

Local Improvement Districts (LID)

Financing a Port
Hadlock Wastewater
Collection System



Port Hadlock Wastewater
Working Group Meeting | May 29, 2019
Jefferson County Public Works Department

Port Hadlock Wastewater System Elements

(refer to 2019 Value Engineering Review)

Common Treatment System, including preliminary costs (Est. \$12,089,000)

- Seek grants then County borrows remainder; Customers pay their share with connection charges (used by County to make debt payments)

Pressurized Collection System (Est. \$6,532,000)

- Form an LID to finance Est. \$3.5 million
- Seek grants to cover remaining costs

On-site Grinder Pump and Side Sewer Connection (Est. \$4,486,000)

- Costs covered by individual property owners (Est. \$12,600 per ERU)

* Plus Ongoing Monthly Sewer Rates (Est. \$87 a month per ERU)

What is a Local Improvement with Special Benefit?

- A sewer collection system for the Core area would be considered a Local Improvement, which is the design and construction of public facilities made primarily for the Special Benefit of specific properties, rather than the general benefit of all of the Port Hadlock area.
- The collection system is the local sewer lines in the public right of way from the Core area properties to the common treatment facilities.
- Special Benefit is the net increase in property value created by the Local Improvement – the Core Area sewer collection system.

What is a Local Improvement District (LID)?

- An LID is a tool for financing infrastructure improvements, such as a Port Hadlock wastewater pressurized collection system that would benefit property owners in the Core area/boundary of the LID.
- LIDs raise capital funds for improvements through the sale of bonds to investors.
- Each property will receive a special assessment, which can be paid over 20 years.
- Bonds are retired by the annual payments from property owners in the LID.

Why form an LID?

- Borrowing will be required to construct the Port Hadlock wastewater system - a new system.
- Since there will not be any sewer customers at the time of borrowing, potential funders will want assurance that the system will be a success and loans/bonds will be repaid.
- Formation of an LID demonstrates the community support for the Local Improvement. This is important to the County and outside funders.

Why form an LID?

- If the County undertakes design and construction of a collection system for the Core area, it would be appropriate to have the property owners who receive the benefits cover some or all of the costs, rather than assess those costs on the entire community of Port Hadlock/Irondale (collection system only, not treatment facilities).
- After an LID is formed, Jefferson County would be able to apply for grants to reduce the initial cost, and borrow for the remainder of construction of the public sewer system (collection and treatment).

LID Assessments

- LID Assessments:
 - Cannot exceed the Special Benefit.
 - Must be proportional to one another.
 - Can only be assessed to benefiting properties.
 - Can be repaid up to 20-years on annual property tax statement.
 - Can be pre-paid without interest.
- The County would determine the method for calculating assessments as part of the LID process, but with public input.

LID Assessments - Example

Port Hadlock LID Example (refer to Value Engineering Review)

- Estimated LID Assessment average of \$7,400 per Equivalent Residential Unit (ERU); Although would not be assessed on a per ERU basis.
- Actual Assessment method and amount determined through LID process
- Property owner choices for repayment:
 - 1. Pay upfront with no interest
 - 2. Pay over 20 years with interest
 - 3. Pay off early (such as at sale of property) for remaining principal balance + interest

Preliminary LID Assumptions For Port Hadlock Wastewater System

- Estimated Special Benefit for the Core area was \$7.8 million in 2013.
- An LID is planned to finance a portion of the collection system in Port Hadlock. The Core area would be served by the initial collection system and the first LID. Future LIDs would be formed for expansion.
- The 2019 Value Engineering Review Financial Update assumed:
 - That the maximum from the LID would be 50% of the 2013 Special Benefit, or up to \$3.9 million (the example shows \$3.5 million).
 - And Grants would cover the remaining cost of the collection system.

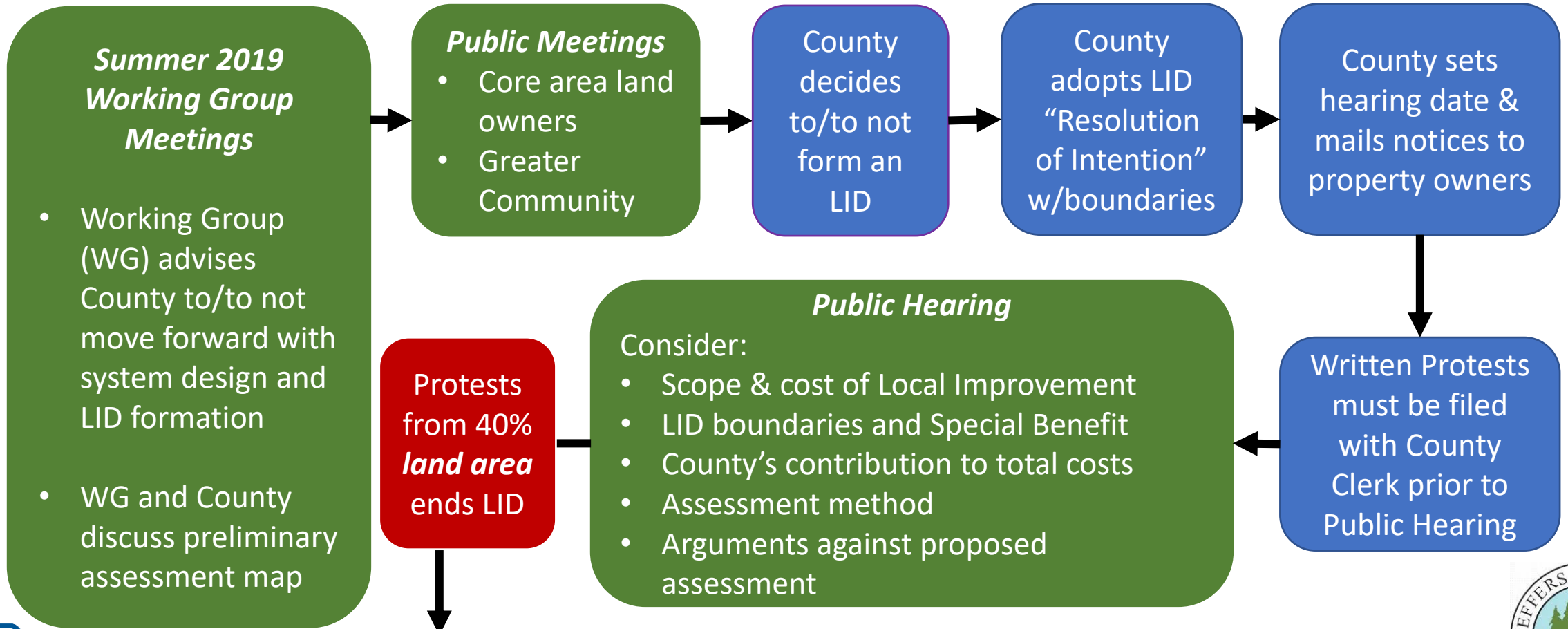
How is an LID formed in Jefferson County

- The process for setting up an LID is set by Washington State law – Jefferson County would need additional legal, bond counsel and underwriter advisors to support an LID formation process.
- An LID can be formed through two processes:
 - Port Hadlock public petition.
 - Jefferson County resolution.

How is an LID formed in Jefferson County, continued

- For Port Hadlock, the assumption is that Jefferson County would decide, if appropriate, to pass a resolution to form an LID, but only if the County is confident there is public support.
- An informal citizen's survey was conducted in 2018 that showed substantial public support for:
 - A wastewater system in the Core area
 - LID to help cover some costs (though specific costs were not identified).

Possible Pt. Hadlock Wastewater LID Process



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Potential Pt. Hadlock Wastewater LID Process

– Slide 2 of process

