



**Utility Committee Meeting Minutes
April 27, 2021 @ 4pm**

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

1. **Called to Order:** 4:03PM by Commissioner 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 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, Kelly Chelin, and Barb Stevens
3. **Action Items:**
 - A. Approval of Meeting Minutes of December 17, 2020 and January 26, 2021– Kevin Kosche inquired about the corrections on the minutes from 12/17/20 and 01/26/21. Mayor Gailey stated that there were grammatical errors and inconsistencies from what he and the City members recalled. Kevin agreed that there was no rush in correcting them. Councilman Tageant asked if there was a recording of those meetings. Kevin stated that the City has the recording up on their website and it is also on the District's website. Mayor Gailey suggested Kelly from the City and someone from the District should take another look at it. Kevin suggested that the City can have someone make the changes and then send it on to the District for approval. Commissioner Lorentzen moved to not approve the minutes from December 17, 2020 and January 26, 2021 and add them to the next Utility Meeting agenda.
4. **Public Forum:** Commissioner Lorentzen asked if anyone in attendance, public or Utility Committee members, had anything to share or address. Councilman Petershagen asked about a note on the January 26th minutes that stated that Johnathon and Mariah attended a meeting with the City Council on Feb 4th to discuss the City's Industrial area. He was confused about the date and did not recollect a council meeting on that date. Johnathan commented that it could have been the City Workshop that Mariah attended to discuss Hartford/Industrial area sewer. Councilmember Petershagen located the area on page 5, section 6, b, item iii, of the minutes and wanted to make sure it was something that did take place. Mariah Low stated that she had a virtual meeting with Gene and Russ on February 4th at 10am about the Industrial Area. The information was given to the City staff, not the City Council members which cleared up the confusion.
5. **Information Sharing:**
 - A. **Rates and charges (7.6) – State Revolving Fund Loan #L0800014 Payment using Rate Stabilization Fund** – Commissioner Kosche updated the board that the District moved forward with paying off SRF Loan #L1100012 for \$3.4 million from money held in reserve for years for the building of the Treatment Plant which is what that loan funded. The District would like to use the \$1.2 million

remaining in the stabilization fund to pay down SRF Loan # L0800014. Marcus Tageant stated that it is great that the information is being shared but he thinks that this is something that the Utility Committee needs to vote on. Marcus felt the last decision to pay off SRF Loan #1100012 was not discussed with the Utility Committee members and he would like to see this one voted on and should have a unanimous vote from the committee. He also mentioned it should be brought in front of the Utility sub-committee. Kevin Kosche asked if Marcus was making a motion or a recommendation. Marcus stated that it should be brought in front of the committee. Dan Lorentzen stated that the reason it is on the agenda is for discussion and to inform the entire committee. Marcus restated that it needs to be discussed and voted on and talked about in front of the committee, get all the information and reasons why the District wants to do this. Kevin mentioned that Marcus was in attendance at the last two Utility meetings and it was discussed what action the District was taking and the opportunity was there to discuss and ask questions at that time and the committee member didn't ask then and now is another opportunity. Kevin also said that the District's understanding of the contract is that the Commissioners manage the District and deliver on the commitments made to ratepayers around those monies and to do something different than that would be a breach of trust. The fiduciary responsibility of the Council members is to pay down that debt and use the funds for what they were collected for. Marcus restated that he needs more information, the reasons behind it, why now, why not keep and have funds for projects in the future. He asked about what happens when other projects come up, what about the funds for those and a level of expense for the projects moving forward. Kevin stated that in November he sent all committee members a written document outlining this topic clearly and this is an extension of that document. Marcus stated that the City and the District are in the middle of litigation right now (unintelligible due to multiple members talking at once) wait for litigation and let the court decide which way we're moving on this. Brett Gailey made a motion that any loans to be paid off by the Sewer District must first be voted on, approved upon, and discussed by the Utility committee. Marcus seconded the motion. Dan Lorentzen said that motion would change the contract and that is not what is in front of them at the meeting. If the City would like to change the steps to approve paying off a loan, then it would change the contract. Brett said his motion stands as was stated. Marcus seconded. Dan Lorentzen said it would take all present or majority to approve the motion or is it unanimous. Brett said it is doing what the contract states. Dan said it's been in front of the committee for the last couple of meetings and the District's interpretation of the contract is different. Marcus stated that the City's interpretation is not different now, it has always been the same interpretation. Dan called for a vote on the motion. There were 3 Nays and 3 Yeas. Motion failed. Brett Gailey said he wants to make a note that during the discussion there was no discussion to why this would not pass, but yet the three sewer board members voted nay. Kevin said there was discussion, there was a document that was provided back in December that articulated the history and the reason for applying these monies that were promised to the rate payers, it was going towards the capital of the plant. That's what the District did with the \$3.4M previously, that's what the District is doing with the \$1.2M. There's no confusion around how these monies are going to be used, how they were communicated, and the fact that we've done them before. Marcus stated that it doesn't mean that it didn't pass, there's an agreement that means we go to interpleader action, it doesn't mean that it does or doesn't pass. It means it should go to arbitration. That's what the document states. Disagreements ensued about arbitration or not in the instance of a failing motion. Marcus asked why Dan said the motion failed. Dan stated that it did not pass, you either have a majority to pass it or you don't have a majority to pass it and at this point it did not pass it did not make the vote, there's not a majority and he stated that Marcus made that point that it would take four members to make it pass and there was a 3 to 3 vote so it

did not pass it does not go any further. Marcus replied that it means it goes to arbitration. Dan replied that that was Marcus' interpretation.

- B. **Personnel (7.7)** – Dan Lorentzen stated that there are two things that the District wanted to notify the committee about. There is a PERC certification of a new bargaining unit within the District. The Interim General Manager was appointed for six months, what would happen at the end of the six months which will be in May. Dan opened the first topic for discussion. Gary Petershagen asked if there was staff present to talk about the PERC unit. Mariah Low stated that the remaining staff, with the exception of management, that was non-represented has filed for representation and PERC has certified their bargaining unit and the District will begin bargaining with that group. Gary asked if all the employees at the District are now represented. Mariah again stated that all but management which included her and Johnathan. Gary asked about the Plant Manager and Mariah replied that we don't have a Plant Manager but there is a Plant Supervisor that is currently part of the existing bargaining unit. She restated that the only managers at the District are the General Manager and Assistant General Manager. Gene asked if the new unit was with ASME. Mariah answered yes. Dan Lorentzen opened questions and discussion about the Interim General Manager. Kevin Kosche stated that in previous meetings he had shared that District employees were concerned with employee assurance in relation to the accelerated merger. He said that whether it's through a new bargaining unit or otherwise it would be beneficial to keep the District's award-winning staff. That philosophy extends also to our unrepresented staff members, Mariah and Johnathan. There are two parts in full transparency, the first is to discuss with the Commissioners to move forward with Mariah and drop the interim title in May. Kevin suggested that the second item, which he had not yet discussed with the other Commissioners, should be that both Mariah and Johnathan's employment contracts be readdressed with a twelve-month severance if they were to be let go without cause. If the City's intentions are pure in terms of keeping staff and the leadership structure in place if the City is successful in accelerating the merger, it won't cost rate payers or taxpayers any incremental monies. But it will provide our leadership team with assurance that we're behind them. Kevin wanted to make sure that all Utility committee members heard it at the same time as his fellow Commissioners and asked for any comments, recommendations or motions. Gary asked if this is being brought up for recommendation, what is the intent, and is this just a suggestion or is the commission going to do this. Kevin said he is just informing the Utility Committee. Gary asked if the District will take action before the next utility meeting which could be 3 months away. Kevin answered yes, that is a fair possibility and now would be the time to make concerns known, make a motion or counter. Kevin wanted to share the information, but he didn't intend to make a motion or a formal recommendation to this board as he believes that the responsibility is retained with the Commission and understood that the City might differ on that opinion. Gary agreed that there is a disagreement on the implementation of that but asked what the new contracts would entail. Kevin stated that currently the severance is 6 months for Johnathan and Mariah so that would be the main difference. The District will also perform a review of Mariah's salary compared to like sized districts and will make appropriate adjustments but would be taking into consideration her tenure. Kevin doesn't expect significant changes in salary. Gary is just thinking of a merger and a significant change in packages. And he asked that from admin standpoint that Gene should be included in that discussion. Or at least he can be aware of the conversations. Dan said, as the President, he had no issue with that and would like copies of the City Administrator's and the Public Works Administrator's packages. There was mention of comparing City Councilmember packages with the District Commissioners packages as well. Dan Lorentzen asked if he should file a request with the City Clerk for those documents. Mayor Gailey replied yes. Brett asked how Kevin decided on a twelve-month severance.

Kevin stated that it is currently the norm. Marcus was concerned how rate payers would feel about the new severance package. Dan said that this is an operational decision, the District Commissioners have the ability to make the decision and will decide on what is appropriate. Brett asked if this was the Utility Committee's only opportunity to discuss this. He thought the ratepayers would care. Discussion ensued about the contracts. The Commissioners stressed that if the managers are released "with cause" it would not be paid. If the City decides to keep the leadership team, who are bringing great changes, this would be avoided. The new severance is only an addition of 6 months from what already exists. Mayor Gailey wanted to make it clear that upon assumption there is no intent to change District staff. The City would like to make it noted that they see this as a management decision not an admin decision.

C. **Transfer of Service Planning** – Staff, both Barb and Mickie, have shared the attorney fees between the City and the District.

6. Project Review:

A. **Comprehensive Sewer Plan/City Comprehensive Plan** – Mariah stated that we are working on the Comp Plan and the City staff has been attending those meetings. She provided the drafts of finished chapters, so it is progressing quite well. Kevin thanked both staffs for working together.

B. Projects –

- Costco- Gene stated that the steel water line is delayed due to products being unavailable. If Costco receives the permit from the Core of Engineers work could start soon. Brett and Gene met with WSDOT about the roundabout cost and the estimates were outside of what the City's budget planned for and they were reassured the cost will come back into the estimate amount. In the next couple of weeks, they should be able to sign an agreement with WSDOT for the intersection. There have been some complications and a lot of moving parts. Costco is excited and the City is close to finalizing bonds for the funding of this project. Dan Lorentzen asked if WSDOT is paying for the Intersection. Gene said no, City is paying all of it. The City received a grant of \$2M and they gave it to WSDOT to start the project and the City is funding the rest.
- Civic Center – Brett Gailey stated that meetings continue but it is still a work in progress. There are three different courses of action that have been shared with Mariah. Brett mentioned that this will be an expensive project and will need to be voted on for approval. Mariah added that there was a community meeting that she attended to answer any sewer related questions that came up but there were none. She mentioned that there are shared spaces and the District is being looked at as a tenant for the project. Kevin asked about funding for the project and Mayor Gailey stated that property tax increase would be needed to complete this project. Kevin asked if there are any intentions or plans to use a District Utility tax to fund this project. Brett stated no and that this was the first time he had heard of that.
- Hartford Industrial Area – Johnathan and Mariah met with City staff and the Mayor to discuss potential uses for the Industrial area and then tasked G&O to find the least cost solution to serving as much of that area as possible and provide enough capacity for what is envisioned. It didn't quite make it to the capital improvement process, but the City attendees would be able to supply an update. Kevin was glad that related capital costs are being discussed jointly during the Comp Plan talks which is the correct place for it to be discussed. Brett stated that the Legislated delegation have asked for ear marked projects and the Industrial area is one of them. Kevin asked if there are other prioritized projects that are slotted before the industrial project and if so, should they be used first in relation to capital needs. Brett said there were criteria for projects that had to be met like to provide economic development, jobs, etc. Dan

asked if the Industrial area project will include the annexation of the area that crosses Machias or are there any significant changes. Brett said that area had already been annexed and asked John if it's included in the comp planning. John stated that when he talked to Russ there was a discrepancy in the boundary of the two entities so it was added to the City boundaries and the District will take it into consideration for future service and might include it with service to the Industrial area.

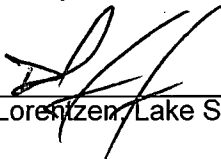
- Decant Facility – John said Aaron Halverson and City workers recently had a meeting and the facility is substantially finished, and it should be up and running soon. Kevin was extremely happy with the combined effort of the City and the District. Marcus said it's a great way for the District and the City to share costs and benefit the ratepayers. Brett also said the staff was very happy to have a state-of-the-art facility.

7. **Development Review** – John shared that there's a possibility of a one stop shop that would potentially move the permitting processes through the City, applications and fees collected by the City, similar to the ILA with the Fire District. What has been done so far is modifying the side sewer permit process to include the City. A flow chart was created to show how that would work. It extends the time frame but it ensures that both City and District see all the applications and nothing gets missed. Kevin explained the flow chart process. Kevin asked about co-location of staff and as we look to moving into the second floor of the VBC, would it make sense to co-locate teams there. Gene expressed his agreement to look at that possibility. Currently, moving the City staff in July to the new City Hall will completely fill that space. Cooperation with the District to share space would be great. Gene also asked if John had talked with Ty about the Decant Facility Maintenance and Operations manual. John stated that he will get back to them in the next couple of weeks.

Schedule the Next Meeting – July is the next quarterly meeting and it was asked if there were topics that should be included. John suggested that the plans for the Lift Station upgrades and sewer line replacements should be 60% completed by then. Part of those plans would trigger sidewalk improvements and he would like to get that before the Utility Committee and QAQC with Grace, Gene and Eric. 30% plans for LS 2C (20th St & Grade Rd) and 1C (Mitchell Rd) upgrade and updates. Crucial project to support the downtown sub projects. The Comp plan has it slated to cost \$5.6M. Gene would like to bring Mill Spur to the committee since there's a lot going on in that area including the library and Grimm house. The City is hoping to get a grant for that project. Dan stated his approval for meeting sooner rather than later.

8. **Adjourn** – Dan Lorentzen adjourned the meeting at 5:13pm.

2021 Utility Committee Chair:


Dan Lorentzen, Lake Stevens Sewer District