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

**MINUTES  
 COMMISSIONER MEETING  
 August 10, 2017 9:00 AM**

**Attendees:** Commissioners Frank McDaniel and Brent Kirk. Staff: Michael Bowers, Tonya Christoffersen, Tara Bighouse, Mickie Cooper, and Kim Jones. District Engineers: Barry Baker and Leigh Nelson Legal Counsel: Brad Cattle.

1. **CALL TO ORDER** - At 9:00 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 McDaniel moved to approve the Consent Items A through I. Commissioner Kirk seconded the Motion. The Motion passed unanimously.

	<b>AMOUNT</b>	<b>CHECK #'s</b>
A. Minutes: June 27, July 11 & 27		
B. Lien Placements (83)	NA	
Lien Releases (52)	NA	
C. Investments – (see fund balance sheet)	\$903,000.00	
Withdrawals	\$100,503.42	
Transfers	\$394.95	
D. Payroll	\$176,257.74	
E. 40 – Maintenance	\$60,213.03	4529-4564 & EFT 100
F. 48 – SRF Principle & Interest Payment	NA	
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	\$100,503.42	4565-4566
I. 60 – PWTF Principle & Interest Payment	NA	

- J. Metcalf Annexation Agreement – Leigh Nelson pointed out the one house which is outside of the City and District boundaries. There is another house that we will reach out to get him in the annexation as he was connected due to a failing septic. This annexation is recommended for approval. Commissioner McDaniel moved to approve Metcalf Annexation Agreement. Commissioner Kirk seconded the Motion. The Motion passed unanimously.
- K. Nourse 2017 Construction Plans Approval – Leigh Nelson the plans show the lines up to District standards. Commissioner McDaniel moved to approve the Nourse 2017 Construction Plans Approval. Commissioner Kirk seconded the Motion. The Motion passed unanimously.
- L. Nourse 2017 DEA Addendum – Michael Bowers explained this development is for 250 units. This Addendum is for phase 1 and 2, of the 4 phases; 138 lots. He explained the District standard line is a six inch pipe. The District has asked them to put in an oversized line to include future growth due to the length of the pipe; known as the Oak Road extension. This will allow for additional connections of approximately 1000 connections. Standard practice has been a credit back to the developer for increasing that line above the standard needed. Michael's recommendation when he got here was to add to the Comp Plan and have less late comers fees. This project does fit that model. The developer would get credit and a few late comer fees for specific properties nearby wanting to connect. Patrick McCourt explained there are two bordering parcels acquired by a California company decided not to execute annexing into the project so they were bought out by this project. He stated there are 54 late comer agreements

still active in the District. He is speaking for himself and the several large builders regarding the late comer fees. They would like to see the city split into zones and have fees based on the zones. This would simplify the process for figuring out the cost to connect in that area. It would give less room for error as well. Michael added the District would have the ability to possibly do something like this after the downtown development is complete. Commissioner Kirk noted he is on board with restructuring. His concern is the cost basis is based on the estimates listed in the agreement with a possible bottom and top cost. Michael explained the engineers have added a 25% cost increase padded for related costs such as permits, engineering/design. Patrick added there is no project or admin cost on the developer side, there is no way to know what might be discovered in the ground. Michael made a suggestion that the District's contribution would not exceed a specific amount of money. If both parties agree there can be an amendment to the contract or make changes to the next phases. Commissioner McDaniel agrees to leave it the way it is. Commissioner Kirk didn't disagree, just likes to see a tighter cost structure. Michael added the credit for the first 100 units GFC's depending on how they choose to pay for permits to answer Commissioner Kirk's questions. Commissioner McDaniel moved to approve the Nourse 2017 DEA Addendum. Commissioner Kirk seconded the Motion. The Motion passed unanimously.

**4. PUBLIC FORUM** – Patrick McCourt noted he will be submitting a contract for the Mountain View property. The concept has been to construct a lift station for this development. He would like to get specific specification and sizing for this lift station and wanted to make sure the board was aware this will be coming soon.

**5. OLD BUSINESS**

A. Settlement Agreement with MPS55 Inc. for Lift Station #17 Reimbursable – Michael Bowers noted this settlement agreement is about houses that may or may not be connected to sewer within the lift station 17 basin. Lift station 17 was pushing sewer up to lift station 14 which has temporary for 10 years. He noted Patrick came to him about how to get late comers fees for houses in the area affected by this redirection. Michael looked into Patrick's request and found the bottom south east part is not recoverable from the basin. Through further analysis there is no way he can get late comer due to topography which is close to what he is asking for in the lift station 14 basin. The District does not agree with prior developments having to pay the equivalent of lift station 17 late comer payments. Patrick would be agreeing to not collecting for late comers before March 2016. Michael thanked Brad for his legal contractual support. Patrick added he has partnered with the District for several projects. He agrees the late comer methodology was a great policy for the past but the District has built a new WWTP and has grown so much, this is no longer a good methodology. He believes having Zone fees would be a much better model for this time. Commissioner Kirk added this model has changed and banks do not lend on a possible 20% return at a later date. The new methodology would be more effective and he has discussed it with Michael. Commissioner McDaniel believes the initial investment was made and it allowed others to connect he should be able to recover some of those costs.

Commissioner McDaniel moved to approve Settlement Agreement with MPS55 Inc. for Lift Station 17 Reimbursable. Commissioner Kirk seconded the Motion. The Motion passed unanimously.

**6. NEW BUSINESS**

A. Mid-Year District Budget Report – Michael Bowers reported on two items and where we are in the mid-year budget and the new forecast. The collections operating and expenses is trending to be approximately \$100,000 under budget, however there are more costs the last half of the year.

The treatment plant was approved for the LEAP grant money. The debt payments will be \$500,000 less than planned and the District is on budget. He added we received a notice the Build America Bond interest credit will be reduced. Mickie Cooper added the amortization on the SRF Loan is less than estimated. Michael added our legal expenses are approximately \$30,000 higher due to the bargaining. The decrease in revenue for the rental income is due to the sale of the duplex. Mickie added the connection fees are currently only at 100 and she isn't confident it will make it to 130 connections.

- B. Financial Project for District Revenue and Expenses – Michael Bowers recapped the assumptions for 2017. He noted our trend has been to come in below budget. He believes the Moss Adams report will also reflect this trend. On paper, the District is still on track to not do a rate increase next year. Michael is exhibiting a forecast for 179 ERU's and 130 ERU's comparison, with the PWTF loan modification included. The financial assumptions for 130 ERU's and keeping our rates stable at \$86.00 the District would need to refinance the Build America Bonds around 2020-21 in order to maintain the \$4 million on hand. If we get 179 ERU's per year we do not have a problem, however the rate stabilization fund keeps decreasing.

Michael explained for Commercial sewer use we are not seeing a return, it has gone from 6% to 5% in revenue as a percentage of the District total per year. He showed the risk areas are frontier village and the 20<sup>th</sup> street corridor. There has been no money set aside for the Hwy 9 & 204 interchange or the 20<sup>th</sup> street corridor. Capacity investments in both these areas have already been made. Regarding labor assumptions in the budget forecast, it is generally "status quo". The benefits package in the forecast assumes 2% COLA annual increases and step increases every other year. Commissioner Kirk commented about the medical insurance being very costly. Tonya Christoffersen added she has done research and it is much more expensive to go off on our own. The Union the collections and treatment plant went with does not offer medical. Commissioner Kirk would like to see more info on the medical in the benefits package; a cap such as no one gets more than \$1800 a month for their medical might be more in line with other agencies.

Commissioner Kirk believes he doesn't need to see a change in what has been done, his concern is in the future capital. If there is a down turn again. Michael agrees this is the biggest risk area in terms of not over-investing in more capacity projects without short-term, concurrent developer construction and return on investment.

- C. Amendment #8 to Engineering Services Contract – Johnathan Dix and Grey & Osborne is requesting an increase of \$8,280.00. Barry Baker explained this is for the force main part of lift station 17 upgrade. The District has asked Grey & Osborne to be onsite more often due to staffing. Commissioner McDaniel asked if staff was going to do the inspections. Johnathan replied the District is doing several site inspections. Commissioner McDaniel moved to approve Amendment to Engineering Services Contract. Commissioner Kirk seconded the Motion. The Motion passed unanimously.

## **7. MANAGERS' REPORTS**

- A. General Manager – Michael Bowers reported Moss Adams will be in to do an audit update it will start next Wednesday.
- B. Manager of Administration – Tonya Christoffersen reported the state auditor is here and labeled the District as boring; which is a good thing. There will be an anti-harassment training class for all employees and Commissioners.
- C. Treatment Plant – Tonya Christoffersen reported for the treatment plant staff are knee deep in the LEAP install.

- D. Maintenance and Collections Supervisor – Jonathan Dix reported 100 GFC's and 104 permits. They have completed approximately 3/5 of the City pipe inspections. He has CDL training set up for the vactor truck and is working on the policy for this.
- 8. **CITY REPORT** – Gene Brazel, City Administrator reported there are some city owned homes on 20<sup>th</sup> street which they will be tearing down. The City will also be sending some employees for CDL training, maybe they can carpool with the District employees.
- 9. **COMMISSIONERS' REPORT** – nothing to report.
- 10. **EXECUTIVE SESSION** – The Commissioners will now recess into Executive Session at 10:20 AM to allow a 2-minute recess to excuse the general public; it is estimated that executive session will last 30 minutes. The purpose of the Executive Session is to discuss contract negotiations and a litigation matter with legal contract. 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. The executive session ended at 10:50 am.
- 11. **CONCLUSION** - There being no further business, the Board Meeting was concluded at 10:15 AM.

Signed at a regular open public meeting this 24<sup>th</sup> day of August, 2017



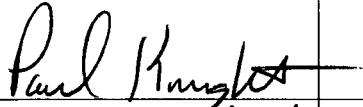
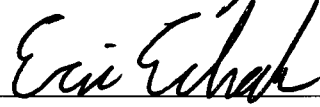

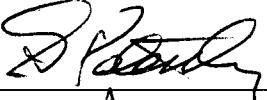

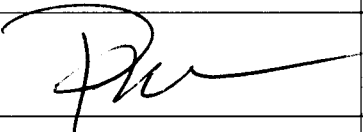
Pam Stevens, Secretary and Commissioner

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
Paul Knight				
Eric Echols				
Kevin Kosch		Paris	405-367-7777	Selt Forest
GARY PETERSHAEN		CITY	425-418-1245	CITY
Gene Bazel		City	425-377-3220	City
Patrick McLow		.	2125-308-5101	VANUOUS