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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**

February 6, 2018

Lake Stevens Fire Conference Room
9811 Chapel Hill Rd
Lake Stevens, WA 98258

Attendees: Commissioners Pam Stevens, Frank McDaniel and Kevin Kosche.
Manager's Tonya Christoffersen and Johnathan Dix. District Staff: Mickie Cooper and
Tara Bighouse. District Attorney Brad Cattle

1. **Called to Order** Commissioner Stevens called the meeting to order at 8:00 AM
2. **Commissioner Planning Meeting**
 - a. **GFC Discussion & Rate Forecast** – Johnathan Dix explained after some research the district is limited on what the GFC's can be raised to. Either the scope of capital improvement plan or who pays for what is the only way we can change the GFC calculations. Mickie stated the calculations of the GFC's does take into account for the new plant. Commissioner McDaniel asked would it be worth the effort with how many buildable lots are available. Johnathan explained it would have to be justifiable to the state auditor. Commissioner Stevens asked about the variable rates discussed by Michael. Johnathan explained the block of the variables per Commissioner Kosche's request. Commissioner Kosche asked how far could GFC's go with the current Comp Plan, its \$9117.00 maximum. Johnathan explained we have eliminated the local facilities charge. There is an average of 10 septs converted per year. Mickie explained there is a prevision in our developer extension agreements if they do not update their address every two years the reimbursement money goes into our capital projects fund. Johnathan explained rates do have to cover all M&O. Commissioner Kosche asked would a rehab on a lift station count as maintenance or capital; Johnathan replied it would be capital. Commissioner McDaniel would like to see what the rates would need to be to get rid of the rate stabilization fund and use that money elsewhere. Mickie explained the 2017 rates would have needed to be \$91.00 to cover all expenses and debts without any of the fees and other money that is not guaranteed to come in. Commissioner Kosche would like to see the philosophy of the budget. Commissioner Kosche would be in favor of tightening the budget by approximately 2% and seeing how that would be possible with where rates would be; increasing paying off debt via the rate stabilization fund. Commissioner McDaniel added Tonya Christoffersen has tightened the budget as much as possibly able. Mickie explained why the budget has increased by 7% for 2018. There were variable items that were not known; 5-member board, etc. Standard

is a 5% increase for utilities and phones and 2018 is the year for step increases for employees, which is a 5% salary increase for those eligible. Commissioner Kosche understood the budget for 2018.

- i. **Billing Statement Update** – Commissioner McDaniel stated he is not a fan of the pie chart on the bill which shows a few years back when the district added debt. Commissioner Kosche added when the rates increase it will be a good tool to explain why the rates went up and what it goes for. Tonya added it may be a better idea to put it in the newsletter because getting people to open their bills is difficult. She explains to staff there is only a significant amount of people that complain about the bills. Commissioner Stevens added she believes people will not pay attention either way and since it will not be updated every month it might be better to see it in the newsletter. Commissioner Kosche added if it doesn't cost any more than its good to have.
- b. **Debt Payoff** – Capital reserve, rate stabilization and SRF Loan reserve Mickie explained we have per our loan covenant requirements and the District has exactly that amount; \$3.6 million SRF reserve and \$2.3 million bond reserve, which we cannot touch until the District is debt free. The rate stabilization \$8.4 million and \$9.5 million in the capital funds. Mickie explained no money can be moved from Fund 46 without Commissioners approval via resolution. DEA and SWI reimbursable are put into the capital expense fund. Commissioner Stevens added she would like to see what capital improvements would be coming before taking money out of that fund. Johnathan explained the Mayor is also putting the pressure on us to invest money into non Comp Plan projects. Commissioner McDaniel added for the District, residential is needed and for the City its commercial to create revenue. Tonya added before the District puts money into the downtown development of the assisted living project it needs to be figured out if the project can even go forward. Johnathan added it effects the budget and bottom line to put money out before knowing if the project will be going in like the SW interceptor. Commissioner Kosche added the intentions become pure if the money is not sitting there. Commissioner Kosche asked what is the District reserve practice. Mickie replied before the Sunnyside Wastewater Treatment Plant the District's best practice was to have 1-year in reserves for M&O; in today's money would be \$6 million. Mickie added if you do an ULID it would have to go out for bonds. Johnathan added it's good to have \$3-5 million for emergencies; old pipes, SWI, etc. Tonya added she has spoken to Cronin about the Hwy 9 & 204 intersection and the District has not been invited to any stakeholder meetings. Johnathan added there is some risk since the District has pipe in the ground. Commissioner Kosche added it gives a completely different outcome when the money is not available, when it comes to increasing rates for projects. Discussion ensued about the 50-year-old pipes in and around the lake and having the ability to pay for fixing them in the event of an emergency. Mickie explained the Capital forecast as its written in the Comp Plan with a current capital reserve of \$10 million total. Tonya explained Standard and Poor does not like the rate stabilization fund. Commissioner Kosche stated he would like to see one significant increase in rates if needed. Commissioner Stevens would like to see no increases in rates if the District doesn't have too. Commissioner Stevens

stated that 40% of residents in Lake Stevens are low income. Tonya commented on the discussion explaining the compounding factor of the property tax increases overall and the increases in the City of Lake Stevens. Commissioner Kosche added the District cannot be defined by the other increases from the schools, taxes and possible library. Mickie showed the Commissioners various scenarios on rates with paying down debt, discussion ensued. Commissioner Kosche posed the question, when should the rate increases happen and how much? Tonya asked if the Commissioners would like to see this presentation on rates at a Board meeting; discussion ensued. The Commissioners agreed the rates need to cover the M&O costs and to look at the rates and the possible amounts for rate increases over the next few years. Commissioner Stevens replied she has no problem with rates paying for M&O and no issues taking some money from the rate stabilization fund paying for debt. Commissioner Kosche added that addressing the concern of people needing help with their sewer bill by increasing money going into the Caring by Sharing fund or increasing the low rate reduction amount of the discount. Bringing back the two scenarios to the first meeting in March. Brad Cattle commented on using the money from the rate stabilization fund to pay down debt while doing a rate increase, it would be beneficial to let the rate payers know as its good news and it will be beneficial to take advantage of the good news when raising rates. He noted there are two issues with respect to the rate payers to pay rates; what is the rate going to be and will it help them to get it paid. It may be a good idea to enhance those and to take a look at them separately. He believes these two issues may be separate issues. Tonya recapped; at the March 8th meeting rates will be on the agenda at \$2 each year and a \$5 increase in 2019 in a 7-year window while looking at the forecast. Johnathan added it might be an easier sell to use percentages rather than dollars.

- c. **Budget Discussion** – Commissioner Kosche stated this was covered earlier under the rate forecasting.
- d. **Evaluation of Unification and Subcommittee** – Commissioner Kosche recapped the last meeting of a 1-year or 3-year time frame to identify the risks analysis, which is the next step to his understanding. Commissioner McDaniel believes it should go in order of when it should happen. Commissioner Kosche noted Gene and Tonya will be working through the pillars and the next voteable point will be in July. Commissioner Stevens noted she doesn't believe we should be voting on that in July. Tonya added she does believe it needs to be voted on but is unsure the July timeframe will be enough time. Gene has contacted her to get the benefits and pay of all the employees. Commissioner Stevens stated she believes this is just one of many in the way of lift and shift from the City; discussion ensued. Commissioner Kosche replied he believes Gene and Tonya need to work through this together. Tonya would like to know the Commissioners have Tonya's back when she says they are still on Pillar one and the first thing the City asked for are all the District employee salaries and benefits. Commissioner Kosche understands at some point the pillars will be working on simultaneously. Tonya's reply was that Commissioner Kosche prefers to define the impasse point which needs to be defined and once its defined Tonya should feel the Commissioners have her back as it will have been defined. Johnathan added one thing that would help staff is moving the date on unifying to give time to complete this process.

Commissioner Stevens added there are some agreements that the City is not holding to and creating what feels to be a lift and shift. Tonya added she believes, she and Gene work well together, she is just wanting to make sure the Commissioners support her decisions. Commissioner McDaniel added there are differing views from both the District and City. Johnathan added he agrees and feels the approach is unclear from the Commissioners on the approach. His unsolicited opinion is to get the unbiased consultant to provide guidance. Commissioner Kosche believes the whole purpose between now and July should be to identify the benefits and risks to accelerate or not. Commissioner Stevens added one big thing that has not been discussed is the added cost to unify. Commissioner Kosche added this would be one of the risks. Tonya noted she and Gene will be meeting Monday. Commissioner Kosche would like to see the risks or benefits by July. Commissioner Stevens asked Commissioner Kosche if he was asked to dissolve the District, she feels it has been a big push from him to move on this right away. Commissioner Kosche replied, absolutely not. Commissioner McDaniel added he doesn't know where Commissioner Kosche stands at point. Commissioner Kosche would like to know the risks and benefits. Commissioner Stevens would like to see everything done transparently and to know the risks and benefits as well she stated she does not want to see a lift and shift. She added there are so many facets she has heard about several other Districts going through these processes and they are not completely transparent, and it's taken much longer than a few years and the cost was several million. Brad Cattle added there is a current resolution to look into accelerating the unification of 5-7 years and hears at least two of the Commissioners agreeing with accelerating and seeing if it can be done faster than that if the discussion and information support it. Commissioner Kosche doesn't believe the risks and benefits will change between the 3 or 5 years. Brad noted it sounds like the Commissioners are waiting on Gene and Tonya, the attorneys will not be getting together until Gene and Tonya are complete. Commissioner Kosche and Commissioner Stevens replied yes. Tonya added the City's Attorney has already seen the City's pillars and she sent that information to Brad. Commissioner McDaniel asked what is the outcome of holding accountable and what exactly does it mean. Commissioner Kosche replied his expectation would be for the staff members to work toward success and if they don't it would be subjective to the why or performance evaluation as if they were performing their job duties. Commissioner Stevens added some of these time lines are not doable and they need to be given the time to do their work as well as the added pillar work. Commissioner Kosche replied the specifics need to be identified early in the process and not wait until June, most of this will be done by Tonya. Brad added he is hearing the Commissioners do not want to hire a consultant, if it gets to a point where they want to get someone in here to help. There is a woman that did help in another consolidation situation and was able to get them to agree. Brad believes the Mayor knows of her and she may be able to be of help. Tonya added Karen was used with the Marysville Fire District and she was a good resource and has mentioned her to Gene. Tonya believes Karen would hold the team accountable, as well as how she will be accountable to the Commissioners. Commissioner McDaniel added make the City do their part and believes none of

the staff is in jeopardy of losing their job, with the exception to Tonya. He would like to see that addressed in the timeline as well and decided by the District not the City and should have a discussion to do right by Tonya. Commissioner McDaniel added for peace of mind it is better to go into and what is told to the employees. He believes staff is being put into limbo and it's not fair to them, he believes the staff has not been in the know on anything. Going forward the right thing to do should be to work out with Tonya. Commissioner Kosche added next board meeting there will be an executive session to discuss this. Commissioner Stevens added she completely agrees. There has been a significant push for assumption by the time the Mayor is out of office and that's what the timeline of pillars shows. She wants complete transparency. Commissioner Kosche added he feels no bounds on the pillar timelines. Tonya asked for the Commissioners take as the subcommittee members as Commissioner McDaniel and Commissioner Stevens will be on that committee. Commissioner Kosche noted he is fine with that as it's not a decision-making committee. Commissioner Kosche added he prefers not to discuss business through staff with Commissioners and will wait until the next meeting to discuss personally and doesn't want to take staffs time being the go between. Commissioner Stevens added she believes the Commissioners need to speak respectfully to each other and anyone in the office as well.

- e. **GM Recruitment** – Commissioner McDaniel would like to pause hiring a GM but would like to talk in Executive session. He added what do you say to a candidate, a time frame should be set before making a decision. Commissioner Stevens added a discussion needs to be had with Tonya as she is currently the acting GM and how she feels about this as well. The Commissioners will discuss further in exec session.
- f. **Next Meeting** – Tonya recapped the items covered in the meeting and asked about the rate increase and the debt payoff at the March 8th meeting as well. Commissioner Stevens added she would like Tonya to let the City know who has been chosen for the subcommittee. Tonya added she believes the City has also chosen and will be announced at the next Utility committee meeting. Commissioner McDaniel asked if the City has three would one of them be an alternate. Tonya replied yes that is what she believes, same example would be for the District Commissioners.
- g. **Additional Discussion** – Johnathan added there was a sewer spill on Friday evening, the telemetry did not let the staff know and the pump was left off by mistake. The spill was contained to the Lift station, DOE was notified.

Mickie explained the pay as you pull resolution that was created with the downturn of the economy. There is an increased fee and added work by staff. She would like to see the resolution repealed with the exception to those currently using the process. The Commissioners agreed this is fine with them. A new resolution will be brought to a future Regular Board meeting.

Mickie explained the developer billing by percentages and added this was a policy put into place by Michael Bowers. It has added extra work and lost money on the 5% construction inspection fee. John explained how the District thought it would

make more money on the smaller project, covering the loss on the larger project when it has been reversed the District is losing money on the small developments. He explained it's costing more money and staff time. The change would be to go back to charging actual costs. The Commissioners agrees to have a resolution brought back to a future Regular Board meeting

Tonya reminded the Commissioners that District staff would like to meet with the Commissioners at least every six months. Tonya noted it would be at the monthly Employee meeting.

Commissioner Stevens believes if there is sewer or unification related items on the City Council meeting agenda then one of the Commissioners should attend the meeting.

Johnathan reiterated the need to bring an electrician and an inspector position in house and to not be at the mercy of G&O. Commissioner Stevens would like to see the cost to the District. Johnathan added it would come out of the M&O and 60% of the inspector position time would be billable. Johnathan can bring a suggested billable rate for this person. Bringing an electrician on board, someone on board with a SCADA background would be beneficial and they would be shared between the plant and field. It was brought up by a staff at the employee meeting the need to be compliant and how they are not certified to work on electrical. Commissioner Stevens and Commissioner Kosche would like to see the cost of this person at the next meeting.

Tonya noted 10 hours was spent on union mediation this last time and there is another meeting scheduled for Friday February 9th,2018. They left the meeting feeling they have bargained to an impasse and have bargained as far as both can go. The attorney let them know they may want to give a final offer. The unfair labor practice has no valid points and Tonya let the Commissioners know they will be giving the final offer.

Tonya added one employee posed the question (two years ago) he was given a step increase of less than 4.7% due to the change in the salary grid and steps. Johnathan has done some research and there is a statute of limitation of 2 or 3 years and it's been 29 months. The note in the previous handbook states any employee should be paid the next highest step in their current salary. Brad stated there are hold harmless clauses. Mickie explained the previous process and the change in the steps from 12 to 7. Johnathan explained Peter Atلمان, the District's bargaining attorney stated he doesn't believe there is any action that needs to be taken.

- 3. Conclude** – Commissioner Stevens concluded the meeting at 3:55 PM with no action taken.

Signed in a regular open public meeting this 22nd day of February 2018



Pam Stevens, President and Commissioner

Frank McDaniel, Secretary and Commissioner

Kevin Kosche, Commissioner

