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

**MINUTES
 COMMISSIONER MEETING
 March 9, 2017 9:00 AM**

Attendees: Commissioners Pam Stevens, Frank McDaniel and Brent Kirk. Staff: Michael Bowers, Tonya Christoffersen, Johnathan Dix, Caitlyn Hubbard and Tara Bighouse. Legal Counsel: Brad Cattle and Jordan Wallace.

1. **CALL TO ORDER** - At 8:58 AM, Commissioner Kirk called the Meeting to order.
2. **PLEDGE OF ALLEGIANCE** – Commissioner Kirk led those present at the Meeting in the Flag Salute.
3. **CONSENT ITEMS** (The Commissioners have previously reviewed these in detail). Commissioner Stevens moved to approve the Consent Items A through I. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

	AMOUNT	CHECK #'s
A. Minutes: Feb 23 & 28		
B. Lien Placements (82)	NA	
Lien Releases (121)	NA	
C. Investments – (see fund balance sheet)	\$241,766.15	
Withdrawals	NA	
Transfers	NA	
D. Payroll	\$177,248.14	
E. 40 – Maintenance	\$164,584.31	4083-4127 & EFT 95
F. 48 – SRF Principle & Interest Payment	NA	
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	NA	
I. 60 – PWTF Principle & Interest Payment	NA	

- J. Wagner Hills DEA – Leigh Nelson showed the location on the map and it includes 43 ERU's, it will connect to lift station 14. It is recommended for approval. Commissioner Stevens moved to approve. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.
- K. Chapel 5 DEA – Leigh Nelson stated this DEA is present and recommended for approval. Commissioner Stevens moved to approve. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.
- L. Lyons Gate I DEA – Not present.
- M. Lyons Gate II DEA – Leigh Nelson stated their connection is subject to the completion of the Fairview Terrace and Lyons Gate I DEA; it is recommended for approval. Commissioner Stevens moved to approve. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.
- N. Shadowhawk DEA – Not present.
- O. The Refuge DEA – Not present.
- K. Fairview Terrace DEA – Not present.
- L. Lake Stevens Bartell DEA – Not present.

4. **PUBLIC FORUM** – None
5. **OLD BUSINESS**

A. Quarterly Expense vs. Revenue Update – Michael Bowers gave a brief review of the 2017 budget assumptions including 130 ERU projection, a rate increase of \$3.00 per month, no step increases for employees, a 10% planned increase in cost of medical/health benefits and money set aside for a few capital projects. Michael showed that the District has done an excellent job in

trimming any growth in our expenses. The District ended the year about \$500,000 under budget in 2015 and \$400,000 under budget in 2016. Commissioner Stevens had previously asked for numbers showing where the District is today and will we need to increase next year or possibly reducing the rate back down to \$83.00 per month. Michael showed the calculations with an updated forecast of 179 ERU's per year, the carryover balance from 2016. He explained with the Rate Stabilization fund there would be no issues with this fund until around 2019-2021. The District does have the option to lower the monthly sewer rate back to \$83.00. The capital reserve would not dip below \$4.0M at all with these projections over the next 7 years with a lower monthly sewer rate. With both of these factors our bond holders would not be at risk of being below the \$4.0 M threshold if we merge Rate Stabilization and Capital Reserve funds together. These numbers do not include any commercial connections or developments anticipated.

Michael Bowers added that the District needs to be cautious over the next 2-1/2 years as we complete institutionalizing the measures we have taken in terms of finalizing policy. Areas we still need to be aware of are completing updated personnel policies along with union contract negotiations, new Job Descriptions, completing the Old Plant closure & decommissioning; reviewing the impacts of City Annexations as well as the Hwy9/204 Interchange, and stronger stewardship of O&M; asset management; CCTV, Vactor and I & I program. Finally, completing the pre-treatment program and evaluating rate modifications with respect to commercial enterprises, regional GFC's and reduced latecomer basins will be vital to finish. The management team has been working on succession planning and working on building the in house team instead of hiring as many outside contractors and vendors as we have done historically. The revenue and expense picture is revealing a return on investment in this approach.

One of Michael's major concerns is commercial developments. Commercial growth has been stagnant at approximately 646 ERU per year since 2010. If it improves it will only make the outlook better. Michael stated that while the District investing about \$16 million for commercial growth in the new Treatment Plant and the SW Interceptor, so far the District is not recovering funds spent on these investments. He recapped that no rate increases needed in 2018 and a possibly lowering our rate back down to \$83.00 per month can be made based on all information available in our short-term forecast. Michael showed the neighboring sewer rates, the District is in the middle: Lake Stevens is lower than both Monroe and Snohomish. Michael asked the Commission for their feedback on reducing the rate back down to \$83.00. He added the City may need to raise the storm water cost it may also help the City if we can lower the sewer cost when they need to raise the storm water it will be good publicity in collaboration conjunction with the City. Commissioner Kirk added although we would like to see more commercial there are several buildings empty and we need to look at where the demand is so we can plan to provide for that growth. Commissioner Kirk suggested leaving the rate as is until next year when we can get a show all the cost savings and possible reduce it in 2018 with a good explanation of what the District has done to warrant a reduction. Michael added with all the increases in chemicals, PUD, supplies, vendor labor rates, etc. it is pretty remarkable that the District has been able to keep closer to a zero expense growth trend for 3 years while adding two additional employees, new vactor and CCTV, etc.. Commissioner Kirk added discussing this at the Utility Committee meeting sounds like the next step.

Michael added what he sees with the Hwy 9 & 204 interchange is that typically what a State or County will want is the maximum benefit for through traffic, but a City goal is to get regional traffic to stop and shop. The businesses will not come and grow if there isn't a good overall design that

benefits the City with good local circulation patterns for businesses. In a way, there are lessons learned from the last 20th Street project which seem to expedite traffic of a through nature to the next bottleneck in the system that needs to be upgraded. State DOTs will not necessarily design to maximize local business benefits. Michael stated that sewer service has little to do with the large commercial development growth, but traffic circulation, parking, setbacks, appearance, and such factors will drive commercial development investment or not.

6. NEW BUSINESS – None.

7. MANAGERS' REPORTS

- A. General Manager – Michael Bowers reported he attended the PUD Cohort with Caitlin Hubbard and it looks like the saving will be approximately \$50,000 to \$70,000 with the LEAP and energy savings. He has been talking with Johnathan about the possibility of saving energy at the lift stations as well. Caitlin added not only saving energy and money with PUD it will also give an additional savings per kilowatt hour.
- B. Manager of Administration – Tonya Christoffersen reported this Department of Revenue is here doing an audit on the Excise tax, this is the first time for this audit. This year is the District's 60th year, so it's time for an open house and celebration. Tonya is booking the WASWD Spring Conference.
- C. Treatment Plant – Nothing more to add.
- D. Maintenance and Collections Supervisor – Johnathan Dix reported we are still at 18 GFC's, there isn't much coming in at this time but he is seeing it pick up with the DEA's coming in.

8. CITY REPORT – None

9. COMMISSIONERS' REPORT – Commissioner McDaniel noted he saw a report of Sewer Treatment Plant that flooded in Seattle and asked about the risk at the District's plant. Both Michael and Barry Baker reiterated the District's plant is not at risk, as we do not have the same system that is combined with storm water flows. With the type of plants being different it's not likely we would have the same issue; although there is always risk of increased infiltration into the system over many days of saturating rain.

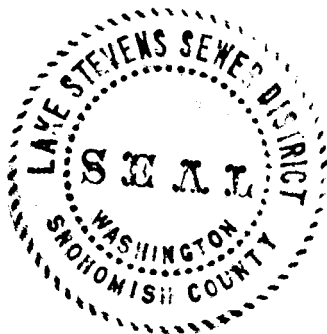
10. EXECUTIVE SESSION – The Commissioners will now recess into Executive Session at 9:55 AM to allow a 5 minute recess and will last 35 minutes. The purpose of the Executive Session is to discuss with legal counsel contract negotiations, discussion of which in public may disadvantage the District. At 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 10:30 AM the Executive Session was formally extended for an additional fifteen minutes.

At 11:05 AM the Executive Session was formally extended for an additional five minutes, concluding at 11:10 AM.

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

Signed at a regular open public meeting this 23rd day of March, 2017



Handwritten signature of Pam Stevens in black ink.

Pam Stevens, Secretary and Commissioner

Handwritten signature of Frank McDaniel in black ink.

Frank McDaniel, Commissioner

Handwritten signature of Brent Kirk in black ink.

Brent Kirk, President and Commissioner

