



Utility Committee Meeting

April 27, 2021 at 4:00 PM

Please join the meeting from your computer, tablet or smartphone.
<https://global.gotomeeting.com/join/415356613>

You can also dial in using your phone.
United States (Toll Free): 1 866 899 4679
United States: +1 (571) 317-3116
Access Code: 415-356-613

Agenda

1. **Call to Order**
2. **Roll Call (2.17ⁱ)**
3. **Action Items:**
 - A. Approval of Meeting Minutes – December 17, 2020 & January 26, 2021
4. **Public Forum** – Non-action items (please limit comments to 3 minutes)
5. **Information Sharing**
 - A. Rates and charges (7.6) – State Revolving Fund Loan #L0800014 Payment using Rate Stabilization Fund
 - B. Personnel (7.7) –
 - i. PERC certification of new bargaining unit
 - ii. Interim General Manager
 - C. Transfer of service planning (7.8) –
 - i. Attorney fees spent on unification
6. **Project Review (4.20)**
 - A. Comprehensive Sewer Plan / City Comprehensive Plan (6, 7.9)
 - B. Capital projects (6) –
 - i. Costco
 - ii. Civic Center
 - iii. Hartford Industrial area

iv. Decant Facility

7. Development Review (4.20) – review of DEAs / Co-location of “One Stop Shop”

A. **Schedule the Next Meetings (7.2)** – Quarterly Meetings July 27th and October 26th, 2021

8. Adjourn

ⁱ City of Lake Stevens and Lake Stevens Sewer District Unified Sewer Services and Annexation Agreement, May 23, 2005



**Utility Committee Meeting Minutes
December 17, 2020 9:00 am**

City of Lake Stevens / Lake Stevens Sewer District
By remote participation via Go To Meeting, Lake Stevens, Washington

1. **Called to Order:** 9:00 AM by Gary Petershagen

2. **Roll Call:**

Attendees Representing the District: All virtually via GoToMeeting.com Commissioners Dan Lorentzen, Mariah Low and Kevin Kosche; Staff: Mariah Low, Tonya Christoffersen, Johnathan Dix and Tara Bighouse.

Attendees Representing the City of Lake Stevens: All virtually via GoToMeeting.com Councilmember Gary Petershagen and Marcus Tageant. Mayor Brett Gailey and City Staff: Gene Brazel and Barb Stevens.

3. **Action Items:**

a. **Approval of Meeting Minutes of September 22, 2020** – Kevin Kosche moved for the minutes but noted one item on the minutes to clarify: an update on the 2% sewer tax and the lake level update to add as a discussion at some point today; the minutes he is good with. Kevin Kosche moved to approve the minutes of September 22, 2020. Marcus Tageant seconded the Motion. The Motion passed unanimously.

Gene Brazel noted his understanding is the sewer tax information that went out was corrected and the information on the website was corrected, he doesn't believe it was reissued out to the public. Brett Gailey noted it did not come up on the District side in the recent community meeting. Kevin noted he is happy to hear that it was corrected, keeping the rates the same for 5 years to ensure the public it isn't occurring at this time as the public sees it as a rate increase. Gene noted if there is something found that has misinformation the City will get it corrected.

Gary Petershagen noted the lake level did have a study done on the outflow, one option is to lower the outflow of the lake because of the amount of siltation that has occurred over the years and some downstream studying going on as far as potential blockages. The study should be complete in the first 6 months of 2021 with hopefully some action to follow. Brett added there was a study and several areas around the outflow as well as outcomes to help dissipate the problems downtown. As the City goes into the next study, they will get getting all the stakeholders who need to sign off on any action together soon. He would like to get something done soon. Kevin noted to the transparent the Districts interest is the lake level that will cause infiltration downtown that will go into the manholes and sewer system. When the drainage District was absorbed by Snohomish county and there may be an angle there from a City perspective for the responsibility. Sand at North Cove park could be washed into the outflow. Brett asked if he knows when the last time the outflow was dredged or

cleaned out; Kevin replied he does not but could ask around. Tonya Christoffersen and Dan Lorentzen both noted people that may know as well.

- b. Resolution 2020-01: Lake Stevens Sewer Utility Committee Agreeing to a collaborative transfer of the unified sewer system** – Gary Petershagen noted this resolution from the City of Lake Stevens and handed it over to the Mayor. Brett Gailey noted the City council passed an ordinance to assume the District under RCW's. He would like to pass this resolution today. Brett Gailey moved to approve Resolution No. 2020-01. Marcus Tageant seconded the Motion. Dan Lorentzen stated the blindside of the ordinance that was passed out of executive session on December 8th. He gave some history of the ILA that was entered into in 2005 and noted his involvement with the City as an employee. This agreement had to be done as the City may not financially survive due to the repairs that were needed and made a decision to unify. This was something that had to be done not knowing if the City would financially survive knowing the Sewer system at the City needed repair. The City turned over that system to the District so they could upgrade it and gave some debt to the District with promises of the District updating the downtown system. This was taken off the plate of the City since they did not have the financial means to maintain the system and looked at the ILA as a legal binding contract which goes until 2033. It constantly comes up and he understands the City wants to push this forward. He stated the District Commission passed a resolution 990 which affirms the District commitment to the 2005 Unification agreement with the City following the timelines and not going against any annexation the City bring forth. He added the District was never notified of this ordinance, nor the public that can get blindsided making arbitrary assumptions the City will be taking over right away without any negotiations whatsoever.

Kevin Kosche noted this resolution was passed just this morning it might be a good idea to read the resolution, so everyone is informed. Dan Lorentzen read the Districts Resolution No 990 aloud

Kevin Kosche read aloud a statement he prepared (see attached to the minutes).

Gary Petershagen asked for discussion from the City side. Brett Gaily agrees the point the District is in a good position and making sure rates are low. The assumption is a great opportunity to further that savings for taxpayers and less government in our community; he supports this resolution. Marcus Tageant believes the report put out by Moss Adams and is for this resolution; he supports this resolution. Gary noted he appreciates the efforts and comments put together by the District while not agreeing with all of it. He would like to see a situation where they move forward together and quit the going back and forth nonsense. The Utility committee is to provide some oversight, through the process of hiring a General Manager, a courtesy of having a discussion would probably go over more than any of the acts and his hope is moving forward collaboratively. Gary supports this resolution. Dan Lorentzen noted as personal friends they reach out as he extended an olive branch to the mayor in December, days before the ordinance and nothing was said about what was coming down the pipeline. He has mentioned several times to call him and has initiated calls. He believes this resolution drives a wedge and it's unfortunate the public is hearing the issues. He believes the current model is the best model. there is no dispute about the

unification agreement but it's still 12 years away, it seem convenient that after the District has upheld the unification agreement its null and void and it appears the District is a revenue source. He doesn't feel it should be done on the backs of the rate payers. Marcus doesn't believe the City has never saw the District as a revenue source. Gary affirmed, the main point for this is to get on the same page. Kevin added he believes we should put this resolution to rest by a vote. He noted the preamble to the Moss Adams report and asked was there additional work or provided information was done by the City staff. He noted the preamble of the report stated the objective was to assist you in your assessment and the report is given back for work to be done. Brett stated they read and accepted the report, verified the numbers. Gary noted the City engaged with Moss Adams to help. Through the process they gave a proposal of three phases analysis, they went the least expensive route to get from a third party from the outside for any potential of cost savings. There were a few conference calls and a very high-level review with not a lot of time on it to get an independent opinion on potential savings by merging the two entities. Marcus added there is a disagreement between the City and District if there would be saving or not and wanted an independent look and offered to the District to be part of it and save money. They see it differently. Kevin added he was interviewed personally by Moss Adams as well as a few other individuals, so the District was involved. A copy was not provided ahead of time and the report stated you may or may not save some if the numbers are accurate. He noted the net of it is, you might save something you might not. Gary added there is a fundamental agreement on their part by combining resources of two entities there are redundancies somewhere and asked Moss Adams for help to identify redundancies. Jennifer Stevenson added she knows she is new to this and she feels her primary duty as a Commissioner is to the rate payer, that will be her primary focus. From everything she has heard or read she believes the ordinance does violate the 2005 agreement. Gary Petershagen called for a vote of the Resolution 2020-01. Bret Gailey, Marcus Tageant and Gary Petershagen voted aye, and Kevin Kosche, Dan Lorentzen and Jennifer Stevenson voted No.

The committee agreed to take public comment early.

Pat Cook commented he hears a lot about how small government is the best type of government, it's not bloated, it operates more efficiently. The Sewer District should be commended on the facility that they have and what they are doing for the environment. It has done this without City government intervention for years. They have one service to provide to the taxpayers, that's sewer. When the City takes over, we lose that efficiency and the government decides where to put that money. When a city takes over the special purpose district it can choose to take and put money into the general fund. You also have competing agencies in the city to compete for that money. By the City taking over the Sewer District what we'll have is inflated costs for the sewer. The District is able to focus on sewer only, its an efficient way to operate. In his mind the smallest form of government is the best form of government. What the City should focus on is governing and not running sewer, water, etc. He has quite a bit of experience with special purpose district and when it gets larger it becomes more inefficient, they always say there will be a cost savings but cannot project or pinpoint a spot in time when they will start saving money. He doesn't think the City should take over the Sewer District, they have been operating efficiently and effectively for years. They have the taxpayer's best interest and do a far better job at proving the best

possible sewer service at a much lower rate. So, for the City to get involved in his estimation the sewer rates will increase with the taxpayer losing in the end.

Andrea Wright echoed Mr. Cook's comments. The resolution 2020-01 states a collaborative transfer will result in four main comments. First a reduction of costs to rate payers, as an average citizen it looks like a money grab. After much research and taking to many she does not see a reason to rush to consolidate the Sewer District with the City. When many cities are slashing budgets. Why is Lake Stevens not reducing their budget, instead moving on with expensive projects they don't have the revenue for. She would feel more confident in the City's fiscal responsibility if the Chapel Hill property was for sale and the 2021 budget was being reduced. Local businesses are struggling financially yet the City hired five more employees and added a hefty mayor salary. The Sewer District has seen a decrease in revenue from business shut down. No one is taking about the true cost of the consolidation; Moss Adams estimates this cost at \$2 million and any savings will never be passed on to the rate payer. Second mentioned the City will better manage growth, as far as managing growth, ask any resident our City has shown its inability to keep up with the massive housing growth and transportation boom. She continued her experience with working with the City with minor issues in her neighborhood and major issues in the development behind her home is the City will gladly look the other way for developers and builders. They are not the advocate for the residents, when the District speaks, they always hear the benefits to the rate payers. Third, enhanced economic development. Is it realistic to consider Hartford as a major industrial growth with the road sinking, significant water runoff and the wetlands haven't been addressed. Forth, the reduction in government. This is not a reduction in government, it is beefing up the City's bank accounts, and all comes down on the shoulders of the citizens. The Sewer District keeps asking if their decisions are in the best interest of the rate payer, what I would like the City to ask is this in the best interest of the taxpayer and the answer clearly is no.

- c. **Employee Retention** – Kevin Kosche noted there has been some discussion regarding employee retention. He stated he has not discussed this with fellow commissioners prior to this meeting. Most pure form of government is a 3-member commission. He is seeking City's input (and any recommendations) at the same time as communicating this topic to fellow commissioners. He read aloud a prepared statement "The Districts employees are the reason the District has achieved the multitude of accolades, and the outstanding financial results, over the past 5 years. Employees who know they are appreciated, supported and have a degree of predictability in their jobs, are much more likely to solidify into a team who delivers exceptional results, and one that has a CULTURE of accountability. While we are an imperfect organization, we have found a way to amplify each of our unique strengths and in doing so, have delivered both exceptional Environmental Value and Rate Payer Value. Over the past five years, the repeated attempts by the City to prematurely absorb the Rate Payers Assets, currently managed by the District, has impacted the degree of predictability our employees have been promised. Because of these actions by the City, I believe the District now needs to explore ways we can provide our rank-and-file employees additional assurance. I welcome input from my Utility Board members on the following approach, which I hope to start solidifying in the coming weeks. To provide employees an additional assurance of their employment, the following compensation would be granted for

any employee Involuntarily separated, not for cause, prior to 2033: 5-15 years of completed service give 3 months compensation, 15 to 20 years give 4 months compensation and 20 plus years give 6 months compensation. Our employees are valuable individuals, not synergy estimates. Note: the above approach costs our rate payers zero, as long as the District Employees are treated fairly.”

Gary asked if Kevin would send that to everyone so it can be added to the agenda for the next meeting.

- d. Reserve Fund Assurance** – Kevin Kosche stated this is the same, he has not discussed this with fellow commissioners prior to this meeting. Most pure form of government is a 3-member commission. He read his statement aloud “In the early 2000’s the Districts commissioners decided to increase rates, in anticipation of the new Sewer Plant build. The desire was to raise rates slowing, advance of the capital spend, and resulting increase in operating expense (debt payments) so that rates could be more stable over the long run. Of the monies collected, here are two pools which remain on the District Books: The Rate stabilization fund \$4.4M in 131-44/136-44 Rate STBLZN CNTY POOL and SRF Reserves \$3.6M in 131-46/136-46 SRF RESERVE CNTY POOL. I believe it is of paramount importance that both these pools of monies be utilized, at the time they are unencumbered, for the specific purpose for which they were collected: A: Reducing the principle of the existing bonds and/or, B: Defraying future rate increases and/or C: Returning the monies to the rate base. The SRF Reserves need to stay in place until the SRF bonds requirements are satisfied. The Rate Stabilization Funds can be addressed immediately. In the case of the Rate Stabilization Funds, the District has proven we can deliver high quality service (in fact, recognized statewide) at our existing rate structure (no increase for past 5 years), and no plans to raise rates for 2021 or 2022. So, the question is if we no longer need the Rate Stabilization funds to stabilize rates, and if we do not have bond provisions that allow advanced payment of principle, should we consider returning this \$4.4M back to the rate base, in the way of a credit per Rate Payer? Based on recent community input, it might be worth the expense to do an advisory ballot measure, so we can hear directly from the rate base as to their preference. One approach could be to return the monies now, let the rate payers utilize their monies for their own needs, and then raise rates at a later date, only when it is completely necessary. I welcome your thoughts.”

Gary Petershagen asked for this to be emailed also. He asked if rates are so stable why do you need the rate stabilization fund. Kevin replied those funds were over 8 million a couple of years ago and at the last bond refinance the District took half of that money and applied it to those bonds. The answer is was it wasn’t always so certain. When the District took on the new plant it wasn’t always predictable as it is now through hard work. Dan Lorentzen added having just heard this, the money was collected to either pay for the debt on the new treatment plant, paying the bonds down and if there are previous why the District cannot do that then the District has a duty to return the money back to them and giving it back to them. It’s not about collecting taxpayers’ funds just because you can. He doesn’t believe putting it on a ballot as it costs money, he doesn’t believe one rate payer would disagree. The District received over \$13,000 from the VOA to help rate payers with their bills. Gary noted the talk about future updates the treatment plant is a thought for some of that money and

the City gave \$150,000 to the VOA to be able to help distribute payments to those customers. Kevin noted there are additional reserves and capital reserves and carries \$3 million in OpEx. Kevin believes there is a placeholder for the plant in the mid \$20 million. Brett Gailey noted giving money back to the rate payers it's a win and asked if this discussion was brought up when rates were set for 2021. Kevin replied rates are evaluated and not set. One of the key summary documents is page 13 of the financials, it is where the District is at. Every time the District goes through the financials, they look at the trending rate to the OpEx reserve line at the end of the year. The \$3 million reserve gives that buffer. Tonya Christoffersen, as an employee through December on a very part time basis noted talk happened in second quarter about not raising rates with the current pandemic. The District took a hard look at the budget and with not knowing where things were going and are looking at the budget on a consistent basis. Recognizing, making an adjustment in the District budget to not affect the rate payers. Kevin noted in full transparency and fairness, one of the reasons the District has been so successful in balancing rate increases is because of the growth in Lake Stevens. There are more rate payers sharing the burden of the infrastructure in the ground, it provides economic leverage to keep rates stable.

- e. **Schedule for 2021 Utility Committee Meetings** – Dan Lorentzen noted based on the Unification agreement setting forth the schedule based on the unification agreement to meet quarterly. Scheduling meetings in line with times of the year when things come up to maximize the best time resource in each quarter to plan accordingly.

4. **Public Forum:** already done

5. **Information Sharing:**

- a. **Old WWTP Decision** – Gene Brazel noted he pushed hard to get the report out. The report noted the site is clean. The Mayor has drafted a letter to accept the property from the District to the City and will be getting that over to the District. He isn't sure if the Mayor can accept that or if it needs to go through the city council, he will work that out with the attorney. Kevin noted he believes the District should work through their attorney to make sure it is done properly on the District's side too. Gary agreed it would be appropriate on both side; attorneys speaking to come with an agreement. Marcus agreed he is for it as well.
- b. **District Budget Forecast Review** – Kevin Kosche noted a lot of the District's information through September has been provided. He would entertain any specific questions on any items. Gary and Marcus noted they are not aware of any questions.
- c. **Civic Center Discussion** – Brett Gaily noted the City is still in the planning phase and waiting to hear back from the Library on what they would like to participate. There were some initial numbers given that make this a hefty project but with the numbers they are also looking at ways to mitigate expenses; shared leasing if it can get there. The meeting on this is today at 2pm.

- 6. **Utility Agreement** – Kevin Kosche noted this is line item is a placeholder for continuing to work through items identified in mediation. He would be in favor of outlining the 4 meetings for 2021 as Commissioner Lorentzen indicated. He would be open to an additional meeting in addition to those four as it relates to working through items identified in mediation. Dan Lorentzen noted as chairperson for 2021 he would be happy to meet with a City representative to keep on track.

7. Project Review:

a. Costco Updates, et al (Decant, etc.) – Russ Wright noted the City is over 1000 building permits for the year, which also includes things like tenant improvements and plumbing permits. This is a new high for the City. Land use permits are well over 200 for the year as well. The Costco development, the City won its appeal from the hearing examiner and the claims of the appellant were dismissed. The appellant has moved on to an appeal through superior court. They are hoping to get this resolved early in the year. The development of North Cove park is moving forward. Johnathan Dix reported today the vertical walls are being poured on the decant facility. They are working on a couple minor issues. Gene noted it's his understanding the steel part of the building is taking some time to get. He would be surprised if it would be done by the end of January but that is what he is still being told. Johnathan replied it has been difficult to get revisions back and there was a delay. Gene updated on North Cove Park phase 2 is under construction. The playground structure has been installed and the fake grass/turf has been installed. This particular playground structure is fully ADA accessible, it's the first in Lake Stevens like this. The restroom and picnic shelter are framed up as well as a viewing deck to come. Johnathan noted the District has received the 30% plans for the downtown business loop gravity line replacement, approximately 1500 feet of sewer will be replaced near Main Street, plans should be sent to the City for their comments next week.

8. Schedule the Next Meeting – The next meeting scheduled for January 26th at 4:00 pm. Dan Lorentzen noted if the City committee members would like to have a discussion about someone to talk with Dan to plan out meetings. By unification agreement meetings are every quarterly. In the first meeting of the new year a discussion should be on the reserve funds, unification agreement, and in regard to the ordinances. Gary confirmed Kevin would send over the two items he talked about, employee retention and reserve fund assurance. Gary and Marcus both welcomed Jennifer to the committee.

9. Adjourn – Gary Petershagen adjourned the meeting at 10:41 am.

2021 Utility Committee Chair:

Dan Lorentzen, Lake Stevens Sewer District



**Utility Committee Meeting Minutes
January 26, 2021 4:00 pm**

City of Lake Stevens / Lake Stevens Sewer District
By remote participation via Go To Meeting, Lake Stevens, Washington

1. **Called to Order:** 4:01 PM by Dan Lorentzen
2. **Roll Call:**

Attendees Representing the District: All virtually via GoToMeeting.com Commissioners Dan Lorentzen, Jennifer Stevenson and Kevin Kosche; Staff: Mariah Low, Johnathan Dix, Mickie Cooper and Melonie Grieser.

Attendees Representing the City of Lake Stevens: All virtually via GoToMeeting.com Councilmember Gary Petershagen and Marcus Tageant. Mayor Brett Gailey and City Staff: Gene Brazel and Barb Stevens.
3. **Action Items:**
 - A. **Approval of Meeting Minutes of December 17, 2020** – Gary Petershagen moved to table the minutes for another time stating the City does not think they are accurate. Marcus Tageant seconded the Motion. Kevin Kosche agreed to let them take time to review them. The Motion was approved to wait until a future meeting for approval.
 - B. **Franchise Fee & Utility Agreement Fee (4.4, 4.7, 7.4): Increase the Utility Agreement Fee and Stormwater Billing** – City Employee, Barb Stevens referenced the Interlocal Agreement and that the City is currently paying the District \$109,980 a year for activities related to sewer and has for many years. In 2013/2014 the City looked at this and the surface water fees that the District pays to the City and started reducing the sewer fees. The City hadn't looked at time spent on the joint District and City operations of the utility agreement, but the last couple of years shows very minimal staff time. This year the surface water fees are over the \$15,000 utility agreement fee bringing up a potential increase in that fee. It was suggested to leave it this way while the merger is underway or use the Utility fees towards surface water fees. Kevin stated that the District should be paying the City as agreed and should keep fees billed for surface water separate and not bundled together. Mariah Low pointed out that under the Agreement, a quorum and vote is needed if the committee decides to make changes to the fees. Barb recommended separate billing for surface water fees in the amount of \$15,420.15 for 2021. The City would bill the District directly for stormwater and utility agreement fees per the contract. Kevin moved to keep things as they've been, to bill surface water management fees that Snohomish County has identified as District owned properties, directed to the District and the District make payment. Gary Petershagen seconded the Motion. Barb clarified both fees will remain separate. The Motion passed unanimously.
4. **Public Forum** – Non-action items (please limit comments to 3 minutes) Dan Lorentzen asked both District and City if there were any comments or questions received prior to the meeting

start. Both Mariah and Gene answered no. Dan asked if any callers joining the meeting had questions or comments. There were none.

5. Information Sharing

A. Annexations (4.3) Southeast Interlocal Annexation – Mariah Low stated that the joint meeting is set for March 9 at 6pm with City Council, Snohomish County Council and District Board. Dan would like to make sure the invite goes out on the calendar.

B. Rates and Charges (7.6)

i. Reserve Funds Assurance – Discussion Topic is whether the Rate Stabilization Fund was funded by rate payer money or borrowed funds. Mickie Cooper shared her report that showed the ten-year rated forecast for the District's rate increase in 2022, 2024, and 2026. If the District pays off the SRF, loan # L110012, with money from the Rate Stabilization Fund (\$3,537,375 owing) rates would stay at \$86 for an additional year. 2023 would raise rate to \$90, 2025 to \$95, and 2027 to \$98. The District is also putting in \$2 per month rate transfer from M&O to the capital fund. If the District pays off the loan and continues the \$2/month transfer to the Operating Reserve Fund, in 2030 there would be a shortfall of \$1.9 million. There would still be cash, but it would be \$1.9 million lower than operating reserves. The District will go negative for the first time in 2027 in our reserve by \$96,000 so we have to look If we don't get enough monthly rate payers going forward to offset that, we might need to raise rates again later on. The planned Treatment Plant upgrade in 2025 is set for a \$36 million by loan at 4%. The District is hopeful that the loan won't need to be that large. Johnathan Dix added that we are conservative with our growth forecast of about 179 new customers and the District has exceeded that by at least double the past two years and the revenue forecast is not necessarily indicative of what we've seen the past two years. Brett asked for clarity about the 179 customers. That total is new customers which goes to operating revenues and connection fees which goes right to capitol. Mickie Cooper explained new customers will start going down for the next four years due to buildable land availability becoming scarce unless something changes. Johnathan Dix explained that The District took the Buildable Lands Report that the City issued a few years ago and divided up the remaining buildable land by four years and the developments that were already on the books to come up with the estimated growth for the forecast. Kevin asked Mickie if was a true statement that applying the Rate Stabilization Fund to the loan would be placing that money where we said they would be placed, that this would decrease our OPEX expense, and that it would postpone at least a year of rate increase. Mickie replied yes. Gary Petershagen asked for some background info on the Rate Stabilization Fund (RSF), how it came about, and Kevin propose last month that the District should refund those monies to the ratepayer. Kevin noted if anything he says in not correct for staff to correct him. He explained that the plant was going to be very expensive, so the District started advancing rates faster than what was required for the existing running current rate of OPEX in anticipation of the expense of the plant. Those monies collected ahead of time went into the Rate Stabilization Fund, to be used for either paying down principal on the loans or not to have to borrow in financing of the plant and also instead of having to expand those rates faster it would be used to slow down the increase of rates over a period of time. Total monies collected were around \$8 million and none of it was borrowed. It strictly collected from rate payers and connection fees. The District could have chosen to put that \$8 million to pay down the loan at the time the plant was built

but opted to set it aside in reserve to smooth out rates or at some time in the future to pay down principle. Mickie added that the Rate Stabilization Fund was originally \$14 million but when the housing market tanked in 2008 and the District was already committed to building the new Plant and the District had to come up with more money than expected and applied for \$30 million in bonds to cover the expense and leaving the money in the RSF for the District to stabilize rates until the economy picked back up again. By 2008 to 2010 the District was anticipating another 800 ERUs that did not come in. The Commissioners decided to keep the RSF and The District used \$6 million then to help stabilize rates to help offset the rates, approximately \$4 million was used a year or two ago for the bond refinancing to pay down principle, and the last \$4 million in the RSF is the remaining amount which can only be used to stabilize rates or pay down principle on existing loans by resolution the RSF can only be used to pay debt. Gary clarified it is not borrowed money but some of it is from bonds that were sold. Kevin stated no, none of it was borrowed. In 2008 when the market crashed bond sales were used for the Treatment Plant. Mickie clarified the \$14 million was all from connection fees and rate set aside money for future expenses of the Plant. Mariah noted that this information was in the packet provided. Gary asked if there is \$3.5 million left. Mickie clarified \$4.3 million is left in the account, the SRF loan is at \$3.5 million. Kevin noted options for that money and the cleanest is paying off the \$3.5 million loan and leaving \$800,000 in the fund or using it to slow down increasing rates or to refund it directly to the ratepayers. Brett asked what the annual savings in interest for paying off loan now. Marcus asked what the rate is for that loan. Mickie replied it is 2.8% and \$628,352.63 in interest savings by paying off the loan. The yearly payment is \$362,237.16 for that loan and it matures in 2032. Marcus asked about the plant upgrade amount, which is scheduled for 2025, for \$36 million and would it need new funding. Mickie said Comp Plan currently says \$36 million for the loan and are looking at alternative ways to not have to do the full upgrade in 2025. Marcus asked if it might be better to save that money for the upcoming plant upgrade instead of paying off debt. Brett asked what kind of fund and how much interest is being earned on the \$4.3 million Rate Stabilization Fund? Mickie answered it is in a Snohomish County Pool and it is a long-term fund which is higher interest than the State Pool. Brett also asked if the rate increases talked about earlier take the treatment plant upgrade into consideration or would rates have to be raised to include that upcoming debt. Mickie said that the District's forecast is a working document so it's constantly changing. It would depend on how many ERUs we get as opposed to what we forecast. Kevin stated those rate increases do take the treatment plant upgrade into consideration. He is highly confident the upgrade will not be \$36 million. Even if it was, he is reluctant to hold on to \$4 million of rate payer money that was told it would be used for the Plant, public trust is really important and if told it will be used for principle it should be used on that. Dan asked if the City really thinks there will be a large 20-30,000 person increase in the next few years. The City of Lake Stevens and what is left in the growth management of the UGA, unless the City builds 4 or 5 story buildings, the District won't need that sizable of an upgrade. Kevin asked if all the buildable lands is built out how many would it be. Brett replied 2000. Kevin asked Johnathan if the Plant could handle that additional amount, Johnathan relied yes. It would be approximately 12,000 new people and the Plant can handle 45,000 more people. The Plant 2025 date is an ear mark since growth hasn't happened. Chances

are it will go out passed 2033 if the big upgrade is needed. The District is looking at smaller incremental upgrades to get the Plant slowly rered for capacity that will buy the District 10 years' worth of growth rather than build out conditions right away. Kevin noted sticking to the original 2033 merger the District would ideally be handing over debt free Plant and District.

ii. Rate Stabilization Fund (history of this account such as if it was funded by rate payers or loan)

C. Personnel (7.7) – Employee Retention Kevin Kosche wanted to revisit this and shared with the City, in writing, his ideas about employee retention so they could review. Gary asked Kevin with his experience in mergers has he ever seen anything like this that he is proposing. Kevin replied, yes, all the time. Ten years from now is unique to this contract. Sometimes even more significant than what he shared. Retention plans are very normal and typical. Keeping employees is no cost to ratepayers going forward. Marcus stated it's unusual and thinks it is more a subject for Mariah and Gene to discuss or a firm to help work through it with. Kevin thinks that the City should anticipate some sort of response from the District regarding the Ordinance that the City passed. The back and forth between the District and the City, regarding the merger, instills uncertainty in the workplace for the employees. People want to work for municipalities, not because of the pay, which is often greater in the corporate world, but rather for the stability and certainty. One of the ways we've been able to achieve positive financial stability is from employees being very engaged and accountable and having a culture where the employees hold themselves accountable which helps employees stay locked in and continue to do good work. Marcus asked Gene to clarify regarding an RCW that protects District employees. Kevin stated unrepresented administrative staff aren't covered under that RCW. Gary agreed the unrepresented are not covered. He believes the operations wouldn't allow for the need of the employees. Marcus stated the he didn't think this discussion was necessary because both organizations are working through the assumption in good faith trying to work out the merger. Kevin stated that the sense of the good faith with the ordinance and how it occurred left the District with concern and concern around employee base. Mariah stated the RCW is 35.13A.090 and it doesn't have to do with the union represented employees but full-time employees that deal with the operations of the District. Johnathan stated the Moss Adams report also questioned the definition of "operations employees" and whether the City would have to keep them after the merger. Gary stated one thing that doesn't help in his opinion the "Did You Know" section in the District's last Newsletter informing ratepayers about the Interlocal Agreement was unnecessary and needed to stop. The constant drum beating of the inadequacies of the City are uncalled for and asked for it to stop because it does not help anyone and both organizations should move forward Dan and Gary talked about this issue in December. Dan added that he was part of the City during that time and he understands the need to move past these things, but both sides need to come together and move forward. The City felt surprised with the Newsletter, the District felt surprised with the unannounced Ordinance. No one had the courtesy to pick up the phone and talk about it. Dan noted that he is the only one reaching out and has never heard from the City councilmembers or the Mayor. He doesn't feel like this relationship is a two-way street. Marcus stated he felt the same way without Utility Committee having a say and it's inappropriate. Kevin stated that Marcus is not correct about the Interlocal Agreement. Gary added that Gene and Mariah need to sit down and talk about employee retention and some of the other issues. Dan stated that we

should focus on the topic of employee retention and asked if anyone else had more to contribute. Brett said he values the employees and wants to moving forward.

D. Other Process Needs (4.20)

i. **Lake Level** – Brett Gailey stated the lake level has gone down quite a bit. The City received an emergency permit from Fish and Wildlife to clear out debris from Catherine Creek up to 20th St NE bridge and are gaging about 22% more flow out of the lake right now with more debris to be cleared out soon and a ditch work behind Jay’s Market. The City will apply for a regular maintenance permit to get in there every fish window for the next 5 years including the one coming up soon. Marcus added staff did an excellent job, the lake looks great and clear. He couldn’t commend District staff enough.

ii. **Co-Location of “One Stop Shop”** – Gary Petershagen suggested that Gene and Mariah should talk about this administratively.

E. Transfer of Service Planning (7.8) – Marcus Tageant stated that Gene and Mariah should work through this without the electeds because they have a better scope around what to move forward with on these items.

i. **Attorney Fees Spent on Unification**

ii. **Internal Logistics of Pending Merger (operating systems, accounting processes, housing staff, etc.)**

6. Project Review:

A. Comprehensive Sewer Plan / City Comprehensive Plan (6, 7.9) – Johnathan Dix stated that the District and City staff will have first deliverable in February to share with Utility Committee.

B. Capital Projects: (6)

i. **Costco** – Brett Gailey stated the Governor paused two of the projects on Highway 9 projects for roundabouts near Costco and the 9 and 204 projects. There’s pressure being put on the Governor to un-pause these projects. More than likely it will be un-paused soon. Today the final appeal against Costco was thrown out by a judge so that is no longer an obstacle. Gary noted that Eric indicated the City has issued building permits for Costco. Marcus added they are targeting a Thanksgiving opening with construction starting in April as it stands right now.

ii. **Civic Center** – No comments.

iii. **Hartford Industrial Area** – Gary asked if the District is still including the Hartford Industrial areas in the Comp Plan. Johnathan stated it has been identified since 2007 and he and Mariah will present to City council on the February 4th. Brett stated that one of his goals as Mayor is to revamp the Industrial area, Machias area, and the Hartford area. He noted next week the City will start high level ideation with possible looks infrastructure wise, beautification wise, economic packages and ideas, light manufacturing, and job packages. Mariah and Johnathan have been invited to that meeting for sewer perspective for the plan. He also stated the City would like to start the Hartford and Machias projects next year and that the creative timeline will make sure the City will get into Grant cycles. Brett stated he would like to talk about changing the name of the area to something like Lake Stevens Industrial Area. Dan stated that the Industrial area was a town name of Hartford before Lake Stevens was formed. This topic was identified since approximately 2007 and the Utility Committee will have a report in February.

