



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

**MINUTES  
COMMISSIONER MEETING  
August 22, 2019 at 9:00 AM**

**Attendees:** Commissioners Dan Lorentzen via phone, Mariah Low and Kevin Kosche. District Staff: Johnathan Dix, Tonya Christoffersen, Tara Bighouse and Casey Mullins. District Engineers: Barry Baker & Leigh Nelson, G&O. Legal Counsel: Jordan. City: Gene Brazel. Bonds: Dave Tregeser and Dan Gottlieb

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 as presented. Commissioner Lorentzen 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 Lorentzen seconded the Motion. The Motion passed unanimously.

	<b>AMOUNT</b>	<b>CHECK #'s</b>
A. Minutes: June 27 & Aug 13		
B. Lien Placements (0)	NA	
Lien Releases (0)	NA	
C. Investments	\$323,824.96	
Withdrawals	\$80.49	
Transfers	\$18,793.02	
D. Payroll	NA	
E. 40 – Maintenance	\$120,242.73	6670-6708 & EFT 125
F. 48 – SRF Principle & Interest Payment	NA	
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	\$80.49	6709-6710
I. 60 – PWTF Principle & Interest Payment	NA	

5. **PUBLIC FORUM – Non-action Items** (please limit comments to 3 minutes)  
Gene Brazel, 1812 Main Street – The City objects to the resolution's section 16(K) and asks the Commission to not approve the Resolution due to no quorum at the last Utility Committee meeting. Commissioner Kosche quoted section 9.1 of the unification agreement, "The City and the District each retain their rights to issue bonds and other obligations in accordance with applicable law, but neither party shall act in such a manner as to impair the rights of the holders or owners of bonds issued by the other party" and asked Bond Council if there is anything that will impair unification. Dan Gottlieb stated he believes not. Commissioner Kosche quoted section 9.2, "Upon reasonable notice, the District shall make its financial records available for review and inspection by the City." of the unification agreement and believes the district shows financials to the City on a regular basis. He asked to be stated on record.

**6. OLD BUSINESS**

- A. Resolution No. 969: Refinancing the Build America Bonds – Dave Tregeser, bond underwriter, noted they have been preceding down the path of refinancing the Build America Bonds and wanted to note the disclosure document and invited the board to take a look at it as the bonds

will not be final for some time. He noted a few things about the bond market, the interest rates for bonds are near an all-time low and as the District is aware, they will be contributing money from the rate stabilization fund and reserve fund to help offset principle. There will not be a payment in December and will be going over the numbers later. Dave noted they have applied for a new S&P review for rating; the Districts current rating is A. He may look into a surety bond. The estimated net savings will be approximately \$9 million and will be at the end of the bond payments as they near the end at 2032. The resolution has specific parameters that have to be met and the District is currently well above all those parameters. He will be finalizing a quote process in the next couple months. Commissioner Kosche stated with interest rates at a 40-year low, interest rate risk is real in terms of delay. He is a proponent of any and all disclosures to drive these bonds. Commissioner Lorentzen added he believes we are on target and ready to move forward.

Dan Gottlieb introduced himself as bond counsel, the resolution was prepared updating the 2010 resolution to refinance the Build America Bonds to allow savings. The changes recently in tax law by calling them on their earliest call date of September 2020. This resolution calls those bonds, the first payment will be May 2020. It permits the redemption of bonds and ties those to the marketing process. It describes the security for the bonds from the operation of the sewer district. It permits the issuance of junior lien debt; such as PWTf loans, etc. It contains tax covenants, these bonds will be tax exempt, the same as before on the tax covenants. It sets forth the parameter of the bonds, state law permits the sale with the president and GM with regulations. The way the marketing of bonds happens now, the rate looks high, but is reduced by the premium deposit. The coupon rate is to keep the bonds liquid to the bond holders in the future; the premium cannot exceed 30%. The anticipated redemption will be at a 10-year call at par for mandatory redemption. The issue that was raised earlier is in section 30, it does state you will not transfer before 11/1/32. It is not prohibited and allows both parties to agree to an earlier date if they choose also stated in 16(K) of the resolution. He pointed out two changes made from the sent-out version. A typo in section A, interest payment date of May 1<sup>st</sup> of next year. And the second is in section 18C, on junior liens not being able to accelerate that is not clear. The Department of Ecology has created language to explain that language to tie into that interpretation. The Commission had no questions. Commissioner Low moved to approve Resolution No. 969: Refinancing the Build America Bonds of 2019. Commissioner Lorentzen seconded the Motion. The Motion passed unanimously.

## **7. NEW BUSINESS**

- A. Annexation Discussion – Johnathan Dix noted a preamble to the following discussion is before any money is spent, he wanted to get direction on how far to take this discussion. It was identified in 2011-2012 there are two areas, one is Frontier Circle and the other is Cypress Isles, off 91<sup>st</sup> Street SE. It appears the process of annexation was started but wasn't completed. Leigh added these actions started back in 1968. Johnathan noted this wasn't addressed in the 2011 annexation. He believes the best path forward if the Commission chooses is to enter into an interlocal agreement for annexation with the City allowing the District to use the Election Method Annexation. He does have a template and is starting the groundwork. He has reached out to MRSC on what potential issues there might be. He hasn't found any prohibition for serving those areas, the negative connotation is they cannot vote on sewer election items. All together its approximately 950 parcels. Tonya added if it must go on the ballot it cannot go on this year, the concern is they hadn't received a ballot. Commissioner Kosche noted 1000 customers not able to vote on a system they pay into is important. Leigh added putting it in the general next year might be the best priced option. Commissioner Kosche asked if there is a check, we can do to

make sure we get all areas if there are any others missed. Johnathan noted the County did check and it appears these are the only areas. The City is annexing several areas that are not currently in the District and the District could potentially use the ILA to piggyback on the City's annexations; Gene nodded yes. Commissioner Lorentzen thought it was fixed a long time ago, let's get it resolved and move forward. Leigh added when this was done the last time, the area was expanded out to the city boundaries. The Commission agreed it costs what it costs, no need for a cap. Leigh added there are some customers serviced outside of the City boundaries and the District may want to do something about that as well. Tonya added it is quite a process to get on the docket but believes the District should do it to get it cleaned up.

## **8. MANAGERS' REPORTS**

- A. General Manager – Tonya Christoffersen shared a story from an employee she was checking on homes in her area that were known drug homes during a restless night and found an illegal connection. Tonya attended the Granite Falls City Hall Opening, she was impressed by the Mayor saying such good words about Brent Kirk and the City Hall he created for \$3.5 million, it was incredible. She and Theresa picked up 12 pounds of garbage on Vernon Road Street cleanup. They will be putting both the cube van and 2006 Subaru up for auction and looking into what to purchase next.
- B. Manager of Collections – Johnathan Dix reported 353 GFC;s year to date. As of yesterday, the District accepted the Autumn Crest DEA. He was out there today due to a damaged manhole; they will be fixing that this week. There are 145 permits year to date. Monday the District purchased smoke testing equipment and will be posting notifications in the neighborhood to be tested at least a week before testing as well as notifying the Fire Department before testing. He is talking to neighboring district on how they address issues to create a decent policy. So far none have a policy on how to address found issues. He is working on a scope and fee with G&O for the parking lot paving, the change will be significant and possibly at the next meeting. The city will be at the pre con for South Lake Regional Lift Station on how to maximize both projects for the rate and taxpayers.
- C. Treatment Plant Update – Casey Mullins reported flow just over 2.1 MGD per day; normal for dry weather. Sept 9<sup>th</sup> is a firm date for the Andritz tech, this is not what Jeff has communicated. They are hauling sludge; staff can put it in but due to warranty they are sticking to Andritz to do it. Tonya added she spoke Dave Barnes from Alderwood, Casey will be taking him on tour along with a few others of the WWTP.

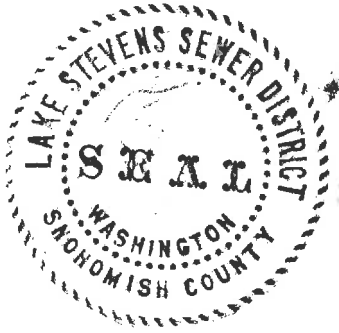
**9. CITY REPORT** – Gene Brazel thanked the District for the packet and likes the new logo. The village way bid came in under budget, the new road coming in from the south into frontier village. The pavilion foundation walls will be poured on Monday. The Harvest Festival is on September 21<sup>st</sup>, there isn't an idea of where at this moment. They will be doing Winterfest again as well, there is no date set yet.

**10. COMMISSIONERS' REPORT** – Commissioner Lorentzen thanked everyone for their hard work. Commissioner Kosche would like to start tracking legal fees on the unification for both the District as well as the City to keep track of those fees to be transparent.

**11. EXECUTIVE SESSION** – The Commissioners will now recess into Executive Session at 9:45 AM and excused the general public; it is estimated that executive session will last up to 10 minutes. The purpose of the Executive Session, under RCW 42.30.110.i, is for contract negotiations, discussion of which in public may disadvantage the District. At the conclusion of the Executive Session, there will not be action taken by the Board of Commissioners and there will not be any announcements made. The Commission Meeting will be adjourned at the conclusion of the Executive Session.

**12. CONCLUDE** – The Board Meeting was concluded at 9:55 AM.

Signed at a regular open public meeting this 26<sup>th</sup> day of September 2019



  
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Dan Lorentzen, Commissioner

  
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Mariah Low, Secretary and Commissioner

  
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Kevin Kosche, President and Commissioner