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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

September 24, 2018

Attendees: Commissioners Dan Lorentzen, Mariah Low and Kevin Kosche. District Staff: Tonya Christoffersen, Johnathan Dix, Jeff Baisch, Tara Bighouse, Casey Mullins and Mickie Cooper. District Attorney Brad Cattle. Rodney Langer, CHS

1. **Called to Order** Commissioner Kosche called the meeting to order at 7:00 AM
2. **Planning Meeting**

GFC and Comp Plan Discussion – Johnathan Dix stated that the Commissioners had previously stated that they did not believe that the current GFC rate would be sufficient to capture current and future capital needs. In response, Johnathan had asked Rodney Langer, the engineer currently working on the comprehensive plan update to look at a greater District participation in regional facility construction. Rodney was able to extrapolate a GFC that included a 100% District contribution to the construction of the South West Regional Lift Station. As such, Johnathan will be proposing an interim GFC. Before setting the interim GFC, Johnathan wanted to discuss the limits of what can be included in a GFC as dictated in Title 57.08.005 RCW. John summarized the inclusions by reading the RCW. Johnathan passed out a memorandum from the City of Lake Stevens's Planning Director to City Council estimating the remaining number of buildable lots within the Urban Growth Area. Johnathan believes that number may be on the high side based on conversation with the development community. The District has approximately 1300 GFC that are vested to capacity but have not paid a GFC. It is not clear how many of these 1300 vested GFC are included in the Cities total. Rodney Langer is working to compare the Districts vested ERU's against the City of Lake Stevens to get a more accurate depiction of inventory. In anticipation of fewer developable lots inventory, Johnathan asked Rodney Langer to place Regional facilities in the CIP as District funded projects as it will be financially impossible for developers to construct the regional lift stations. Rodney Langer explained the rules of the Capital Facilities Plan and the GFC calculation; the District's Comp Plan was revised in 2015 and approved in 2016. To ensure the GFC are appropriate, Rodney and staff will be going back and taking a look at what should be included in the Capital Facilities Plan, as you can only include those projects 10 years into the future in the plan. He explained the growth is on forecast. Treatment Plant flows are not showing an unexpected upward trend, so moving the upgrade date is not anticipated to be necessary. Pertaining to buildable lands, the City found 400 lots more than anticipated within the buildable lands within City limits. The county has not provided their buildable land estimate yet. The Pellerin annexation will impact buildable lots and the downtown plan will increase density, which could possibly add more buildable lots, but the impact cannot be

estimated this early in the planning process. Johnathan explained the downtown area plan will be impossible for a single developer to fund, but given the current capacity restrictions down town, the need to upgrade downtown infrastructure is immediate. Rodney explained the CIP for 2015 had increased the Capital Costs by \$2.5 million. There are new projects to be added; Hwy 9/204 and decant facility that were not in the 2015 plan. He explained the variables that are included in the GFC calculation including additional interest construction costs, cost of living. Rodney asked if his current methodology was on track with the Commissioners preferences. Commissioner Kosche answered yes, it makes a lot of sense. He asked if the extra non-recovered cost was reflected in the GFC. Rodney explained it could be and gave examples of the ways the GFCs can be increased to include unrecovered costs. One method Rodney explained, is once a project is identified in the Capital Facilities Plan, you can recalculate the GFCs without amending the Comp Plan. Commissioner Kosche understands it to be when the GFC doesn't cover costs it ends up being reflected in the rates. Commissioner Lorentzen agreed and added the issue is balancing the costs for development to still come and not over price the Rates.

Johnathan explained the current capital revenue at 130 GFCs per year at \$9000 GFC rate. The actual revenue that has been collected to date and estimated forward. WSDOT has put the Hwy9/204 project on hold due to some changes that they have not disclosed. Johnathan explained that regardless of the decision to construct an overpass or cut under SR9, The District would prefer to move the gravity sewer pipe out of the road way. Depending on the design of the road work, the possibility of having to move the Lift Station 15 force main is a possibility. Tonya added Gene called her and let her know WSDOT called and let the City know there is a change. Commissioner Kosche asked "when do we think we will know what the final GFC will be"? Rodney believes it will be closer to the end of the year. Johnathan stated the interim GFC that he would propose for adoption would be \$10,225. The Forecast doesn't presume a final GFC and keeps the 130 ERU per year model. Commissioner Kosche asked if there anything else to do before approving an interim GFC. Johnathan stated that he will prepare a resolution for the next meeting. Johnathan added per his informal conversation with the Mountain View developer that the proponent would forgo the current GFC vesting and adopt the interim GFC as long as it's reasonable. Johnathan added that any latecomer agreement in this basin is unlikely to see any return. Patrick McCourt asked where the GFC Numbers come from. Rodney stated that it is derived from the Capital Facilities Plan. Patrick stated he supports this but would like to know if the District will take on the cost and build Lift Station 22. Johnathan explained the Commission would make that decision. He added the District is working on revising the District standards to provide more flexibility in design and construction. Patrick would like the District to take over and build the Lift Station with the possibility of having a new engineering firm oversight. Commissioner Kosche said yes let's move forward with the interim GFC resolution. Johnathan added more focus downtown is needed before it goes into moratorium. Commissioner Kosche stated that he respects G&O, suggesting sticking with G&O providing oversite but allowing the developer to complete the design of the regional facility on their own dime and seeing where they go. He further suggested that we use this situation as a learning opportunity to see if we continue with business as usual or if we take another approach. Johnathan added maybe advertising RFQ's in

the future for specific projects could provide value. Johnathan explained when asked by the commission why we should finance the South West Regional Lift Station, he explained that this project would lift two moratoriums. The Commission agreed next meeting is fine for the interim GFC resolution. Commissioner Lorentzen asked what the District is doing in regard to the RUTA. Johnathan explained the RUTA has been studied since the GMA was made law and the District has a rudimentary plan, but we know that building the RUTA would require a significant amount of lift stations to service this area. Rodney added it's another several decades to get there, the time to address that will be 2020-2021 when the county updates their plan.

Midyear Budget Review – Mickie showed the comparison of the 2017 vs 2018. When comparing year to year, the overage is due to cost of living increase. She explained in detail the reason for the increases for 2017 vs 2018. Mickie reviewed the 2017 and 2018 actuals for the first 6 months. The increases are due to step increases this year, as well as the MS Office new yearly subscription, the new CCTV camera, the generator servicing and supplies increase at the Treatment Plant. Commissioner Kosche stated the cash flow is the most important to him. He would like to see more of what we budget, what are we recasting/redefined budget as we go to see how it changes and how does that compare to the actuals. He knows how it lags so quarterly would be fine. Extracting the executive data, he would like her to feel free to give her opinion. Discussion ensued regarding how to present the financials in the future. Tonya added one of the new items coming into effect in 2019. She would like to know if the Commission would like to cover the new Family Medical Leave Law Payment or pass it on to the employee. The Commission agreed the Employer cover it at approximately \$6500 per year as a benefit. She will put together a resolution. John Spencer stated he is unsure what the City does but at that cost he believes the City would pay it.

2019 Projected Rate Forecasting – Tonya Christoffersen explained the three scenarios of the ERUs. Mickie Cooper explained the budgeted ERUs are 130 and the District has been trending above that. The District ended up with more cash on hand and did not have to pull from the Rate Stabilization fund in 2017 and is forecasted the same for 2018. At the end of 2019 the District can look into refinancing the BAB's in 2020. Commissioner Kosche would like to see taking the excess and paying debt, a rate structure that supports payments, over a long period of time it should make rates stable. Commissioner Kosche asked if a large hit to the rates would be better from a rate payer and customer service stand point. Tonya and Tara agreed one large increase would be better but tough initially on customers and employees. Casey asked is it easy to assume increased operation costs happen every year and generally rates would increase yearly. Commissioner Kosche agreed.

John Spencer added the PUD needed to raise rates to cover debt. They raised rates 15% and dealt with the repercussion than to increase small yearly and deal with it every year. Discussion ensued regarding the rates verses debt and when to raise rates by how much. Mickie added the cost per ERU to run the District is approximately \$40. John Spencer added he believes the City would be in the discussion and bring it to the Utility Committee. He doesn't like a 4-year gap in rate increases. It put the District in jeopardy of being able to pay down debt. John added he would like to see a larger

increase that small over years. The Commission agreed to take the forecast of rates to the Utility Committee tomorrow at 150 ERUs.

Debt Payoff – Tonya Christoffersen noted there isn't much debt to pay off right now. Mickie Cooper explained in detail the summary of debt. 2 field 1 plant 1 admin positions would increase costs. She explained revenue and debt. The BABS and then SRF Loans are the highest interest rate she suggests paying down those first. John Spencer added it might be good to do an analysis of saturation on rates versus debt. Starting to think now on hitting the max rate while still get debt paid. Commissioner Kosche added not scheduling the rates out too far isn't beneficial, as the connections slow down rates will have to sustain debt and operations. Commissioner Kosche asked is there a model to show payoffs with taking \$4 million out of the rate stabilization fund to see how it plays out. Then using the last of the rate stabilization fund to pay the rest of the BABS loan. Johnathan added to keep in mind the approximately \$31 million needed to increase the treatment plant when it reaches 85%, which currently we are not even close to. John Spencer added it might be a good time to look into expanding the UGA. Commissioner Kosche added looking at the cost to serve versus expense. Johnathan noted he has been working with Rodney Langer. Patrick McCourt added looking at the current numbers there is no way to pay for the plant unless the UGA is expanded. Commissioner Kosche noted you can still pay for the plant, it just costs the rate payer more. He would like to not borrow any more money. Commissioner Lorentzen added he would like to see the District not get stuck in what some neighboring cities are in with no ability to expand. Mickie will be bringing a debt schedule to the Board Meeting in October to see what it looks like to pay off which debt when. John Spencer added the Department of Ecology has thrown an anchor several times with regards to keeping away from debt. He stated the City will be happy to work with the District on this. Tonya added Caitlin reported from the DOE they might be able to leave the former Treatment Plant as is and no more biosolids removal. Jeff Baisch explained one report registered high due to the water in the ponds, the last soil sample shows 4-6 inches of soil and the sludge is a minimum. Commissioner Low asked if G&O has been told to stop work on the bio-solids removal. Tonya replied yes. Commissioner Low likes the Cash Investment Balance report, even if it's in addition to the large detailed reports. John Spencer would like to get these sent to him as well. The Commission agreed to table the rest of the discussion until the update on the report for the next meeting. John Spencer asked for a few utility committee meetings to go over these items, this is a lot of information to give the committee. He would like to see the City and District work together on this. Commissioner Kosche agreed in going through the debt forecast and balance sheets for shared information. Anything for planning and transparency the Utility is the place for it. John Spencer added other items will be protocols on communication and update on unification as well at the Utility Committee meeting.

Org Chart and New Hires – Tonya explained the organization chart and the job description. She would like to discuss the highlighted missing positions; a payroll person as the work load increases for Mickie it trickles down to Michelle and Theresa. At the Treatment Plant, hire an employee with membrane knowledge. The Field and Maintenance hire two seasonal employees, as landscaping went from \$14 to \$39 per hour in prevailing wage. Commissioner Lorentzen asked about the GM position, since

we have worked without this position for a year, what about rolling this position into the Admin Manager position. Tonya added one of the items Gene Matt stated any General Manager (GM) that comes in knowing we are in the merger talks is going to want a contract with severance. Commissioner Kosche noted you want to make sure the \$50 per hour employee is doing \$50 per hour work and \$15 per hour employee does \$15 per hour work so we do not run into problems. Tonya asked Johnathan if he would be able to hire one employee. She voiced her concern in finding the seasonal employees or even employees with the experience. Johnathan added efficiency over just adding bodies. He stated there are still at least three positions needed for the field and the plant. The Commission agreed to one employee for landscaping etc. due to the cost of prevailing wage. Casey asked would any or all of these positions be open to hiring within. Jeff Baisch said he would take the extra hire and see what we get. Commissioner Kosche added he is more of a fan of having a manager, however in the Treatment plant manager in this situation has been working and open to taking another approach. That said he would like to not have a person in the role without the title. Jeff replied he believes one person should have say and not have to fight management to keep the plant running at a high level. The Commissioner agreed they like the high-level standard our plant is held to. Commissioner Lorentzen agreed it shouldn't be a fight with management, but a healthy discussion. He added the team seems to be cohesive and the District has the internal staff to keep things moving well. Johnathan added the worst part of the operations is the Treatment plant isn't getting a fair voice, they need one key person. Commissioner Low added the number of individuals supervised is maxed out. She suggested even putting the maintenance/seasonal under Treatment Plant to lessen the number of employees managed. Commissioner Kosche noted how the roles at the Plant are being managed works and identifying roles he is willing to work with each situation. Commissioner Low added back to roles, for example, if Jeff wants to send Casey to the meetings, then great. Casey added he works well with Jeff and things that come up he and Jeff have spoken about. Commissioner Kosche appreciates the reports on where the plant is at along with daily reports. Tonya added she is finding things that are not getting done in the accounting team. She has been thinking about separating payroll from Mickie. She doesn't feel it's a full-time job, if she ends up being the GM then there would be more items they can take on. Mickie added she has asked for it to be an Accounting 3 so they have the skill set. Commissioner Kosche asked do we have the skills in the other employees or are we masking abilities. Tonya replied she believes the other employees are doing great in their roles, but situations do not allow for the proper cross training at this time. Commissioner Kosche reiterated the staff in the current roles are doing well, but for succession planning we need someone with a different ability. Commissioner Lorentzen believes we can save some money and we need to ensure the District is running correctly. Giving the stability to the employees is important, move forward and take care of the District. Tonya asked about the GM position and where do we go with that or not. Commissioner Kosche stated he now has a better understanding on how the team works. From an optics standpoint do you go out for the position and you roll the dice on what you get. He does have some concerns in the defining of roles. He is sensitive to the acceleration and remains open minded. As well as the role of the Utility Committee and the importance of transparency and openness. He asked for thoughts on it. Mickie added when Darwin left Tonya was interim GM and when Michael left

Tonya was interim GM. She would like to have Tonya step into the GM role. Commissioner Low asked what would happen to the Admin Manager role. Tonya replied adding the benefits to the payroll person. The issue she foresees is not having an HR person and possible conflicts without one. Tonya added she would much rather have the other positions filled before the GM position. Commissioner Kosche asked Brad Cattle if there is a requirement or legal to

Brad Cattle stated that the Commissioners will recess into Executive Session now at 10:45 AM, it is estimated that executive session may last 10 minutes, concluding at 10:55 AM. The purpose of the Executive Session is to discuss the performance of a public. At the conclusion of the Executive Session the commission may take action and may make an announcement. Executive Session ended at 10:54 AM. The Commission moved back into the meeting.

Tonya received a resolution regarding unification from Gene and he is out this week, he is leaving it in Tonya and Kathy's hands. Commissioner Kosche stated he is not leaving November and by Thanksgiving he wants risks and benefits or that's it. He would like to cover at the Utility meeting is the North Davies issue we had on the spill, how to prevent it and have the members comment. Commissioner Low added we did everything we could, and the District is the point of comment first. Tonya added she has redrafted the resolution and it has been given to legal counsel. Johnathan added his recommendation is to the rules of order and how it can dictate. Moving forward it be defined so it doesn't cause more work. Commissioner Kosche is going to keep it back to transparency and order. Commissioner Lorentzen added the agendas need to reflect what is being discussed and having people in the know. Commissioner Kosche gave examples of items needed on the Utility Committee agenda; hwy9/204, land use, etc.

Casey Mullins wanted to add Jeff Baisch has been doing the work of supervisor and not being compensated. He just wanted it to be noted. Commissioner Kosche noted the desire is to get it corrected. Jeff added where is the accountability and where do you separate it. Commissioner Lorentzen added there is a level of service, first the rate payers then the employees, etc. He is ok with making difficult decisions and not being most popular.

Break from 11:10 to 11:35 AM


Monthly Commissioner Workshop – Tonya Christoffersen noted Commissioner Lorentzen asked for a monthly Commissioners Workshop. As well as changing the 2nd Board Meeting in November. Commissioner Lorentzen added with the budget coming and the Utility Committee meetings previously being quarterly it would be beneficial to have more in depth meetings via a workshop. Commissioner Kosche stated something like this will keep the Board meetings to specific process of agenda items then in a workshop more detail. He suggested doing it for 3 months to see how it goes and go from there. The Commission agreed to change the November 22nd meeting to November 20th at the same time of 9:00 AM. The November Commissioners Workshop will be on the 14th at 2:00 PM. The October Commissioners Workshop will be at 3:00 PM on the 23rd, preceding the Utility Committee Meeting at 4:00 PM.

Commissioner Kosche asked each attendee if there was anything else they would like to add. Tara Bighouse added if and when Tonya's role changes to General Manager to help the Administration Department by clearly stating who the admin department report to. There are leads in each team; accounting and customer service. If its them or someone else, it just would be very helpful for the roles to be clearly identified for the admin staff.


3. **Conclude** – Commissioner Kosche concluded the meeting at 12:58 PM with no action taken.

Signed in a regular open public meeting this 11th day of October 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
Rodney Langer	<i>Rodney Langer</i>	CHS Engineers, LLC	425 637-3693	COMP PLAN AMEND
Patrick Williams	<i>Patrick Williams</i>	LANDPRO GROUP	425-308-5101	
Ryan Larsen	<i>Ryan Larsen</i>	Landpro Group	360-631-1820	
John Spence	<i>John Spence</i>	CITY OF LAKE STEVENS	425-241-4435	
MARCUS TAYLOR	<i>Marcus Taylor</i>	city of Lake stevens	city of LS 425	Council