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Mission Statement: Meeting the challenge of protecting the environment and providing quality sewer service to the community.

**MINUTES
 COMMISSIONER MEETING
 May 12, 2016 9:00 AM**

Attendees: Commissioner Pam Stevens, Commissioner Frank McDaniel and Commissioner Brent Kirk. Staff: Michael Bowers, Tonya Christoffersen, Johnathan Dix and Mary Coonrod. Engineering Consultants: Stacey Clear, Barry Baker, G & O and Rodney Langer, CHS Engineers. Legal Counsel: Michael Kvistad.

1. **CALL TO ORDER** - At 9:02 AM, Commissioner Stevens called the Meeting to order.
2. **PLEDGE OF ALLEGIANCE** – Commissioner Stevens led those present at the Meeting in the Flag Salute.
3. **CONSENT ITEMS** (The Commissioners have previously reviewed these in detail). Commissioner Kirk moved to approve the Consent Items A through I. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

	AMOUNT	CHECK #'s
A. Minutes: April 28		
B. Lien Placements (87)	NA	
Lien Releases (107)	NA	
C. Investments – (see fund balance sheet)	\$1,387,692.91	
Withdrawals	\$3,657,414.77	
Transfers	\$3,000,000.00	
D. Payroll	\$156,250.86	
E. 40 – Maintenance	\$157,345.73	3224-3275 & EFT 85
F. 48 – SRF Principle & Interest Payment	\$1,646,365.84	3276
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	\$840,458.17	3277-3279
I. 60 – P WTF Principle & Interest Payment	\$1,173,048.93	3280

J. Hewitt Retirement Home DEA Addendum - Stacey Clear pointed out the location of this project and stated it will consist of 25 ERUs. This addendum provides a one-year contract extension. It is recommended for approval. Commissioner Kirk moved to approve the Hewitt Retirement Home DEA Addendum. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

K. Brewe Short Plat DEA – Stacey Clear showed the area of this development and stated it will have a reimbursable to the Estates of Whispering Meadows project. It has 7 ERUs and is recommended for approval. Commissioner Kirk moved to approve the Brewe Short Plat DEA. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

4. PUBLIC FORUM – None

5. OLD BUSINESS

A. Public Hearing for District’s 2016 Comprehensive Plan – continued. Michael Bowers presented the Commissioners with an updated Executive Summary and Financial Analysis. He stated that Rodney Langer of CHS Engineers has updated the Executive Summary and Chapters 6, 7 & 9. The staff has updated this on the District website, except for Chapter 9, which is waiting for

principal review of the draft at FCS. Once the Commissioners are comfortable with the answers to their final questions, we will we will send the final Comp Plan draft out for a 60-day public agency review. Then it will come back to the Board for adoption. He pointed out there are two copies of the 2016 Comprehensive Plan in large 3-ring binders; one for public viewing here at the District and one to provide to the City of Lake Stevens.

Rodney Langer reviewed the recent changes made. In the Summary and Recommendations there is an addition of a 10-year Capital Improvement Plan. This has changed little as far as District projects to be funded. The target population for this plan is significantly reduced from that presented in the prior plan. There was a capital project removed from the prior CHS draft and the I&I Analysis has been removed as it will be assigned to District staff. Mr. Langer referred the Commissioners to page 16 of the draft Summary which highlights forecasted rates. He presented the Board with a new rate page with updated calculations based on a \$9,000 per ERU GFC. Rates are up at approximately \$.50 per year higher than on the last forecast, after a one-time \$3.00 increase. Michael Bowers suggested that if the adopted GFC is at \$9,100 that might offset some of the rate increases. Rodney Langer stated that is a possibility we can look into.

Mr. Langer reviewed the Chapter 6 updates. He summarized that this reviews lift station capacity and also basin by basin projects and solutions. Chapter 7 is the Capital Improvement Plan which has been uploaded to the website. This covers the background of our treatment facility and suggested collection system improvements. Chapter 9 is the Financial Analysis which presents the background for financial tables. The conclusion is that with various growth scenarios rates will have to be adjusted. In utility planning, the benchmark of affordability is for rates to be 1.3% of medium household income. Commissioner Kirk recommended we find out how other agencies in Snohomish County compare to that rate index.

Commissioner McDaniel asked where the largest increases in expenses are. Mr. Langer discussed the inflation-based forecast for O&M Expenses which have an increase of 3 to 3.5% annually. He added that the CIP is shown in current dollars even for projects planned for years in the future. So, the District needs to keep building a good cash position for that increased future cost. Michael Bowers referred the Commissioners to Table 9-6 in the financial chapter under Net Existing Debt Service. One of the challenges is that from 2015 -2018 the debt peaks and then begins dropping in 2019-2021. The principal is added to our loan during that four-year period, which is the highest debt peak. We could look to see if there is a way to take the Capital Improvement Projects and balance that with the debt service. Our existing expense rate is \$100,000 under what was projected so far this fiscal year. The challenge for management staff is to focus on efficiencies and exploring ways to continue to contain expense risks. He added that loans don't reduce drastically until 2023 & 2024, so we are in that arena of paying mostly interest.

Mr. Langer summarized that he and Mr. Bowers will fine tune Chapter 9 to get ready for agency review which will take about a week and a half. The agencies will then have 60 days to review, or perhaps 90 days if extensions are requested.

Michael Kvistad stated the Board may conclude the public hearing and adopt the 2016 Comprehensive Plan as it has held the Washington State statutorily required public hearing.

Commissioner Stevens stated the public hearing for the 2016 Comprehensive Plan is now closed.

6. NEW BUSINESS

- A. Feasibility Study Areas – Michael Bowers stated he is working on a scope of work for a couple of feasibility studies and would like to review this with the Board before sending to consultants. The

first area of focus is gravity line adjacent to a force main between Holly and the SW Interceptor. There are about twelve lots on septic in that area. How could this study differ from past studies that looked provided sewer from just Point A of existing pipe to Point B at the point of development? He suggested introducing a couple elements, such as how we can encourage septic users in that area to participate in the sewer system. If we can get the costs and capacity alternatives determine, then present that to area landowners at an open house for a development opportunity. Possibly, there could be a future amnesty policy that allows connection at a lower cost for a period of time, such as 2 to 3 years. Many of our past feasibility studies have not resulted in projects.

Commissioner Kirk suggested that most people would not convert from septic to sewer unless it was free. But, even if land was subdivided there could be front footage costs and fees at that time. However, possibly there could be a way for individuals to connect for free up to so many days. Commissioner Stevens noted that residents have come to City Council meetings wanting more information on developments near them, so this may be the right time for this. Michael agreed that the District would be adopting an approach similar to how cities notice adjacent land owners about upcoming development activity.

Michael Bowers pointed out a second study area in the NE portion of the City in the industrial area where there are a half a dozen owners who have discussed having service to that area. He will look at amnesty policies from other District and get those to the Commissioners. We could start putting in infrastructure where septic systems remain with a small project first, maybe 12 to 24 ERU's. We can see if it's advantageous and how the policy works out. Then we may have a bigger opportunity later.

7. MANAGERS' REPORTS

- A. General Manager – Michael Bowers reported he had the pleasure of participating on an interview panel at the City. Six candidates were interviewed for a Community Development/Planning Director position. He liked the City's panel style of being collaborative and having more objective opinions intermixed with those of City staff, elected officials and board members. We have 160 GFC's paid to-date. I am working with John Dix and G&O on a revised forecast. Our first quarter of financial profile is looking good and we can look at how that relate to rate issues in 2017 and beyond.
- B. Manager of Administration – Tonya Christoffersen provided an update on the duplex. The buyer is working with a loan officer across the street from Anderson Hunter's building, and has a 60-day Purchase and Sale Agreement. However, because it's a FNMA loan she doesn't expect it go to through. However, there are other interested parties. She also reported on two possible foreclosure properties in our District being worked on. She was pleased to relay that we have 107 lien releases this month; the average is 79 per month. This may be an indication of the improving economy. Next Friday she will leave to attend a one-week Government Finances Training Conference with Mickie Cooper in Toronto. These are very informative training sessions and with both of them attending they can cover the various topics being reviewed.
- C. Treatment Plant Manager – Michael Bowers reported the plant staff is visiting the Brightwater treatment facility today.
- D. Maintenance and Collections Supervisor – Johnathan Dix reported there is now 170.5 GFC's paid to-date with 24 inspections this month. The new SCADA systems are being installed and by the end of the week all of the City stations will be off of the old system. The CT truck has been

out all week and found two near back-up issues, which will be solved next week. He also reported that the vactor truck delivery may be closer to September or October (rather than August).

8. CITY REPORT – None.

9. COMMISSIONERS' REPORT – Commissioner McDaniel reported that the Section 3 Lobbyist is leaving in two months. Commissioner Stevens said the City Council has lowered the square footage allowed for marijuana processing plants to 70,000 sf. She reported that she and Commissioner Kirk attended the Chamber leadership meeting which was very good. She will be gone from May 24th to May 26th.

10. EXECUTIVE SESSION – The Commissioners will now recess into Executive Session at 9:50 AM and will last 15 minutes to allow a 5 minute recess. The purpose of the Executive Session is to discuss legal advice with legal counsel concerning a pending representation petition filed with the Public Employment Relations Commission. At the conclusion of the Executive Session, there will not be action taken by the Board of Commissioners and there will not be any announcements made. The Commission Meeting will be adjourned at the conclusion of the Executive Session.

At 10:11 AM the Executive Session was formally extended for an additional ten minutes, concluding at 10:25 AM.

11. CONCLUSION - There being no further business, the Board Meeting was concluded at 10:25 AM.

Signed at a regular open public meeting this 26th day of May, 2016



Pam Stevens, President and Commissioner



Frank McDaniel, Secretary and Commissioner



Brent Kirk, Commissioner

VISITOR SIGN-IN

If you would like to address the Board of Commissioners, it will be necessary for you to sign in. Thank you.

Print Name	Signature	Address	Phone	Purpose