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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**

**January 30, 2018
Utility Committee**

District Attendees: Commissioners Pam Stevens, Frank McDaniel and Kevin Kosche; Staff: Tonya Christoffersen, Johnathan Dix, Mickie Cooper, Jeff Baisch and Tara Bighouse.

Guests from the City of Lake Stevens: Councilmembers Kim Daughtry and Marcus Tageant, Mayor John Spencer, City Administrator Gene Brazel, Eric Durpos.

1. **Called to Order** at 3:00 pm by Commissioner Kirk. Commissioner Kirk 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 4:02 pm

Signed at a regular open public meeting this 8th day of February 2018



Pam Stevens, President and Commissioner

Frank McDaniel, Secretary and Commissioner

Kevin Kosche, 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	<i>Paul Knight</i>			LSSD collections
Andrea Wright	<i>AW</i>			concerned citizen
Jeff Barsch	<i>JB</i>			WWTP



**Utility Committee Meeting Minutes
January 30, 2018 3:00 pm**

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

1. **Called to Order:** 3:00 PM by Commissioner Pam Stevens
2. **Roll Call:**
Attendees Representing the District: Commissioners Pam Stevens, Frank McDaniel and Kevin Kosche; Staff: Tonya Christoffersen, Johnathan Dix, Mickie Cooper, Jeff Baisch and Tara Bighouse.

Attendees Representing the City of Lake Stevens: Council members Kim Daughtry and Marcus Tageant, Mayor John Spencer, City Administrator Gene Brazel, Eric Durpos
3. **Action Items:**
 - a. **Approval of Meeting Minutes of November 28, 2017** – Marcus Tageant moved to approve the November 28, 2017 Minutes. John Spencer seconded the motion. The Motion passed unanimously.
4. **Public Forum:**
5. **Discussion Items:**
 - a. **Select President of the 2018 Utility Committee** – Commissioner Pam Stevens nominated Marcus Tageant as chairperson of the Utility Committee. John Spencer seconded the Motion. The Motion passed unanimously.
 - b. **Evaluation of Unification** – John Spencer started by noting Gene Brazel has started creating an approach of the pillars of the unification. He added Tonya also has identified her list of the pillars for the District. John stated both attorneys have spoken, and this will be called from now on an Assumption Agreement per the City's attorney. Kevin Kosche asked how much of a joint effort is this. Gene noted this is not a joint document, but it has been given to Tonya, both parties have seen it and sent notes back and forth. The proposed outline the District has presented has not been merged with City's. Tonya explained the District's pillars are a longer timeframe than the City's. Tonya noted the District resolution of the timeline of this process of 5-7 years and a third-party involvement as well. Kevin Kosche added he believes 5 years is a long time and would like to evaluate the risks and benefits and if they would change with a different length of time. Frank McDaniel noted former Commissioner Kirk had a folder of cost savings. John Spencer added one item identified. John stated it's not as if the staffing structure of the District goes away but creates another part of the city. He added ways to look at debt and how it benefits. John added the City has a substantial sales tax revenue with all the building coming in and how that could help pay off debt faster for the District. He has a retirement center that wants to start building now and they will not build with the cost of Sewer fees. Johnathan Dix added the City can already invest. John Spencer added it's not a matter of changing staffing or infrastructure but saving and adding a financial benefit.

Gene Brazel noted in his handout is the background history of unification and enabling legislation per RCW 35.13A. Assumption Process, a term recommended by the City's

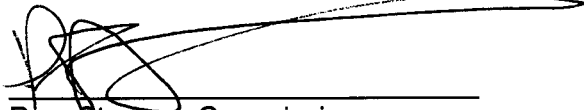
attorney, has been started with the adoption of the resolutions, both the District and City enter into transitioning terms. He noted there will be two Commissioners and two Councilmembers as well as Gene and Tonya working together. A third party could be hired. Gene went over the City's outline of the pillars from getting all the processes from the District, policies and running information given over, the Comp Plan, financial and insurance, developer projects, transfer of assets personnel and labor relations the process for moving employees over; potentially a new bargaining unit, regulatory compilation and understanding what needs to be met and the organization now compared to what it will look like after. Gene listed the implementation of assumption and schedule. Gene gave a timeline of the pillars. Marcus asked if due diligence was only a transfer of documents, John Spencer replied its transfer and review by April 15th, 2018 and bringing together the two Comp Plans. Gene added he believes there is no problem servicing the sewer boundaries. John Spencer clarified transfer of assets is how they will transfer not getting them transferred. Kevin added he sees some items running as parallel with the exception to a few. John Spencer noted both parties would come back together in July and in September the Commissioners and City Council come together with a possible completion of January 2019. Marcus added when looking at due diligence when would the third party comes in. John Spencer added no it would be Gene and Tonya working it out and they would complete it, with no third party. The other items would be making sure other legal items wouldn't be a problem. John added the final dissolution of the District would depend on the coming together of all the pillars.

Tonya Christoffersen reported on what the District has come up with. She noted as John Spencer stated marrying the two Comp Plans. Tonya added she reached out to legal counsel about how to work out the areas outside of the City UGA. She noted making sure the due diligences are done with informing the rate payers, citizens, etc. She added this time frame is a bit aggressive and doesn't know how to put the workloads on staff. Johnathan added analyze and identifying the strengths and disadvantages and where they overlap. Identifying the grants that are impacted. After these are identified it will give the third party something to work with. Pam Stevens added she would like to be sure the staff is taken care of and being open and honest with them. She added Eric Durpos stated at the last District Board meeting that staff will not lose their jobs. John Spencer stated that he sees this being completed by the end of the year, first part of 2019 at the latest. Mickie Cooper spoke up as an employee of the District that this does not give enough time to make sure this is good for the ratepayer and a disadvantage would be key personnel, herself as one who would not be going to the city and her knowledge would be leaving with her. Marcus doesn't feel that she should be holding information hostage and the District should be concerned. Mickie added without doing the due diligence it puts too much pressure on the process and items get missed. John Spencer believes there is a misunderstanding on the schedule. He gave an example of the timeline of what parts happen when. He stated he doesn't know how long the timeline will take but there is a starting point. He noted regarding labor and bargaining negotiation it may take waiting until its complete. It's not about evaluating the strengths and weaknesses of the City and District. He stated they are not doing anything with the District except the governing of the District and the City is not trying to rush it but trying to get the process completed. A ratepayer in the audience asked to make a comment and Marcus told the ratepayer that the public forum was at the beginning of the meeting. Kevin Kosche added he recognizes it's not easy to merge two organizations, focusing on what needs to get done and having a timeframe helps in identifying risks and benefits. Tonya added one of the biggest issues is the negative comments she would like to see the trashing of the City and District to stop. Marcus asked

for the people to be identified, Tonya noted John Spencer, Kurt Hilt and Seth Pilkey. John Spencer stopped Tonya stating that was a year ago. Tonya accepted it was a while ago. Kevin asked for joint communication on no longer commenting negatively on either part. Pam Stevens added encouraging staff to stop spreading the rumors. Marcus stated stop listening. Jeff Baisch asked if the City and District could get together and have a BBQ. John Spencer commented a BBQ is a good idea, Kevin added he would be willing to sponsor the BBQ. Comments of John Spencer added he agrees with Pam, both Gene and Tonya spearhead the communication go beyond those two for public comment. John Spencer would like to ensure they have a public works staff, but the District is a standalone entity and the District Staff is well suited to the work they do, certifications, etc. John Spencer promised there will be no changes in staff and will not put the burden on the labor staff. The economic downturn did put a damper on the District. The goal is how to bring the debt service down and how to keep rates stable. He would like to help employees stop privatization and outsource work. John added he would like to talk to the District staff, so they can grill him on his motives, he believes he can eliminate negative talk and rumors. Kevin Kosche asked what is actionable tonight. He sees the subcommittee group could be actioned on tonight, a timeline in a single document and plan. John Spencer would like Brad Cattle do an assumption agreement with Grant Weed, the City's Attorney. Frank McDaniel doesn't believe the time lines will match, he believes the committee needs to decide. Kevin Kosche stated he believes the window should be 2 to 5 years. Marcus believes 2 years is plenty of time and many companies can get it complete quicker. The due diligence should flush out the savings, the City has a desire to control where and how Sewer goes. Tonya added these two documents are easily marriable and focus on this, making it a priority to get things done. Tonya believes if given a 5-year time frame it would fall further and further back. She believes a July time frame would be doable. She stated employee retention is the most important right now. John Spencer would like to see a sensitivity analysis. Frank added nothing gets done on time and things can get pushed. Pam Stevens added staff has full time jobs and things can't always get done. Kevin would like to see staff do this not an outside firm, he believes the City can give staff time to get this complete. Marcus added he believes the City can work this out and having the new manager at the District would give fresh eyes. Kim Daughtry asked this time line of a year is for the Plan of Assumption. Kevin added this would decide the time frame. He added the risks and benefits will direct the timeframe. Kim added he agrees with the Management part but not the employee part; the employees need to stay. John Spencer made a Motion to put together a subcommittee of two Commissioners and two Councilmembers with Gene and Tonya to complete the due diligence. Pam Stevens seconded the Motion. The Motion passed unanimously. John Spencer makes a motion for Gene and Tonya to bring together a 1 and 3-year time frame of the risk and benefits of acceleration. Pam seconded the Motion. The Motion passed unanimously. Pam added the District would be discussing who is on the subcommittee. Marcus would like to see the District have whomever they wish to be at the table be at the table to comment. John Spencer made a motion for both the City's and District attorneys to work together on the assumption agreements. Kim Daughtry seconded the Motion. The Motion passed unanimously. The oversight committee will meet as Gene and Tonya need.

6. **Draft Next/Future Agenda Items** – none.
7. **Schedule the Next Meeting** – The next meeting is scheduled for February 13, 2018 at 3pm.
8. **Adjourn** – Marcus Tageant adjourned the meeting at 4:02pm.

2018 Utility Committee Chair:

A handwritten signature in black ink, appearing to be 'Pam Stevens', written over a horizontal line. The signature is stylized and somewhat abstract.

Pam Stevens, Commissioner
Lake Stevens Sewer District