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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
 April 16, 2018 9:00 AM**

Attendees: Commissioners Pam Stevens and Kevin Kosche. District Staff: Tonya Christoffersen, Johnathan Dix, Casey Mullins and Mickie Cooper. District Engineers: Barry Baker and Leigh Nelson, Legal Counsel: Jordan Stephens. 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 at the Meeting in the Flag Salute.
3. **CONSENT ITEMS** (The Commissioners have previously reviewed these in detail). Commissioner Stevens moved to approve the Consent Items A through I. Commissioner Kosche seconded the Motion. The Motion passed unanimously.

A. Minutes: March 22	AMOUNT	CHECK #'s
B. Lien Placements (74)	NA	
Lien Releases (114)	NA	
C. Investments	\$493,250.00	
Withdrawals	\$13,595.07	
Transfers	\$8,750.00	
D. Payroll	\$173,041.19	
E. 40 – Maintenance	\$205,189.70	5233-5291
F. 48 – SRF Principle & Interest Payment	NA	
G. 50 – City of Lake Stevens Bond Payment	\$12,200.00	5292
H. 58 – Capital Expenditures	\$1,395.07	5293
I. 60 – PWTF Principle & Interest Payment	NA	

- J. Lake Stevens High School Modernization DEA – Leigh Nelson explained that the School District is adding an additional building to the high school. They will need to relocate a sewer line and that is the reason for the DEA. The new building will equate to 9.23 new ERU's. Commissioner Stevens moved to approve the Lake Stevens High School Modernization DEA. Commissioner Kosche seconded the Motion. The Motion passed unanimously.
- K. Lake Stevens High School Modernization Sewer Plan Approval – Leigh Nelson recommended the construction plans for approval. Commissioner Stevens moved to approve the Lake Stevens High School Modernization Sewer Plans. Commissioner Kosche seconded the Motion. The Motion passed unanimously.
- L. Stevens Ridge Estates 2nd Addendum to DEA – Leigh Nelson explained this addendum is to invoke the Pay as You Pull Connection Fees of the DEA. Commissioner Stevens moved to approve the Stevens Ridge Estates 2nd Addendum to DEA. Commissioner Kosche seconded the Motion. The Motion passed unanimously.

PUBLIC FORUM – Michelle Myers – 1106 Vernon Road Suite C – Michelle read a statement regarding the new triple net in her lease agreement. She stated Tonya asked her to come to a meeting because the City was doing a hostile takeover and her lease was in jeopardy, when in fact the meeting was about going from three-commission board to a five-commission board. Michelle stated she has asked several times for a five-year lease with a five-year option and

Tonya had told her that she would need to get on the agenda and that she was not in charge of the agenda. Michelle said that in her frustration she opened up to Frank McDaniel about her frustrations. Michelle stated that Tonya told her not to talk to Frank about the contract and if she did Frank was looking at a \$500 fine. Michelle stated that Tonya referred her to John Spencer to negotiate her lease. Michelle also stated that she was offered a two-year lease with no changes. Michelle stated she told Tonya she would not accept the lease. She asked if any of the Commissioners have seen the comps that Patrick McCourt has put together. Tonya said that Commissioner Kosche probably had not seen them as he is new to the board. Commissioner Stevens stated she thought she may have seen them quite a while back.

Shane Myers – 11008 18th St NE – Shane asked about the triple net lease, he would like to know who made the decision to go to a triple net lease. Commissioner Kosche stated all contracts are approved by the Board of Commissioners. Commissioner Stevens stated that the decision was made per the comps that were presented. Commissioner Kosche stated that contracts cannot be done unilaterally by management. Shane wanted to know why they received a bill dated March 6th, before the commissioners approved the lease agreement on March 8th. Commissioner Kosche stated he was not aware of the bill and thanked Shane for bringing that to his attention. Shane had several questions about the triple net expense; the electricity for common area states the amount was \$1,273.22, why is this so much considering his business electricity was around \$300. Shane wanted to know why there was \$86.00 per month for sewer and did the District pay for sewer. Mickie Cooper stated yes, the District pays sewer for the building. Shane wanted to be billed directly for the sewer rather than include it in the triple net. Mickie Cooper explained that the sewer is a lien able utility and that we need to send the bill to the legal owner. Shane asked for an explanation of the landscaping, the triple net shows \$137.70 per month and he would like to know what the landscapers do in the winter time. Mickie Cooper explained that the landscaping is a yearly contract, they take the yearly total, divide that by twelve and bill it out monthly. Otherwise you would have larger billing in the summer time and smaller billing in the winter. Shane asked about the garbage, how is this charged to them. Mickie Cooper stated that the garbage portion of the bill was split 50/50 and one-third of the recycle was charged to Salon Michelle and two-thirds to the District as Salon Michelle has one recycle container and the District has two. Shane stated that Salon Michelle has been maintaining the sign for years. Commissioner Kosche asked if triple net was common for commercial. Patrick McCourt stated that 95% of commercial leases had a triple net section.

Patrick McCourt talked about the lease timeline of events starting with the most current actions; the Commission approved an extension of the then current lease for the first three months of the year in December, the District started negotiations for a rental management company, the District contracted for a rent study. Patrick stated the Tenant was not objecting to paying triple net, just the amount of the triple net, going from paying no triple net to \$1,000.00 per month is a 46% increase from rent to rent plus triple net. The Tenant would need to adjust the prices they charge their customers in order to pay the new rate. Commissioner Kosche stated he does not have a problem with going with the \$500.00 triple net just so long as we have a truing up of the triple net costs. Commissioner Kosche added that the rate payor has not been getting the triple net the past several years. Patrick McCourt stated the Tenant did sign a lease with a new triple net amount of \$500.00 and submitted a check for the first month. Patrick McCourt said he was not sure there is a lot for the Commission to do but to accept the \$500.00 triple net amount as the current contract has true up wording in it. Commissioner Stevens stated she would like to wait until she gets back and have an executive session. Commissioner Stevens also stated she would like to give Tonya the opportunity to respond to Michelle Myers comments as Michelle's comments were directed at Tonya. Jordan Stephens added that since this is a special meeting

the Commission could not act on this today as it is Public Comment and not an item on the agenda.

Tonya stated that professionally she probably should not comment although since the comments were directed at her she would like to clarify a few things. Tonya stated she is sad that this was how Michelle took their conversations. Tonya said Michael Bowers had asked her why Salon Michelle was on a month to month contract. Tonya told Michael that Salon Michelle was not on a month to month contract, although their current lease was up at the end of the year. Tonya stated that she would never have sent Michelle to John Spencer as he has nothing to do with the Sewer District. Tonya stated that Michael was negotiating the contract before he left in September and that she had nothing to do with the negotiations, that she was just the go between. After Michael left the Commission took the lease out of Tonya's hands. Commissioner Stevens stated that they would take this up at the next meeting in executive session. Commissioner Kosche agreed.

Shane Myers asked what they should do about the letter to vacate or pay the balance by 4/20/2018. Commissioner Kosche stated that the District would not take any action until after the next meeting. Steve Hale with Preferred Property (Property Management Firm) stated that the letter just said more action would be taken after 4/20/2018 if the payment was not made. They will be putting this on hold until the decision from Commission is received. Steve also answered Commissioner Kosche's question from earlier about the triple net, that most commercial leases have a triple net section.

Rauchel McDaniel wanted to talk about the March 22nd meeting agenda, Frank had never missed a scheduled meeting despite his surgery's, his family was shocked and hurt by the District changing the agenda without talking with the family. Rauchel stated that the moment of silence was nice and appreciated, it was the item under New Business to select Frank's replacement and the fact that the very next day the post was up to fill his position. Rauchel said she found this out from a family member that was stationed in Japan, they called her to ask what was going on. Rauchel said she wants a public apology in all forums that the posting was in, The Journal, Facebook, etc., as she feels this was a disrespect to Frank and the family. Commissioner Kosche apologized and stated this was not done out of disrespect towards Frank and his family. Commissioner Kosche stated that it is a flaw of his from his business mind, focusing on what the next step is. Commissioner Kosche said we would post an apology in all the forums. Commissioner Stevens also apologized to Rauchel and stated the Districts intent was to find out what the law was and what our time line was. Commissioner Stevens said that Frank was highly respected here at the District. Rauchel said that she wants the apology to have names, not just from the "District". Commissioner Stevens and Commissioner Kosche agreed to this.

4. OLD BUSINESS

- A. Evaluation of Merger – Tonya Christoffersen reported that her and Gene would be meeting with legal counsel on both side tomorrow, to review the assumption agreement. Commissioner Kosche asked if this meeting would result in getting the timeline put together. Tonya asked Gene if that was doable. Gene nodded yes, and Tonya stated they should be able to have a draft timeline for the May 24th Utility Committee Meeting.
- B. Design Fee Approval of the South Lake Stevens Regional Lift Station – Johnathan Dix stated that this is not ready at this time.

5. NEW BUSINESS

- A. Resolution No 943: Authorizing the Transfer of Funds for Refund of Connection Fees Paid – Johnathan Dix explained the proponent proposed and began constructing a duplex before finding out that he encroached on a common side sewer easement. This meant that the proponent could no longer build the duplex. The proponent however, had already paid for the GFC for the Duplex, therefore warranting a refund of the GFC. Commissioner Stevens moved to approve Resolution No 943: Authorizing the Transfer of Funds for Refund of Connection Fees Paid. Commissioner Kosche seconded the Motion. The Motion passed unanimously.
- B. Approve the Refund of the Connection Fees Approved in Resolution No 943 – Mickie Cooper explained the need to have this approved separately from the Consent Items; check # 5294 in the amount of \$8,750.00. Commissioner Stevens moved to approve Check 5294 in the amount of \$8,750.00, authorizing the refund payment connection fees. Commissioner Kosche seconded the Motion. The Motion passed unanimously.

6. MANAGERS' REPORTS

- A. General Manager – see item B.
- B. Manager of Administration – Tonya Christoffersen had nothing more to report.
- C. Manager of Collections – Johnathan Dix reported 150 GFC's and 47 ERU's to date. Johnathan would like to commend Matt Bennett and Christopher Grissom from the Collections staff on the decommissioning of a previously abandoned lift station. There are pictures in the Commissions Agendas.
- D. Treatment Plant – Casey Mullins reported it continues to flow downhill, with flows at 4 million gallons a day and the Plant is operating at an acceptable performance.

7. CITY REPORT – None


8. COMMISSIONERS' REPORT – Commissioner Kosche stated that there have been some emails regarding the update to the forecast to see where why the forecast has us going from being in the red to being in the black. He asked if there was anything ready for this meeting. Mickie Cooper stated it is not ready today, she has started the comparisons, she has finished with the revenues and is currently working with the expenses. Commissioner Kosche asked about the BAB's language on prepaying any portion of the bonds. Tonya said they are looking into this.

9. EXECUTIVE SESSION – none.

10. CONCLUSION – The Board Meeting was concluded at 9:40 AM.

Signed at a regular open public meeting this 26th day of April 2018





Pam Stevens, President and Commissioner

Commissioner



Kevin Kosche, Secretary 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				LSSD
Brandon Shaw				LSSD
Michelle Myers	<i>Michelle Myers</i>			Salon Michelle
SHANE MYERS	<i>Shane Myers</i>			SALON MICHELLE
Raichel McDannell	<i>Raichel</i>			Citizen
GARY PETERS WAGNER	<i>GW</i>		425 418.1245	CITY REP
Alex Hark	<i>Alex</i>			Refused Report
E. D.				