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

**MINUTES
 COMMISSIONER MEETING
 November 8, 2018, 9:00 AM**

Attendees: Commissioners Kevin Kosche, Mariah Low and Dan Lorentzen via teleconference.
 District Staff: Tonya Christoffersen, Tara Bighouse, Jeff Baisch and Casey Mullins. District
 Engineers: Barry Baker and Leigh Nelson, G&O. Legal Counsel: Brad Cattle. City of Lake Stevens:
 Gene Brazel and Eric Durpos

1. **CALL TO ORDER** – At 9:00 AM, Commissioner Kosche called the Meeting to order
2. **PLEDGE OF ALLEGIANCE** – Commissioner Kosche led those present in the Flag Salute
3. **AGENDA APPROVAL** – Commissioner Low moved to approve the Agenda. Commissioner Kosche seconded the Motion. The Motion passed unanimously
4. **CONSENT ITEMS** (The Commissioners have previously reviewed these in detail): Commissioner Low moved to approve the Consent Items A through I. Commissioner Kosche seconded the Motion. The Motion passed unanimously.

	AMOUNT	CHECK #'s
A. Minutes: Oct 9, 11, 23, 25, 31 & Nov 1		
B. Lien Placements (25)	NA	
Lien Releases (43)	NA	
C. Investments	\$499,996.62	
Withdrawals	\$1,860,954.32	
Transfers	NA	
D. Payroll	\$180,516.61	
E. 40 – Maintenance	\$72,845.83	5837-5871
F. 48 – SRF Principle & Interest Payment	\$1,646,365.84	5872
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	\$214,588.48	5873
I. 60 – PWTF Principle & Interest Payment	NA	

- J. 2BR 2nd Addendum to DEA – Leigh Nelson showed the location on the map this DEA is located on 20th Street. This addendum modifies the number of ERUs from 107 to 109. Commissioner Low moved to approve 2BR 2nd Addendum to DEA. Commissioner Kosche seconded the Motion. The Motion passed unanimously.
- K. Mountain View Estates DEA – Is not present.
- L. Pellerin I DEA – Leigh Nelson showed the location and explained this is split into an east and western sections. This is recommended for approval Commissioner Low moved to approve Pellerin I DEA. Commissioner Kosche seconded the Motion. The Motion passed unanimously.
- M. Pellerin II DEA – Leigh Nelson included her comments with Pellerin I DEA approval above. Commissioner Low moved to approve Pellerin II DEA. Commissioner Kosche seconded the Motion. The Motion passed unanimously.

5. **PUBLIC FORUM – Non-action Items** (please limit comments to 3 minutes)
6. **OLD BUSINESS**

- A. Evaluation of Merger – Tonya Christoffersen reported the sub-committee met this morning. She and Gene have some direction on the next steps on what needs to be completed to see if we should accelerate the merger date or not.
- B. Third Quarter Financials – Mickie Cooper explained she will highlight the main items. The end of September cash balance was \$32,799,776.00, there is almost \$3.2 million in the debt

payment funds, however the bond payments and the SRF payments are coming out of that. She is estimating there will be \$1.5 million at the end of the year after all payments. Mickie continued on with the 7-month trend. The biggest difference is the Plant operations went down from August to September due to less chemicals. Payroll taxes were also down due to the WASWD Retro check. Collection and maintenance were up due to some line maintenance in September. Maintenance salaries were up due to step increases. Administrative expense was up due to work done on the Vernon Business Center; repair on windows, doors and AC for server room. Conference travel mileage and meals were up due to the PNWCA conference. Training and school were up due to the CCTV manhole coding class. Business taxes and insurance is up due to the department of revenue audit for 2014-2016 at a cost of \$28,000; due to how the District separates the excise tax for the lines and the treatment plant. A small portion was for use tax and an increase in our liability insurance. Mickie moved on to the Comparative statements. Total operating revenue is up 3.29%, operating expense is up 3.91% mostly due to step increases this year and the contributing capital cash/connection fees is up just over \$2 million from this time last year. Other sewer revenue is up; part of this includes developers not updating their contact information allowing the District to keep those funds and interest is down. Cost per ERU; total operating expense \$35.15, total operating cost, plus interest cost and average monthly principle payments the cost the rate payer is \$83.94. Monthly budget average is \$518,000 and are currently at 66% for being 75% of the way through the year, with the highest month being September at \$496,000. ERU count is up which helps.

Budget details. Administrative expenses are at 65% of the budget, the Vernon Business Center maintenance is over budget due to the repairs stated during the 7-month trend report. Taxes and insurance are at 81%, due to the excise tax audit. Advisors expense are at 50%, Field and Maintenance is at 65%. The two largest items are Lift Station 8C and the field vehicle expense due mostly to the CCTV truck repairs. Plant Maintenance and Operations is at 64%. One employee was paid out on vacation, plant water use is up, chemicals is up, laboratory fees is more than budgeted and the vehicle and overall the District is at 66% of the budget. Commissioner Kosche reiterated for three-fourths of the way through the year and at 66% of the budget were doing good. Mickie added the capital project budget page shows the developer reimbursables that come back to the District are put into repair in replacement item as a project transfer, the District can only use those funds for capital expenses.

- C. Food Bank Check Presentation – Tonya Christoffersen explained the District uses Caselle for its billing. They were having a community give back contest and she submitted the Lake Stevens Food Bank. By more than 50% of the votes the Lake Stevens Food Bank was awarded \$2,500 for the Community Give Back. She presented the check from Caselle to Doug Warren the Food Bank President. Doug and Anne Anderson, Food Bank Executive Director thanked everyone for the donation.
- D. Bond Counsel Update – Tonya introduced Dave Trageser. He explained he was here December of last year because of the proposed tax reform law and gave a brief explanation of that change. Dave reported the IRS came out with some clarification on the Build America Bonds allowing advance refunding of the BABs. Currently the District has \$28.9 million in outstanding bonds and currently the interest rates are in the 4-6 percent range. If we did refund these bonds, they would be an advanced refunding which is allowed with some stipulations. In 2013 sequestration took effect and is currently reducing the reimbursement by 6.2% and will be in affect thru 2019. Dave added this is still an issue and explained the process and showed the current trend of the bond buyer index and stated he currently cannot recommend refinancing at this time. It is recommended once the analysis shows at least 5% present value savings which is at least \$1.35 million savings, he will contact the District. Commissioner

Kosche noted it's a game of having the costs go down and the interest rates not increase. Dave replied the interest rates would need to go down from here at least half a percent. Its also dependent on how many municipal bonds are in the market at that time. Commissioner Kosche added this would also be a good item to bring to the Utility Committee to discuss. Dave added the rating as well is key. Commissioner Kosche asked what is the cost for an S&P update. Dave replied it is a combination; they will call the District to get information to keep up to date but typically they have junior analyst doing the updates and are just doing a checklist analysis. Tonya added she had a phone conference with S&P and the rating has not gotten worse. She is going to send the audited financial report once complete as well. Dave added S&P only charges when doing a new rating analysis.

- E. Bio Filter Media Replacement Contract – Tonya explained this is a small works contract and is asking for permission to have the General Manager sign the contract. Caitlin Hubbard explained this is a mixture of lime and tree shredding media. The old media in there is 6 years old and needs to be cleaned out and replaced with new media. This will also reduce odor. Commission Low moved to approve the General Manager to sign the Bio-Filter Media Replacement Contract. Commissioner Kosche seconded the motion. The Motion passed unanimously.

7. NEW BUSINESS – None

8. MANAGERS' REPORTS

- A. Manager of Administration – Tonya Christoffersen thanked the Commission for this morning's meeting on the merger and the direction given. She met with Mariah and Holly Urness yesterday. Mariah met Holly at the State of the Lake meeting, Holly is with the School District. The District will be working with the Schools in Lake Stevens to put out the word on not flushing wipes and floss; increase the level of knowledge of what not to flush. As well as possible job opportunities for those not wanting to go to 4 years of college. Commissioner Low added they are hoping the curriculum will be going by spring.
- B. Manager of Collections – Johnathan Dix was not present. Barry Baker updated on Lift Station 17; there were issues on the coating in the wet well. It is going well and will be inspecting on the liner. The abandoned line is being cleaned out and water testing on the new wet well. Due to the cost of the bypass pumping they decided to switch over everything this Friday fully aware there may be some callouts. Barry explained the type of coating mix and how it's applied. It is a different coating than was used the last time. He explained the difference this time is they pressure grouted the well first then applied the new material.
- C. Treatment Plant Update – Casey Mullins reported flows are averaging 3 plus MGDs per day normal for November. The colder weather slows the bugs and noted we should give them caffeine. He added mandatory dewatering centrifuge rebuild has been set for December and should save money in the future. Jeff, Caitlin and he attended the PNCWA meeting yesterday. The current permit period is 5 years and given a heads up the nutrient removal will be an added condition of our NPDES permit; we have no idea of the impact or cost. He gave a shout out to Caitlin as the PNCWA President as her term ended yesterday. Casey added the I&I is up; processing more rain and groundwater, as much as two-three times normal flow this pushes the Plant closer to its 85% capacity and addressing this in the near future will help forestall the expense of the plant expansion. Commission Kosche asked for the timeline at looking into the I&I. Tonya replied it is something the District will be focusing on in the New Year. They are aware of the varying flows depending on the time of year and have added it to the budget. Caitlin added spending money on regulating the flows into the plant verses spending money on the plant upgrade is preferred. She noted her conversation with a peer at the PNCWA conference who was from Post Falls Idaho. They have a newer plant and have kept up on their

I&I so their flows do not fluctuate with the seasons. Caitlin recapped the PNCWA conference. She gave a workshop on permitting and it was an eye opener, the value in asking your regulator questions. She was happy to learn from the DOE regulator and was able to get information that the more data points the more the regulators have to work with. She learned about strategies on repeat messages as well as being transparent. What needs to be done to be transparent and in a way that can communicate it to the public not the scientific version. She attended the government affairs session and the importance of funding for sewer; it's not going anywhere, and it affects everyone. Caitlin noted the plan is to attend the fly in, in Washington DC again in April, it is impossible to meet with every representative, but more attendees would help to get to meet all the representatives. She explained the importance of not having nutrients going into the waters and causing algae blooms.

9. **CITY REPORT** – Gene Brazel reported tonight is the open house for the downtown revitalization plan from 5:30-7:00 PM. Winterfest is coming up December 1st and welcomes District help. The fire ball will be present again this year. The city is still working on the 2019 budget. He added the sewer utility tax has not been decided for sure, but the City is looking at a 2% tax on sewer.
10. **COMMISSIONERS' REPORT** – nothing to report. Commissioner Kosche welcomed everyone to enjoy cake to celebrate the promotion of Tonya Christoffersen to General Manager and noted after they will recess into executive session.
11. **EXECUTIVE SESSION** – Brad Cattle stated that the Commissioners will recess into Executive Session at 10:15 AM; it is estimated that executive session will last up to 20 minutes, concluding at 9:59 AM. The purpose of the Executive is to discuss contract negotiation matters if discussed in public would disadvantage the District. At the conclusion of the Executive Session no announcement or action will be taken by the Board of Commissioners.
12. **CONCLUDE** – The Board Meeting was concluded at 10:35 AM.

Signed at a regular open public meeting this 13th day of December 2018





Dan Lorentzen, Commissioner



Mariah Low, Secretary and Commissioner



Kevin Kosche, 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
GARY PETERSHAGEN		City	425- 418-1245	