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

**MINUTES OF SPECIAL
COMMISSIONER MEETING ON
August 6, 2019 at 3:00 PM**

**Commissioner Workshop
Location: Lake Stevens Sewer District Office
1106 Vernon Rd Suite A, Lake Stevens, WA 98258**

Attendees: Commissioners Dan Lorentzen, Mariah Low and Kevin Kosche; General Manager Tonya Christoffersen, Johnathan Dix, Mickie Cooper and Tara Bighouse. Bond Council: Dave Tregeser.

1. **CALL TO ORDER** – Commissioner Kosche called the meeting to order at 3:01PM.
2. **PUBLIC FORUM** – None
3. **COMMISSIONER WORKSHOP AGENDA ITEMS:**

A. Mid-Year Budget – Mickie Cooper presented the mid-year budget. Commissioner Low asked what the line item is there for \$100,000 when the money is recouped; talking about uncollected funds. Tonya noted where its most noticeable is when the bankruptcies and foreclosures increased due to the economy. Mickie explained one loan paid off in 2021 and another in 2023. Commissioner Kosche noted we need to come up with another million; it appears the District is only bridging the gap for four years. It's great to have options. Mickie explained she did a comparison of the mid-year times 2 and the numbers were really close. The expenses are a little more than the mid-year times 2 she still believes the District will come out ahead. Mickie noted the areas of increases and savings. She added one of the larger changes is the Plant PUD with the savings bonus it has helped offset that expense. With the mid-year times 2 being where it is, she is hoping the District will be down approximately \$300,000 or more.

Mickie Cooper commented on the capital projects, the Vernon Business Center, downtown capital projects, biosolids removal, service truck, collection system pipe repairs, newly added Treatment Plant computer system at approximately \$175,000, the box truck was over a little due to adding the safety features, SR 204/9 intersection; Johnathan explained there may be additional need if a change in roundabouts on Davies Rd and a newly added GIS maintenance management software. Commissioner Lorentzen asked about surplus the Subaru and purchase of the new vehicle. Mickie added the line item for it.

Mickie Cooper moved on to the Forecast; operations didn't have a rate increase in 2020 since building is going well. She explained these number are with refinancing or accelerating debt payments, adding in the plant upgrade in 2025 it would make the District in the red in 2026. Commissioner Lorentzen noted this is just the plan and might change. Johnathan noted he and Caitlin have been working with Suez on potential membrane cassette replacement to get more capacity at the treatment plant to help prolong the upgrade even more. Commissioner Lorentzen noted he would rather pay down debt and save the rate payor.

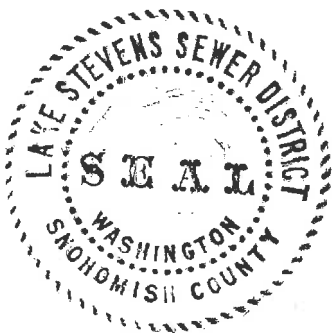
B. Bond Option Discussion – Dave Tregeser recapped the steps to date. He and Tonya have had a number of conversations with attorneys, bond council, etc. He noted with all the disclosure

stuff that occurred there is a requirement to disclose the potential merger and how that would affect the bond holders. It is required that all potential issues are disclosed. He has been looking at options to lock in the savings without the merger until bond maturity. Commissioner Kosche read his statement, stating "Refinancing the Build America Bonds which have a principle amount of approximately \$28M, a rate of 4.8%, and a remaining term of approximately 20 years, represents the most significant, rate payer impacting, opportunity the Utility committee had the opportunity to address in the past decade. An opportunity come together, to SAVE over \$10M in interest, and in doing so, function as a single entity, on behalf of our joint constituencies. There is no greater topic, as measured by RATE PAYER IMPACT, than refinancing the Build America Bonds." Dave commented on his statement, when they ran the numbers shortening the length to 2032 it saves approximately \$2.1 million each year for 7 years with the contribution of a total of approximately \$6.2 million. Dave noted the negative is most of the savings is at the end, with shortening the length cash flow wise the District is adding in negative cash flow of approximately \$80,000 per year. Commissioner Kosche noted we are trading in negative cash flow for interest savings over the life of the bonds. Dave asked opinions. Commissioner Kosche is ok with trading off negative cash flow for overall savings and the optics are within the merger timeframe. Commissioner Lorentzen noted from his perspective is reducing debt, even if its short term and he would like to stabilize the rates and not do little by little increases. Paying debt off is his opinion and agrees with Commissioner Kosche. Mickie noted she is comfortable with approximately \$80,000 of negative cash flow per year. Dave finished with there will be more conversation with S&P, but it could be complete in the next 2 months, give or take.

- C. DEA Resolution/Flow Chart – Johnathan Dix noted the resolution from the last meeting to review will be presented at the next board meeting but did have a few changes. He is trying to make changes to the DEA checklist to catch the change. Not a lot of progress has been made to the flow chart at this time, he is hoping to have it complete by board meeting on the 22nd.

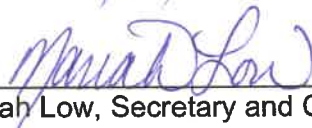
4. CONCLUDE – Commissioner Kosche concluded the meeting at 3:52 PM with no action taken.

Signed in a regular open public meeting this 26th day of September 2019





Dan Lorentzen, Commissioner



Mariah Low, Secretary and Commissioner



Kevin Kosche, President and Commissioner