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 Website: www.lkstevenssewer.org

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

**MINUTES
 COMMISSIONER MEETING
 December 14, 2017 9:00 AM**

Attendees: Commissioners Pam Stevens, Frank McDaniel and Kevin Kocshe. District Staff: Tonya Christoffersen, Johnathan Dix, Tara Bighouse, Kim Jones, Caitlin Hubbard and Mickie Cooper. District Engineers: Leigh Nelson, Legal Counsel: Brad Cattle. City of Lake Stevens: Eric Durpos.

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

	AMOUNT	CHECK #'s
A. Minutes: Sept 14, Nov 27, 28, Dec 6, 12		
B. Lien Placements (103)	NA	
Lien Releases (76)	NA	
C. Investments	\$711,687.85	
Withdrawals	\$300.00	
Transfers	\$3,687.85	
D. Payroll	\$174,499.98	
E. 40 – Maintenance	\$98,805.39	4880-4931, EFT 104
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. Ihnot Short Plat DEA Addendum – not present.
- K. Wagner Hills DEA Addendum – Leigh Nelson noted the plans are not here, but they are recommended for approval. There are 48 ERU's, it is expected to start in the Spring. Commissioner Stevens moved to approve the Wagner Hills DEA Addendum. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

4. **PUBLIC FORUM** – Patrick McCourt – 10515 20th St SE #202 Lake Stevens – Patrick reported they represented KHN9 on Callow Road, the project on the road is complete. It has been TV'ed, inspected and all went really well. The title transfer is to be completed soon. The project is approximately \$250,000 under budget. The road wasn't as difficult as assumed. The project went well, working with the contractor was good. The road was open last Friday; however, the overlay will not be done until May or June due to the natural gas force main that will need to be installed near the roundabout and the sidewalk, PUD will also be relocating 20 power poles along Callow Road.

Kevin Kocshe - 215 S Davies Rd, Lake Stevens – Kevin asked about the budget not in the agenda packet. Is the budget that was presented on the 6th the same budget up for approval. If so is the District taking on 20 million in debt in 8 years. Commissioner Kirk stated not true, this is a yearly budget, Kevin is taking about more of a forecast. Commissioner McDaniel asked why is it even in the

budget, Commissioner Kirk explained it is a forecasted number and a moving target. He added that the confusion is the difference between the budget and the financial forecast.

Paul Knight – LSSD – Wanted this meetings minutes to clarify from the November 9th minutes where it stated the new Washington State sick leave policy is for all employees when in fact it is for part-time employees only. Tonya explained this new Washington State policy is for all employees. The District however has a better policy, so the District will create two banks of sick time. The accrual for the District is not changing the amount of sick time in the policy. The District is working with Anderson Hunter to get the corrected policy. Commissioner Kirk added it is essentially creating a state minimum which the District pays over.

5. OLD BUSINESS

- A. 2018 Budget Approval – Tonya Christoffersen understands this is a working budget with quarterly reviews. She is asking for approval to move forward. Commissioner Kirk asked if we used the rate stabilization fund in 2017, Tonya stated no. Commissioner Kirk added there are two reasons for the debt to get the plant out of the flood plain and for growth. Which he added we all know didn't happen as fast as led to believe. His opinion on paying off long term debt, the rate payers pay it or contractors. The District has always used the standard Growth pays for Growth. He would like to see the owner occupancy not pay for the debt until they occupy the home. He knows the developers do not like this idea, if you can find a way for them to not carry that debt it would be doable. He believes there are capital projects on the budget that do not need to be there. A tiered structure for rate increases, the new WWTP was built for future growth not for existing customer. He has no problem approving the budget, so staff can continue to work. Commissioner McDaniel believes it does effect growth. Commissioner Kirk added Granite Falls has a GFC at \$14,000 and has no problem getting development coming in left and right. Commissioner Kirk believes growth needs to pay for growth. Tonya Christoffersen added 60% of the residents are families with a median age in their 30's. She would like to have a retreat to go over projections and scenarios. There is no rate increase in this budget proposal, and after further discussion and studies for what is left in growth and current rates. Commissioner Kirk added it's not a simple decision. Commissioner Stevens agrees with raising GFC's before raising rates.

Patrick McCourt added if growth pays for growth it would cost millions of dollars. He doesn't see how that is possible before the housing build-out is done. He doesn't believe there are 3000 buildable lots left in Lake Stevens. How does the District service its debt without knowing how much buildable land is left. He believes the plant was built for environmental issues and growth. Patrick would like to see this discussed at the City Council Meetings since this will affect the \$90 million in debt they would take on with the accelerated unification. Commissioner Kirk believes the District would have the existing debt with the plan laid out by Michael Bowers with small scheduled rate increases. Kevin Kocshe stated the majority of the capital projects are for existing infrastructure, which is a rate payer responsibility, a portion of the plant as well born by the rate payer. He believes it is simple to section out each capital project that would be the responsibility of the rate payers and new growth. He sees money leaving this community that doesn't have to. Commissioner Kirk added refinancing debt is an important part of reducing and restructuring debt.

Patrick McCourt added the other issue is the late comer fees, which are developer built lines that are rerouted to continue sewer flow. His questions is how does this get addressed within this. Commissioner Kirk added the studies would help address this.

Commissioner Stevens moved to approve the 2018 budget. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

6. NEW BUSINESS

- A. Bond Counsel Presentation – Tonya Christoffersen introduced Dave Trageser and Dan Gottlieb. Dave handed out a report. He explained the current Build America Bonds that were subject to 35% federal tax credit subsidy over time to the District. There were some refunds between 3 and 6% each year. The government did not follow through with their promise and this year the government is giving a 6.6% reduction, not the \$22,000 as promised. The government has also stated they could zero out the subsidy. Which everyone has been in an uproar over and so far they have not done that. Dave explained as the date for the new tax laws approaches it changes the amount of time in which we can refinance these bonds. He has been running numbers often to find the best option for the District. Both versions in the senate and house bill has deemed there will be no advanced refunding. There are two options; waiting until the District is within 90 days of the bonds first call date or refinancing the debt as taxable bonds (which is not a viable option for the District). His counsel is to continue to watch it closely. Commissioner Kirk asked about bond qualified loans. Is there an ability to do a private placement with a bank? Dave explained bank loans are geared toward a couple factors and the District has such a large debt for a 15 year loan. Discussion ensued about the options. Dan Gottlieb added the difficult parts are the bonds the District has under Pay-Go bonds. The rumor that the subsidies being eliminated altogether are possible. The government may come up with other options and the lobbyist are trying to get some options in the bill that effects the bonds the District has. He is not as sanguine that this bill will pass as its being proposed or what the changes will be. He believes the public won't know what the law is for possibly 6 months. Commissioner Kirk added this would be an additional \$2.30 monthly cost per rate payer.
- B. Salon Michelle Rental Contract – Tonya Christoffersen reported the contract is due. The lease term would begin January 1st and the new rate would become affective March 1st. There is an option to extend for up to 3 years at the same cost. This has been shared with her negotiator. Patrick McCourt stated he presented the lease and there are some items she doesn't understand. She has asked for 3 months to consider her options with the possibility to give notice to vacate. Brad Cattle noted her current lease may have a prevision in it. Commissioner Kirk would like to give a 3 month hold over with notice by the end of February of her decision. Patrick McCourt added this would give her 3 months but to note she has no intention to sign the lease as her finances do not pencil out.

Commissioner Stevens is moving to approve the addendum to extend the contract giving the tenant a 90 day hold over and at the end of 60 days she needs to give notice of her intensions and authorize the Administration Manager to sign the addendum. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

- C. Proposal for Mixing Study – Caitlin Hubbard explained the District is required to do a Mixing Study as part of the DOE permit. She realized this is out of her scope of work and would need help from G&O to get the study done. The cost is believed to be approximately \$10,000 the report is due by January 1st. Commissioner Kirk asked if G&O can get it done in time, G&O has started the preliminary work and feel they can get it completed.

Commissioner Stevens moved to approve the Mixing Study by G&O. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

- D. Lift Station 17 Upgrade Contract Signing – Johnathan Dix presented the commission with the previously awarded contract by Strider. Commissioner Stevens moved to approve the

authorization of Board President to sign the Lift Station 17 upgrade contract. Commissioner McDaniel seconded the Motion. The Motion passed unanimously.

7. MANAGERS' REPORTS

- A. General Manager – see item B.
- B. Manager of Administration – Tonya Christoffersen reported she will be in a possible all day mediation with Johnathan regarding the union. January 27th is the WASWD Commissioner workshop and will need to know who, if any, will be attending.
- C. Treatment Plant – Caitlin Hubbard reported the flows are averaging 3 million gallons per day. The foam resulting from the vactor truck dumping into the treatment plant headworks took nearly 3 weeks to remove, but having them dump into the plant's scum vault seems to be a little better. She was asked to be on the Government affairs committee and welcomes input for anything she can take to Olympia.
- D. Manager of Collections – Johnathan Dix reported our GFC's are at 122 year to date and at 130 permits year to date. Many of the projects are in the final stages, which will make them ready for permits in 2018. The lift stations have had bubbler line leaks, the field crew has done a good job at repairing them.

8. CITY REPORT – None.

9. COMMISSIONERS' REPORT – nothing to report.

10. EXECUTIVE SESSION – The Commissioners will now recess into Executive Session at 10:12 AM to allow a 3-minute recess to excuse the general public; it is estimated that executive session will last 15 minutes. The purpose of the Executive Session is to discuss labor negotiations. 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 10:30 AM.

11. CONCLUSION – The Board Meeting was concluded at 10:30 AM.


Signed at a regular open public meeting this 28th day of December 2017



Pam Stevens, Secretary and Commissioner




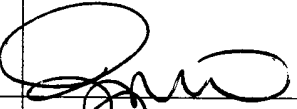

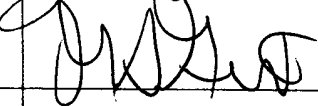

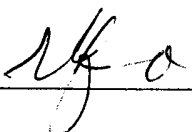
Frank McDaniel, Commissioner



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
KOSCHE		5215 PAULS RD	425 367 7117	Self Interest
R. McDermid				city
Don Tringolo		Seattle	206 518 0670	Bonds
Don Gottlieb		499 Third Avenue Ste 4600 Seattle 98104	(206) 470-7627	3rd council
Paul Knight				LSSD
Leah Everett		City of Lake Stevens	-	-
Patricia Duncan		10515 20th	425-308-561	GUEST.