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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**

**July 9, 2019
Utility Committee**

Attendees: Commissioners Dan Lorentzen, Mariah Low and Kevin Kosche; Staff: Tonya Christoffersen, Johnathan Dix and Tara Bighouse.

Guests from the City of Lake Stevens: Mayor John Spencer, Councilmembers Gary Petershagen and Marcus Tageant. Gene Brazel and Kathy Pugh.


1. **Called to Order** at 4:00 pm by Commissioner Kosche. He moved into the meeting agenda item "Utility Committee Meeting".
2. **Utility Committee Meeting** – The Committee discussed mutual projects and planning for the Lake Stevens UGA and study areas.
3. **Conclude** – There being no further business, the Special Meeting was concluded at 4:19 pm

Signed at a regular open public meeting this 25th day of July 2019






Dan Lorentzen, Commissioner



Mariah Low, Secretary and Commissioner



Kevin Kosche, President and Commissioner



**Utility Committee Meeting Minutes
July 9, 2019 4:00 pm**

City of Lake Stevens / Lake Stevens Sewer District
1106 Vernon Road, Suite A, Lake Stevens, Washington

1. **Called to Order:** 4:00 PM by Commissioner Kevin Kosche
2. **Roll Call:**
Attendees Representing the District: Commissioners Dan Lorentzen, Mariah Low and Kevin Kosche; Staff: Tonya Christoffersen, Johnathan Dix and Tara Bighouse.
Attendees Representing the City of Lake Stevens: Mayor John Spencer and Councilmember Gary Petershagen. Staff: Russ Wright.
3. **Action Items:**
 - a. **Approval of Meeting Minutes of June 25, 2019** – Gary noted the correct of item C from plat approval to plat application for sewer DEA approval. Dan Lorentzen moved to approve the June 25th, 2019 minutes. Gary Petershagen seconded the Motion. The Motion passed.
4. **Public Forum:**
5. **Information Sharing – New Legal Counsel:**
 - a. **Bond Discussion and Concerns** – Kevin Kosche shared the outstanding performance award for 2018 for the WWTP the District was 1 of 119 awarded. He noted in the last Sewer Board Meeting they walked through quarterly financials and the reserve is trending to come out approximately \$1 million higher than anticipated. Gary asked about the Southwest Regional Lift Station coming out higher than expected, how would that affect the numbers. Kevin noted that is operating reserve expense the Lift Station is capital, it is in the CIP and is still a big miss, more explanation will be given by PACE at the next Board Meeting. Kevin reported from an operating standpoint and third-party view with the performance audit and state audit the District is in good standing. Kevin asked if the City permits are slowing down? Russ replied the City is staying steady and continuing to get permits in.

Kevin Kosche went on to the bonds, there will be a commitment with no way around it. He asked if there is a way to get this approved, the longer time runs there is a risk of interest rates increasing; is there a path forward and is there a way to get these bonds approved. John Spencer commented the City attorney did send a letter to the Districts bond council and believes the language in the ILA is sufficient and isn't needed in the bond covenants and can be changed. John added his issue is not being able to accept that bond council would need to approve a merger before a merger could occur, the second issue is at the time of Utility merger there must be a bond council opinion and that is not what was agreed to with the merger subject to bond council opinion. He noted an option to merger sooner and come up with something both can agree to with steps that can be put into a merger or an amendment. He isn't sure what the issue is, the City has already agreed to protecting of employees, union agreement, general manager, etc. Kevin recapped his understanding the path forward is to accelerate the merger. John Spencer replied that is one path forward and is a good path forward. Kevin added he is fine with how it works out what's in the balance is a \$10 million saving to the rate payer. His concern is if this cannot be moved forward to

save the rate payer \$10 million then rates will have to be adjusted in response. John Spencer added he feels put upon to say that there are savings that can be made contrary to the previous analysis done and doesn't feel there was any muscle put into finding the real numbers and added there are further savings for early unification. Kevin asked if there was a way to move forward. John replied he would like to see if the Bond Council will change the requirement for Bond Council approval before merging or to get the merger moving forward. Kevin replied he chooses option 1. Kevin noted if there isn't a way to find a way to move forward then it is what it is. Gary asked when the bonds were initially purchased asked why this was not an issue then. Tonya replied she was informed that the laws have changed on financial disclosures. Gary added it seems the Bond council needs to acknowledge the agreement already in place, Tonya agreed; these are sewer revenue bonds and the sewer revenue is what is paying for these bonds. John Spencer doesn't want to be subject to a Bond Council signing off on the merger 15 years from now. Kevin asked what can be done in the next 2 weeks to move forward with option 1. Tonya explained where the entities are at and next week the attorney and Bond Council will be meeting. Everyone is good with the attorneys meeting on both items.

b. **Communication Protocols** – Kevin Kosche recapped the protocols and escalating issues often. John noted the DEA's and having updates, which is on the agenda. Kevin noted on the protocols he went back and looked over them and asked if there were any besides 4.2 & 7.1 that need to be talked about. John Spencer noted a positive was moving forward on a one stop shop and from his understanding that isn't moving forward very fast. He was expecting perhaps a flow chart of the steps taken on each entities part and have staff look at ways to make an easy path forward. Anything that can be done to move this forward and get moving will bring the agencies together. Kevin noted it's Johnathan and Russ that could make that happen and add an item to the agenda, Russ noted it's really a plug and play and can be done easily. Gary commented from a developer standpoint putting deposits everywhere can be difficult. His opinion on having to do a contract for sewer is time consuming. Tonya noted there are things that have to be done and costs accrue. Gary replied it should be cut and dry if the sewer lines are not up to standards then sewer isn't accepted. Russ explained the project process from the performance bond and then on to the warranty bond. Johnathan added the DEA also puts the District in Lien position and makes it so the District is able to receive reimbursement for engineering costs etc. Gary replied if they don't build the sewer correct it's just not accepted; anything that can be done to streamline the process would be helpful but deposits, applications, etc. are a deterrent. John Spencer doesn't want to tell the District how to do their work but suggests a flow chart.

6. **Project Review:**

a. **DEA List of Developments** – The DEA list has been sent and is here as well. Russ Wright explained the ERU counts are actually Lot counts. Johnathan noted that is correct and he explained that ERU's are calculated at .778 ERU's for apartments and that units and ERU counts will be different. Kevin noted from the looks it seems everything is clean. John Spencer added any issues that needs help can be gone over and making it a positive would be beneficial. Johnathan explained that the District requires that a preliminary plat application be submitted with the City before the District accepts a DEA application. Russ shared Johnathan and other utilities have been a part of the meetings to see what the City has to note any differences and should be easier to track with Sewer DEA's with 2 to 4 opportunities to comment and check on any issues. John Spencer thinks the Utility Committee needs to still check over it. Kevin asked how much will not be captured with staff. Russ replied most of it will be captured in the process but it's a good check over for

possible problematic items. John noted a difficult one right now is Soper Hill. Russ added it will be a more than 8 ERU's. Johnathan explained that there is only one lot of the project that has a known use and the District calculates ERU's based on intended use. Russ asked about the SW Regional Lift Station as its not on the list, John replied it has not been accepted yet, but he has been working with Grace Kane and Aaron Halverson on maximizing the road closure, but it's not a DEA so it wouldn't be on the list. Kevin recapped with making an open and closed list. Russ noted if the list can be sent with plenty of time before the meetings, he can help compare them and get them ready for the Utility meetings.

7. **Schedule the Next Meeting** – The next meeting is scheduled for August 6th at 4:00 pm. Kevin noted the priority, but would like to see more communication, but the bonds are priority and protocols; making it both items at the same time.
8. **Adjourn** – Mariah Low moved to adjourn; Dan Lorentzen seconded the Motion. Kevin Kosche adjourned the meeting at 4:59pm.

2019 Utility Committee Chair:



Kevin Kosche, Commissioner
Lake Stevens Sewer District