

"Transfer" option

1. Why is the capital cost of the "transfer" option much higher (~30%) than USDA or private financing? Higher interest rate, shorter term. These numbers derived from proposal presented by H&R Waterworks, which is a for profit company. HMC is a nonprofit.
2. As a practical matter, what does transfer of the water rights mean? (The owner of the water rights, whether H&R or HMC, does not seem to be able to do anything with them except provide water for HI members, so why is this issue significant?) It means that HMC would no longer own the water. It's a binding decision and very unlikely that HMC would be able to regain control over water supply should transfer not work out. If HMC retains the water rights, the association can continue to provide water for Herron Island ; if sold or transferred, the new owner would have complete control of the water distribution.

"Ownership" option

1. Is there anything that would preclude members from voting in future to sell the system to an interested buyer? No. The water utility could still be sold, under the same RCW requirements as shown on the ballot.
2. Is the USDA interest rate fixed for the term of the loan? Yes, it's pretty much a "home mortgage" amortization schedule.
3. Would Water System Utility rates be subject to regulation by UTC as the rates would be under the "transfer" option? As a privately owned water utility, HMC would not be covered by UTC; however, there are other regulators, such as the Department of Health, including drinking water and water use efficiency rules. Rates would be annually set by a vote of the membership, as with the rest of the island budget.
4. Would the Water System Utility be more likely to hire its own staff for maintenance, administration/billing and so on or to outsource those functions to a contractor? That's a decision for future boards. Right now, the arrangement with Washington Water seems to be working, and most, if not all, small water systems contract with one of the major water service companies. Experience with running the system should help reveal the most efficient ways to provide quality service.

Questions for both options

1. Would property owners who do not elect to pre-pay the capital costs have a lien placed against their property until the capital costs are repaid? No. However, nonpayment of water bills will be treated the same as other delinquencies.
2. If a member financed the capital costs initially, could s/he (or a subsequent owner of the property) pay off the balance early without penalty? This was under discussion until recently, and the Finance Committee has recommended that prepayment be a onetime option.