

TASK	RELATIONSHIP
PRES	Speak for Yourself
Ask Questions	Listen Actively
Summarize	Gatekeeping
Polling	Compliment & Agree
80/20 Principle	Humor
Build Consensus	Process Check



What are we asking for?
 Why is it important?
 Is it realistic?

APRIL 29th, 2009 MINUTES
 BOARD OF COMMISSIONERS – MANAGEMENT TEAM
 WORK/STUDY SESSION
 8:30 AM

Attending: Charlotte Garrido, Chair; Steve Bauer, Commissioner; Josh Brown, Chair; Nancy Buonanno Grennan, County Commissioner; Shawn Gabriel, Director Administrative Services; Dave Tucker, Public Works; Stella Vakarcs, Public Works; Dean Brown, Auditor; Matt Keough, Parks & Recreation; Chip Faver, Director Parks and Recreation; Kevin Howell, Civil Prosecutors; Carolyn Siems, Commissioners; Vivian Henderson, KAPO; Chris Dunagan, Kitsap Sun; Deanna Erstad, Commissioners.

Anticipated Time

1. APPROVE MINUTES OF 04-22-09 8:30 – 8:35

Minutes were approved as written.

2. SEWER UTILITY FINANCIAL POLICIES & RATES - TUCKER/VAKARCS/GABRIEL/CASTEEL ([PDF](#)) 8:35 – 10:05

Dave Tucker gave presentation and background information.

Discussion Points:

- Multi vs single family residents. They looked at neighboring areas and most do differentiate.
- 700 cubic feet for multi vs 400 for single
- Setting reserves to maintain operational and repair & replacement: Charlotte asked if it is current practice to have that kind of reserve. Dave explained that it is and he had checked with various counties and cities. He said we have never kept less than \$1,000,000 and sometimes more. Steve's concern is that this is an arbitrary number that doesn't mean anything. If over time we are funding depreciation it should be much more than that. He asked if the Risk Fund and insurance are going to pay to cover a major disaster. We don't have any funding for depreciation and need to have something in fund instead of having to borrow. We need a statement to say we do have insurance to cover catastrophic situations.

- **Construction fund/capital improvement fund: Kitsap County will budget to maintain a projected end of year construction fund balance of 10% of that year's budgeted expenses.**
-
- **Asset Management – Vehicles and equipment with a replacement cost greater than \$15,000 and an unexpected operational need that exceeds its initial useful life shall be in place with the ER&R Fund.**
-
- **Asset Depreciation: This is the replacement standard used throughout the world – based for water and sewer utility, power type of utilities recommended for different types of assets. Steve asked why are buildings only 30 years and the meaning of civil site construction. Charlotte said we need a little directory of definitions to help understand. Steve asked if buildings shouldn't be more than 30 years. Dean explained that 30 years is standard and when talking about sewer plants it can be closer to 20 years.**
-
- **Asset replacement and capacity building financing: Kitsap shall use a pay as you go basis for asset replacement and capacity building for projects that total less than \$500,000 per year. Steve said if we actually start funding depreciation we should be paying things much greater than \$500,000 out of ongoing revenues because we've been putting that money aside. Dave explained that these figures are based on where we are today. He would like to write policy to show that we are funding depreciation and recognizing that we have reserves coming from depreciation the fund will be greater.**
- **Dave explained the debt service charge; The county shall budget service coverage of at least 25% of the annual principal and interest payment to meet requirements of the 2001 sewer revenue funding bond rate covenant. Steve asked it be put in context that people understand.**
- **Revenues; how are we going to calculate? The BOCC had suggested that we look at a 6 year horizon. We need to say we are going to update every 6 years.**
- **Monthly service rates: see form for costs included.**
- **Talked about sanitary sewer utility financial policies. Steve questioned the thinking here and said we need to calculate each individually. Asked why are we using residential for basis of calculating restaurants and businesses? Dave explained they have broken down how much it costs to breakdown various components, oil, food etc. Charlotte asked if you have a table that shows that. Dave explained consultant is using California data because that is what is available. Steve said it doesn't seem like a very tailored approach to evaluating. Our industrial fees are substantially lower than other areas. Charlotte asked if there isn't there some way to do an analysis to know how many are residence vs restaurants instead of just using California figures. Dave said we are looking at the average. The big costly difference is oil getting into system. Charlotte said it seems odd that there is no locally established data. Dave said he will check, possibly Seattle area.**
- **Steve said there is nothing here at all about what went into creating the contracts - need policy to say what we want in the contracts and watch when they come up for renewal. Bangor is paying commercial rates. Residential based on 700 cu feet per month – multi family 500. Each contract is different, Bangor, Poulsbo, Keyport etc. Steve said that people in rural areas are subsidizing those who are not. Charlotte said this is an area of policy and practice that needs to be looked at and changed. Nancy asked what the contract is closest to its expiration date. Dave said Poulsbo expired 9 years ago and he wanted to get policy set before redoing Poulsbo's**

contact. Steve said policy should be saying we get full cost recovery and there should be equity among the users of the system.

- **Navy Yard City: Is unique as we don't provide treatment service....we have long standing agreement with Bremerton on what we pay for wholesale charged treatment of water that comes from that system. Steve said there was discussion about turning it over to the city. There was some money held in reserve that they wanted. Dave thought we had a fair amount of money but it wasn't as much as we thought. He said he is not sure what the issue was. With the West Hills annexation failure and the SKIA it may have been too much for them to take on.**
- **New comer assessments – buy-in component and grown component – Steve asked if this is standard formula. With the buy-in component you are charging them in fees so why are you double charging. Dave will get back to with answer.**
- **Fees are adjusted annually in March and Charlotte asked if there a place in the contract that says we change the fee? Dave said each contact is different.**
- **Sewer extension and connection permit fees: Have not been adjusted since 1993 and do not cover full cost for us to do permitting. What is the piece that is in place that makes certain management of organization is doing these things. We need to think about whether there needs to be some kind of report re annual adoption of fees. How do we see we tune up the act make sure we will stay on top of this in the future. Josh said there needs to be something that says it will be reviewed annually. Charlotte said she surprised it hasn't been part of budget review. Steve added that contact renewal needs to be done timely.**
- **Steve do we drive our rates off meter or ERUs? He was told it's driven by ERUs. Steve asked what the relative split is between residential and commercial in our system. Dave said that 1/3 or less is commercial. Steve would like to know a little more about the rationale of the other jurisdictions for their rates. Charlotte if there is no written policy there must still be some rationale behind it. Dave talked about the difference in with depreciation and without depreciation and how long we want to wait before we are at 100%. Dave said in the year 2029 we would be at 100% unless rates go up proportionately. Steve said the thing we haven't really done is to evaluate the cost to the user of a more debt driven program as opposed to funded depreciation. He said the other piece that is not here is that is business as usual engineering and the board is interested I looking at new approaches to engineering that effects the numbers we are looking at. He said we also need to look at what system is going to look like and what that impact is on rates.**
- **Steve need to set 2009 now, but also where do we want system go and what it will look like...Josh asked Dave if a 10 year depreciation would give us the most flexibility and if that is what he would recommend? Dave said eventually if we want to get off the debt service game, the quicker you get there the more assurance you have. Josh said a 20 year is so long out and that we can do 10 year upgrades we choose to pay for locally. It's the impact on the customer if we are talking about going from a 20 to 10 year plan. Charlotte said today we need to do: (1) We need recommendation for adoption of interim 2009 rates but there is some serious work to be done based on the policy, (2) Fee structure needs lot of attention in terms of user rates, permit fees, why others charge higher rates than we do, and appropriate debt and consideration of a depreciation schedule, (3) annual review of policies and update contracts on time. Steve said we do need to talk about a depreciation schedule, he still would like to see**

some potential impacts of the notion of moving away from discharging into the sound etc, as that is the way he would like to the system go. Board thanked everyone for their work

FIVE MINUTE BREAK

10:0 – 10:15

Nancy asked for a few minutes for an exec session on potential litigation – Board recessed into Executive Session from 10:10-10:25 to discuss potential litigation pursuant to RCW 42.30.110. (1) No action taken.

3. YMCA FACILITIES AGREEMENT

10:25 – 11:00

Josh talked about agreement and gave timeline history.

Steve would like to see a greater breakout in terms of budget and the project in terms of the public thing we are doing with out \$5million. Nancy will get a more detailed breakdown to the board. Wants a clear picture and be sure of what commitment we are making, sources of funding, how much we are using on site and how much we are handing over to the YMCA.

Josh went through several things on the facilities agreement – how much are we giving to the Y and how much are we getting back in terms of public benefit. Charlotte needs basic discussion of concept and other partnerships and what the specific budget is for this program. Phase I is the YMCA, village green and parking lot – how much the county is paying for? Josh talked about the lease the land lease being 25 years and is renewable for another 25 years. \$1m is cap for county funding. Charlotte asked about the village green size and anticipated use. Josh said the idea is it is to be used for public space and connection between buildings.

AGENDA REVIEW FOR MAY 4, 2009 MEETING.

11:00

The agenda for the May 4, 2009 meeting was reviewed.

Meeting adjourned at 11:33

Respectfully submitted by Deanna Erstad.