

BOARD OF MASON COUNTY COMMISSIONERS' BRIEFING MINUTES
Mason County Commission Chambers, 411 North 5th Street, Shelton, WA
Week of April 10, 2017

Monday, April 10, 2017

8:30 A.M.

Belfair Sewer Plan Review of Details

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Frank Pinter presented an updated Belfair Sewer financial plan proposal. There continues to be a State Auditor Finding (2015-001 – The Belfair Sewer and Rustlewood Sewer funds financial condition puts the utilities at risk of not being able to met their financial obligations.)
- Several options were presented to increase revenues for the Belfair Sewer including reviewing the sustainability of the \$96 ERU and other utility rates; changing the Capital Facility Charge (CFC) to existing homeowners to \$6,000 and new construction to \$8,000; impose a local-option sales tax and devote to sanitary sewers; increase allocation from the .09 Sales Tax and /or REET Funds; offer sale of Class A Reclaimed Water; allocate funds from Current Expense; offer Latecomers Agreements; impose a Special Benefit Assessment on the entire Belfair UGA; review multifamily ERU benchmarks in Belfair UGA; review validity of ERU benchmark of 155 gallons per day.
- Frank then reviewed several opportunities to increase the Belfair Sewer service area including expanding via the Old Belfair Highway (previously called Phase 2); review current Belfair UGA boundaries; reconcile the Belfair Sewer Plan with the updated Shoreline Management Plan; include the entirety bisected properties within the UGA; revisit the LAMBRID; expand sewer service to the Puget Sound Industrial Center (PSCI) formerly known as SKIA and add Class A reclaimed water service to proposal; extend sewer to Sandhill Elementary School, North Mason School District Campus and the Mission Creek Corrections Center for Women and require properties to connect to sewer when sewer line front the property even if it is outside the UGA.
- Reducing expenses could include restructuring current Belfair Sewer capital debt; the O&M costs have been reduced from \$900K to about \$550K.
- Long term solutions include a proposal to implement “at financial breakeven” expansion into Old Belfair Highway connection via Roy Boad Road (previously Phase 2).
- The current situation is financially unsustainable and; the SAO Audit findings will not go away without action.
- Recommendations: extend terms of current Belfair Sewer debt to buy time; revisit expansion expectations for the Belfair UGA Sewer phases; work with FCS Group to coordinate the new Belfair Sewer Plan modifications; follow up with Departments of Commerce and Ecology regarding a letter defining no commitments regarding current debt financing; formalize discussion with PSIC, City of Bremerton, Port of Bremerton, City of Port Orchard and WSDOT regarding expansion into PSIC; review recommendations from concerned citizens regarding FEMA flood plain maps; continue the practice of public outreach; develop a Comprehensive Sewer Plan that incorporates all sewer development.
- Decision timeline – refinance existing debt to take pressure off utility and address SAO finding; look at expansion opportunities including PSIC, Roy Boad Road and Newkirk Road and start to develop the Comprehensive Sewer Plan and make County Code changes.
- A map of the area was reviewed and Commissioners talked about various options including the Romance Hill Road area.
- Next week – specific direction from Commissioners on next steps; Cmmr. Jeffreys stated she favors refinance existing debt; Cmmr. Neatherlin supports a reduction of the hook-up fee for multi-family units; Cmmr. Jeffreys would like the Code to reflect the economies of scale to provide incentives to hook up (CFC affected by how many ERU's will be used); Frank cautioned that the CFC should include the pipe and proportionate share of

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capital expense, if you don't pay for the capital expense in the hook-up, the pressure will be on the rate side because the facility hasn't been paid for in the CFC.

10:00 A.M. BREAK

10:15 A.M. Finance Committee

Present: Lisa Frazier, Treasurer; Karen Herr, Auditor; Kevin Shutty, Commissioner. Also in attendance: Commissioners Jeffreys and Neatherlin and Frank Pinter.

- Chair Frazier called the meeting to order at 10:23 a.m. The signing of the required PDC forms is added to the agenda.
Current Expense cash balance as of March 31, 2017 is \$2,597,430.50.
Chair Frazier reviewed the various interest rates, interest collections and banking costs. Transferring banks in 2016 saved the county over \$37,000 in banking fees.
The Cash Handling Policy and Procedures continues to be pending.
The annual PDC forms were signed by the Finance Committee.
- Northwest Municipal Advisors, Scott Bauer and Allan Dashen were in attendance and reviewed options to refinance outstanding General Obligation Bonds and outstanding Belfair Sewer state loans. Debt capacity would go from about 21% to 28%. This plan costs the county money but restructures the debt to provide rate relief and reduce or eliminate the County subsidy to the Belfair Sewer. The proposal has debt service escalating at 2.5% after 2016 with the plan being that is paid for by increased rates or customers. The debt is estimated to be paid off in 2044. The proposal has a \$400K savings until 2026.
- Lisa expressed concern that although the proposal buys time, there is a cost to the county and she is not sure the county knows where it's going (with Belfair Sewer Plan) and there is a long ways to go.
- Cmmr. Jeffreys believes there is a good chance of debt restructure prior to the 2044 pay-off. We are at the mercy of new development and zoning and CFC's affect development.
- Net costs are included in the proposal.
- Frank stated this proposal restructures so the debt is affordable at today's costs and is not dependent on new development. New development will allow the county to pay down debt and pay for future development.
- Cmmr. Neatherlin favors a proposal with only the debt that saves the county at the 2.5% escalation rate and use REET and .09 funds to pay for the debt not refinanced.
- Discussion of various debt restructure options.
- A Finance Committee meeting will be held next Tuesday, April 18 at 11 a.m. to discuss the refinancing options. Northwest Municipal Advisors will provide an updated proposal prior to the meeting and if there are questions, let them know.

Finance Committee adjourned at 11:09 a.m.

11:10 A.M. Commissioner Discussion

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Discussion of County-Owned Property located at Highway 101/102. The appraisal came in very low; EDC stated they have interested parties to purchase the property for a hotel; to make sure we get commercial development on the property need to rezone for best use of property. Cmmr. Jeffreys talked to Tim Whitehead about conditioning the sale that the purchaser has to have permits before the sale is complete. Cmmr. Jeffreys talked to the appraiser who stated he can't be speculative and the appraisal reflects what is currently going on in Mason County. The Commissioners want to start the surplus process for this parcel which would be Public Works stating they have no use for the property. Frank asked if Current Expense should purchase the property from Public Works for the appraised price of \$130,000.

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Cmmr. Neatherlin stated that when we have an offer, that is what counts. He has had a conversation with the City of Shelton and hopefully the sewer hook-up fees will be much more reasonable.

Frank will work with Paula Reeves about the surplus process.

11:30 A.M.

WSU Extension Office – Justin Smith

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Justin shared March accomplishments for the WSU Extension Office. A data analysis conference at the WSU campus was held to demonstrate new methods for categorizing and sorting data; the Noxious Weed Control program is soliciting proposals for the control of knotweed; the 4-H Youth Development Program received a \$2,000 grant from the Skokomish Tribal Community in support of additional 4-H community outreach programs in Mason County; Master Garden Program has rented all 26 community garden beds; posting to fill position with the Water Resources Program; Small Farms Program - a proposal has been submitted to ESD 113 to provide supports to farmers through youth educational restoration programs.

BREAK – NOON

2:00 P.M.

Community Services – Dave Windom

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Provided draft agenda for May 4 all staff training.
- YTD building permit report was reviewed.
- Debbie Riley provided information on Environmental Health solid waste enforcement cases. There are currently 121 open EH cases. Cmmr. Neatherlin asked staff to look at a case on Old Belfair Highway. Cmmr. Jeffreys requested information on building enforcement cases.
- Stormwater is enforced by Public Works and Dave has met with Jerry Hauth. Jerry would like it enforced by Community Development with the help of engineers. Dave will bring this back for further review.
- DOH permits transient operations based on what is on the application with no review with the county and Debbie is working with DOH to receive notice so septic and water can be checked.
- Shoreline Master Program has been submitted to the state.
- Dave is looking at purchasing Office 365 for his entire office. The cost is \$11K a year. He stated he has talked to IT.
- Debbie Riley shared a *Kitsap Sun* news article on the HCCC PIC program.
- Todd Parker briefed on the RFP process for the Mental Health tax. This will be for 2017/2018. Cmmr. Jeffreys wants to be certain the county is strategic in the use of the money. She wants to include jail diversion services as well as the criminal justice system in general.
- Cmmr. Neatherlin brought up an issue with a parcel requesting to hook up to the Belfair water district and it doesn't have septic. He then brought up the special use permit process and possibly changing the process so it could be approved by the Director and/or Commissioner. Currently special use permits go through the Hearing Examiner. Dave will research and bring back information on options for special use permits.
- Need to reschedule work session on cargo storage containers.

2:30 P.M.

Public Works – Jerry Hauth/Melissa McFadden

Utilities & Waste Management

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Jennifer provided information on the utilities delinquency process. Utility liens are to be treated as a primary lien and letters will go out this Friday to delinquent accounts. The County Code will be updated.

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- Jerry and Bart provided information on utility rates and background information on the Puget Sound Industrial Center (PSIC).
- DeWayne Matlock and Ron Landon, Department of Transportation staff, updated the Commissioners on the Highway 101/Lynch Road intersection project. Three alternatives are being considered: Alternative A - Dynamic signing; Alternative B – Acceleration lanes and frontage road; Alternative C - Simmons Road improvement. DOT will be holding a public meeting to solicit comments. The project will then be reviewed by the Practical Design Committee. Cost is considered when reviewed and does it solve the problem with safety being the biggest concern. From a traffic safety perspective, Alternative B appears to be the most effective. The goal is to start working on this project by April 2018 and a community meeting will be held the end of this month.
- Cmmr. Neatherlin brought up the Belfair Bypass project. He would like the opportunity for the community to be involved in the design process.
- Emergency evacuation road (800 Road) in the Skokomish Valley. Loretta presented a copy of the agreement with Green Diamond which is being updated by Emergency Management.

3:30 P.M.

Support Services – Frank Pinter

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Commissioners approved moving forward with call for bids for the Jail remodel for Alternative Sentencing Program and would like more information. The estimated cost is \$50K to \$75K and this will allow direct access from 5th Street to upstairs of jail. There was a discussion of jail capacity. Corporal Vasquez stated there are 94 beds + 18 for alternative sentencing. This is not counting holding cells or anyone on the floor.
 - Commissioners would like to interview the Board of Equalization applicants: Kevin Frankeberger, Kimalynn Wilson and Dorothy Meyer. No need to interview Gene Currier for alternate position because he is the only applicant for that position.
 - Contract with Mason General Hospital for Hepatitis B vaccinations & Respiratory Fit reviews will be placed on the agenda. The estimated cost is \$60,000 to \$75,000 and is not budgeted.
 - Commissioners Jeffreys and Shutty's preferred option is for an RV pad for the host at Sandhill Park. The fire district will burn the existing dwelling for practice. RFP for Sandhill bid opening is being pushed out to May 4.
- Proclamation of April 25, 2017 as Volunteer Recognition Day will be on the agenda.

Commissioner Discussion – there was no discussion.

Tuesday, April 11, 2017

10:30 A.M.

General Discussion

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Cmmr. Shutty informed the Commissioners he will have a document in next week's briefing packet regarding follow-up to the Commissioners' retreat. A meeting with Elected Officials is tentatively scheduled on April 25 at 3 p.m.
- Cmmr. Neatherlin showed options for a memorial bench for the late Commissioner Jerry Lingle. The Commissioners authorized Cmmr. Neatherlin to continue working with the citizen group who are purchasing the bench.

Support Services – Frank Pinter

Commissioners Shutty, Jeffreys and Neatherlin were in attendance.

- Next Monday a follow up briefing on the CFP is scheduled and staff is looking for direction from the Commissioners on what they want to keep or delete for facilities and parks. The Parks Comprehensive Plan needs to be updated next year. The projects need to be prioritized. Frank will provide the spreadsheet in the Commissioners' packet.

- Topic: Cash Flow
Frank Pinter opened the discussion by stating the Current Expense cash is below what was anticipated and at the end of March the cash balance was \$170,000. He is anticipating a \$2M ending cash balance at this point; it was budgeted at \$3.2M. A short-term solution could be an interfund loan with the Road Fund but need to address the cash shortfall. At the last briefing the Commission asked what was the cash spent on. Big ticket items and those not anticipated are: 2014-2016 inmate outsourcing, \$1.7M; Current Expense salary increases \$422,000; Benefits increased costs, \$85,000; Medical benefits increased costs, \$224,000; Boss Settlement paid by General Fund, \$1.2M; added 12.55 FTE in 2016, \$1,008,000; unexpected 2016 EOY Expenses, \$844,000; 2012-2013 Current Expense Teamsters Settlement, \$1,540,000 for a total of \$7,023,000. This doesn't include those items that were budgeted even if actual cost exceeded what was anticipated.
The question before the Board is to either increase revenues or reduce expenses or both. Frank presented several options to increase revenues and decrease expenses. Also have \$350,000 in salary increases that has been negotiated and not budgeted. Frank has a proposal to fund this liability using other budgeted monies.
Lisa Frazier, Treasurer, commented that an interfund loan is a short term solution and the Road Fund has cash available.
- Cmmr. Shutty understands it's been some time since fees have been evaluated and asked staff to make recommendations. He asked what a hiring freeze would look like. Frank responded he believes there are 10 open positions across the departments/offices; biggest impact is to Sheriff's office; would benefit 2017 and into the future; probably not much room for reduction in operating expenditures.
- Cmmr. Jeffreys stated she cannot support a levy shift; what would we tell the public for the lid lift, believes in order for the public to approve, it would need to be dedicated; she supports reserving the criminal justice and public safety sales tax for future criminal justice facility; would like to look at a false alarm policy and review fees and charges as recommended by departments; look at Public Benefit Rating System for Open Space; supports looking at changing eligibility for medical benefits for part time employees; look at double medical coverage; in the short term need to look at staff reductions and hiring freeze.
- Cmmr. Neatherlin noted we are reviewing these options for the third time; requested levy shift be separated along with lid lift and brought forward as an Action Item to decide; already said they want to look at an increase in fees; also agreed a false alarm policy should be looked at; nuisance program – needs more information; medical benefits – eligibility for part time, wants a policy put before the Board; double medical coverage – wants a policy to decide; would consider co-locating Juvenile Facility. Staff and/or service reductions – needs to look at what it will actually mean. He supports looking at a Public Benefit Rating System. Criminal Justice sales tax and Public Safety tax – only can go out for it if all criminal justice offices are supportive and will help sell it.
- Frank summarized the following items to bring forward: fees and charges throughout the county; formalized alarm policy, information briefing on nuisance programs; public benefit rating system; modification to personnel policies for part time employees and double medical coverage; how to improve L&I rates; request Juvenile contact other jurisdictions regarding co-locating; will review impacts of a hiring freeze and staff reduction.
- A topic at the Elected Official meeting will be how to reduce expenditures and staff reductions are a last resort.
- Lisa Frazier suggested the Commissioners identify an actual dollar amount that is needed to address the cash shortfall.
- Cmmr. Shutty would like to look at the interfund loan process so we are prepared.
- Ms. Frazier cautioned the Commissioners of a SAO finding if the cash is not addressed by revenues and expenses. She clarified that the Commissioners would like the levy shift and levy lid information to come forward.

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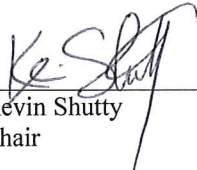
- Frank will bring forward the information next week. A resolution needs to be adopted by May if it is to go on the August ballot.
- RCO requires Parks & Trails update by February.
- Discussion of how to prioritize Parks projects; could have Commissioners do by district.

Adjourned at 11:40 a.m.

Respectfully submitted,

Diane Zoren, Administrative Services Manager

BOARD OF MASON COUNTY COMMISSIONERS



Kevin Shetty
Chair



Terri Jeffreys
Commissioner



Randy Neatherlin
Commissioner