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

**MINUTES
OF SPECIAL MEETING
BOARD OF COMMISSIONERS**

**March 28, 2017
Utility Committee**

Attendees: Commissioners Pam Stevens, Frank McDaniel and Brent Kirk; Staff: Michael Bowers, Tonya Christoffersen, Johnathan Dix and Tara Bighouse


Guests from the City of Lake Stevens: Councilmembers Kim Daughtry, Rauchel McDaniel and Marcus Tageant, Mayor John Spencer, City Administrator Gene Brazel, Public Work Director Eric Durpos

1. **Called to Order** at 4:01 pm by Commissioner Stevens. Commissioner Stevens moved into the meeting agenda item "Utility Committee Meeting".
2. **Utility Committee Meeting** – The Committee discussed mutual projects and planning for the Lake Stevens UGA and study areas.
3. **Conclude** – There being no further business, the Special Meeting was concluded at 5:08 pm

Signed at a regular open public meeting this 10th day of April, 2017



Pam Stevens, Secretary and Commissioner



Frank McDaniel, Commissioner



Brent Kirk, President and 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



**Utility Committee Meeting Minutes
March 28, 2017 4:00 pm**

City of Lake Stevens / Lake Stevens Sewer District
1106 Vernon Road, Suite A, Lake Stevens, Washington

1. **Called to Order:** 4:00 PM by Commissioner Brent Kirk
2. **Roll Call:**

Attendees Representing the District: Commissioners Pam Stevens, Frank McDaniel and Brent Kirk; Staff: Michael Bowers, Tonya Christoffersen, Johnathan Dix and Tara Bighouse.

Attendees Representing the City of Lake Stevens: Councilmembers Kim Daughtry, Rauchel McDaniel and Marcus Tageant, Mayor John Spencer, City Administrator Gene Brazel, Public Work Director Eric Durpos
3. **Action Items:**
 - a. **Approval of Meeting Minutes of February 28, 2017** – Marcus Tageant moved to approve the February 28, 2017 Minutes. Kim Daughtry seconded the motion. The Motion passed unanimously.
4. **Public Forum:** No public present.
5. **Discussion Items:**
 - a. **District Quarterly Revenue & Expense Update including 5+ year Projections** – Michael Bowers showed a powerpoint presentation. The assumptions in the 2017 budget included; 130 estimated ERU's per year of growth, a rate increase from \$83 to \$86, 10% increase in health care benefits costs. The capital expenses are approximately \$1.23 Million, which include the old Treatment Plant cleanup, new SCADA system, finishing upgrades to lift stations, looking into a joint Decant facility, etc.

Michael showed a graph of the District's annual growth expenses noting we are under where the projected expenses were estimated for the 3rd year in a row. He explained the updated forecasts in terms of the P WTF Loan modifications which reduced District debt expenses by \$500,000 per year. Commissioner Kirk asked about the projections with a rate of \$83 per month, which Michael had included in the 7-year updated forecast assumption. It is estimated the District will be at a good standing until approximately 2022.

The goals of the 5-year plan, adopted in 2015 include finalizing personnel policy, new job descriptions, completing the integration of new Collections staff for full-service accomplishment, union negotiations, insourcing work instead of outsourcing to specialized vendors, and the Comp Plan update. Similarly, completing the decommissioning of the old TP and upgrading technology at lift stations for standardization while achieving returns on investment (reduced annual O&M expenses) was the overall objective.

Michael gave an updated monthly rate for sewer district of neighboring cities; Lake Stevens is now ranked closer to high middle for the Eastern County, for commercial utility rates Lake Stevens is also in the middle among a broader group of cities. There is potential to look into the methodology for commercial to adjust these rates to use similar methodology as nearby cities.

Currently going forward there appears to be no rate increase needed in 2018 or 2019, a possible option to lower rates, particularly for multi-family. John Spencer added once you go through raising the rates seems better to keep the rate and not lowering it. Brent Kirk would like to see what it would look like if we flat lines at \$86 per month for a longer period of time. The rate stabilization fund is contributing approximately \$1.00 per month per home, compared to much more back in 2014/2015 when Michael first started. John Spencer added the District has done a good job at getting the costs down, however there are still more unknown costs that could come up it would be beneficial to flat line. Michael's goal was to not go over \$89 in 2019, so far from the numbers it looks like this is easily possible. Brent Kirk reiterated Michael Bowers would be coming back to the Committee with what the numbers would look like at flat lining the rates at \$86.

- b. City/District Unification** – John Spencer asked to add this item to the agenda. John believes having the sewer together with the City's planning would be more beneficial to the planning and developing of the City along with the City Council. The city would have the ability to include sales tax and property tax revenue to the utility. The City would broaden the base and how they manage growth. He looked at Marysville; they were able to get Whiskey Ridge because of sewer. He stated sewer is how you control growth, the developers are saying put in the sewers and they will come. He believes the District brings a strong management team. The storm water has been managed well and is treated before it goes into our lake. He believes the City council and Mayor are the ones to stand up for sewer issues that arise. John proposes both City and District attorney's and managers go through the risks, then the process that would need to bring this together; example of the union negotiations going on at the District. He doesn't care how long it takes, rather coming up with an agreement on the timeline and when it will happen and how it will go. He looks at how we can serve the citizens, not about personalities. How to leverage the strengths of the management teams. The job can become better, faster, and complete with it all together. He feels if this was in one unit the job would be better and more cost effective. He believes unification is the way to achieve the best outcome. John requests the District Manager, City Administrator and both attorneys' get together to come up with an agreement by the end of the year with a definitive date on when this unification will be complete.

He knows the City Council wants this to come together, being two professional entities to come together in a professional manner. Brent Kirk noted he doesn't have an issue coming together over time, since it is planned in the Unification Agreement anyway. Brent added that the City can give tax \$\$ to support sewer construction as the organizational structure now exists. He believes it's the path we go to get to these outcomes. With the Moss Adams report, Michael is still wrapping up a few items that need to get cleaned up. The manager was brought in to clean things up and his plate is still full. Brent suggested the City also has a lot on its plate. He suggested using an outside company that specializes in this, each side pays half. John Spencer added it's who governs is the key and believes it's the City, unification is the ultimate goal. John added as long as the unification is the ultimate goal it, he is ok with having help from outside in the form of a 3rd party.

John would like more of a scope not just the steps but a time frame and what it will take, but keeping management involved. He believes we also need to look into personnel issues; there is no question they will come up. He suggests this be part of the scope. John would like to get out of the circle of merger or not. He would like to see it happen sooner than the current unification. It is imperative to come together as a Commission. Brent added if there are any sewer needs to come to the District, the place to bring up issues or concerns is the Utility Committee. John

come to the District, the place to bring up issues or concerns is the Utility Committee. John stated the City does. But governing is important. Brent added it needs to be very clear to employees what this is and would not want to see them panic and leave to other Districts. John agreed both organizations have good staff and we need to look at the management team. The thing that motivates him is the view of Lake Stevens as an in-between City. He wants to make sure we come together, how we manager our entities and in a positive way. Michael added when he has been through similar government agency transitions, he has seen what occurs when a transition team is under-resourced: such will create a mediocre transition. Michael added that an integration will need HR champions; technical, fiscal and legal champions all speaking with one voice. District staff is already hearing rumors from City staff for example just like several years ago and this should be eliminated with factual conversations. John wants a measured process, step by step with timelines. John doesn't want this to drop into a black hole.

No further discussion was held on this topic from Sewer District Commissioners.

6. Draft Next/Future Agenda Items

a. 20th Street Sub-Area Sewer Feasibility Study Draft

b. Update to Hwy 9/204 Planning & Design Work – John Spencer reported there are currently 5 plans. WSDOT is coming to the City Council meeting on April 25th. They are aiming to having a preferred alternative by summer. John added the Hwy 2 IJR is scheduled to be done by July 2018 for approximately \$2.1 Million.

7. Schedule the Next Meeting – The next meeting is scheduled for April 25th, 2017.

8. Adjourn – Brent Kirk adjourned the meeting at 5:08pm.

2017 Utility Committee Chair:



Brent Kirk, Commissioner
Lake Stevens Sewer District