,456,559	\$ 973,997	\$ 133,231	\$ 11,262,328	\$ 1,150,672	\$ 12,413,000	\$ 9,380,000	\$ -	\$ -	\$ 13,774,814
2017	\$ 187,559	\$ 2,157,542	\$ 3,940,000	\$ 3,275,895	\$ 923,089	\$ 126,427	\$ 10,610,512	\$ 1,534,677	\$ 12,145,189	\$ 9,380,000	\$ 39,887	\$ -	\$ 13,547,446
2018	\$ 170,043	\$ 2,006,761	\$ 3,685,000	\$ 3,090,107	\$ 870,737	\$ 119,444	\$ 9,942,092	\$ 1,929,640	\$ 11,871,732	\$ 9,380,000	\$ 237,249	\$ -	\$ 13,472,292
2019	\$ 152,262	\$ 1,851,238	\$ 3,425,000	\$ 2,899,049	\$ 816,901	\$ 112,277	\$ 9,256,727	\$ 2,348,479	\$ 11,605,206	\$ 9,380,000	\$ 450,237	\$ -	\$ 13,407,499
2020	\$ 134,213	\$ 1,690,824	\$ 3,160,000	\$ 2,702,573	\$ 761,537	\$ 104,921	\$ 8,554,068	\$ 2,791,615	\$ 11,345,683	\$ 9,380,000	\$ 678,928	\$ -	\$ 13,353,141
2021	\$ 115,891	\$ 1,525,367	\$ 2,885,000	\$ 2,500,524	\$ 704,603	\$ 97,372	\$ 7,828,757	\$ 3,264,954	\$ 11,093,711	\$ 9,380,000	\$ 928,866	\$ -	\$ 13,309,757
2022	\$ 97,293	\$ 1,354,707	\$ 2,605,000	\$ 2,292,744	\$ 646,055	\$ 89,624	\$ 7,085,423	\$ 3,763,235	\$ 10,848,658	\$ 9,380,000	\$ 1,194,418	\$ -	\$ 13,276,711
2023	\$ 78,413	\$ 1,178,681	\$ 2,315,000	\$ 2,079,072	\$ 585,845	\$ 81,672	\$ 6,318,683	\$ 4,293,367	\$ 10,612,050	\$ 9,380,000	\$ 1,482,105	\$ -	\$ 13,255,518
2024	\$ 59,248	\$ 997,119	\$ 2,015,000	\$ 1,859,339	\$ 523,929	\$ 73,512	\$ 5,528,147	\$ 5,065,114	\$ 10,593,261	\$ 9,380,000	\$ 2,001,283	\$ -	\$ 13,455,531
2025	\$ 39,794	\$ 809,849	\$ 1,710,000	\$ 1,633,374	\$ 460,256	\$ 65,136	\$ 4,718,409	\$ 5,873,431	\$ 10,591,840	\$ 9,380,000	\$ 2,546,487	\$ -	\$ 13,676,281
2026	\$ 20,046	\$ 616,690	\$ 1,390,000	\$ 1,401,000	\$ 394,777	\$ 56,540	\$ 3,879,053	\$ 6,800,513	\$ 10,679,566	\$ 9,380,000	\$ 3,199,469	\$ -	\$ 13,989,515
2027	\$ -	\$ 417,456	\$ 1,060,000	\$ 1,162,036	\$ 327,441	\$ 47,718	\$ 3,014,651	\$ 7,774,885	\$ 10,789,536	\$ 9,380,000	\$ 3,888,296	\$ -	\$ 14,328,296
2028	\$ -	\$ 211,959	\$ 720,000	\$ 916,294	\$ 258,195	\$ 38,663	\$ 2,145,111	\$ 8,776,496	\$ 10,921,607	\$ 9,380,000	\$ 4,592,439	\$ -	\$ 14,692,439
2029	\$ -	\$ -	\$ 365,000	\$ 663,583	\$ 186,986	\$ 29,371	\$ 1,244,940	\$ 9,834,684	\$ 11,079,624	\$ 9,380,000	\$ 5,340,739	\$ -	\$ 15,085,739
2030	\$ -	\$ -	\$ -	\$ 403,704	\$ 113,756	\$ 19,834	\$ 537,294	\$ 10,706,488	\$ 11,243,782	\$ 9,380,000	\$ 6,127,482	\$ -	\$ 15,507,482
2031	\$ -	\$ -	\$ -	\$ 136,454	\$ 38,450	\$ 10,046	\$ 184,950	\$ 11,221,790	\$ 11,406,740	\$ 8,970,000	\$ 6,992,222	\$ -	\$ 15,962,222
2032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,595,547	\$ 11,595,547	\$ 8,545,000	\$ 7,899,454	\$ -	\$ 16,444,454
Current bond and loans								Line of credit option		Bond option			