

**MINUTES OF THE MEETING OF
COMMISSIONERS OF THE
SILVER LAKE WATER & SEWER DISTRICT**

May 10, 2018

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on May 10, 2018, beginning at 5:30 p.m., at the District Administration Building. Attending were Commissioners Bill Anderson and Rod Kepler. Also present were General Manager Curt Brees, District Engineer Rick Gilmore, Finance Manager Brad Nelson, and IT Services Manager Chad Phelan; Eric Delfel with Gray & Osborne, Inc.; and John Milne with Inslee, Best, Doezie, & Ryder P.S., Attorney for the District.

1.) CALL TO ORDER:

Commissioner Anderson called the meeting to order at 5:30 p.m. Following the call to order by motion passed unanimously, the Board of Commissioners excused Commissioner Backstrom's absence.

2.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of April 26, 2018 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

There was no members of the public present for comment at the meeting.

4.) FINANCIAL MATTERS:

a.) Payroll, Vouchers, and Check(s) Approval

Following discussion of various matters, payroll, vouchers, and revolving fund checks were unanimously approved and signed as follows:

Fund	Code	Number	Amount
Water Maintenance Fund	743 5408666	.05-001-.05-032	\$126,503.66
Sewer Maintenance Fund	743 5418666	.05-001-.05-009	30,106.92
Sewer Capital Improve. Fund	743 5448666	.05-001-.05-007	404,896.38
Water Capital Improve. Fund	743 5468666	.05-001-.05-009	707,781.58
Revolving Check Fund		5929 - 5946	4,886.48
Total Warrants			\$1,274,175.02

b.) Staff Report – Update on Status of Clearview Water Supply Agency for Financial Reporting by the Members

Mr. Brees and Mr. Nelson provided a verbal summary to the Board of Commissioners of a Staff report and Clearview Water Supply Agency (CWSA) Draft Resolution No. 19-2018, regarding an update on the Status of CWSA for Financial Reporting by the Members.

In 2005, in partnership with the Alderwood Water & Wastewater District (AWWD), Cross Valley Water District (CVWD), and Silver Lake Water and Sewer District (SLWSD)

formed the Clearview Water Supply Agency (CWSA) under the authority of Chapter 39.34 RCW. The Agreement identified the powers, governance, operations, and the management of finances for CWSA. However, over the years there has been considerable confusion and conflicting direction from the State Auditor's Office (SAO) when auditing CWSA or any of the member agencies. One of the areas of confusion is in relation to GASB Statement No. 14 which is a standard for how to report the financial statements of interagency groups such as CWSA. The SAO holds the position that the CWSA should be classified as a "Joint Venture" and that each member should show a share of ownership and corresponding obligation in their individual financial statements. However, the member agencies do not agree with this position and believe that reporting as directed by the SAO would be an inaccurate representation of what the CWSA is and what the member obligations are.

As a result of ongoing discussions between the members and the SAO, the SAO has determined that if the CWSA passes a resolution reaffirming what it is and what it is not (a Joint Venture), the member agencies may proceed with preparing financial statements as they see fit. The resolution will need to be acted upon soon as each agency has a filing deadline of May 30, 2018 for the 2017 Financial Statements. The draft resolution will be reviewed by the CWSA Board at their meeting on May 16, 2018.

Following discussion, by motion passed unanimously, the Board of Commissioners authorized supporting a resolution of the Clearview Water Supply Agency that states that the agency is not a Joint Venture.

5.) CAPITAL IMPROVEMENT PROJECT(S):

a.) Staff Report – Headquarters Project Update

Mr. Brees presented a verbal summary to the Board of Commissioners of a Staff report and attached Payment Application No. 9 regarding the District's Headquarter Upgrade Project.

There has been considerable activity on the project over the past two weeks. Work on the New Building "A" is progressing nicely and roofing and siding is nearly complete. Work is progressing on electrical rough in, fire sprinkler system installation, and mechanical installation. The Building "B" addition is lagging a bit behind. This addition must be tied to the existing building roof line and then the siding and roofing will follow. Work on the restroom, laundry, and sleeping area is moving along. The masons are nearing completion on all of the walls that will create these rooms. The current focus for site work is the site electrical, gate installation, and layout of new drive lanes and parking areas. Work on curbing began last week and will continue this week.

Minor revisions to the walkway and parking lots were provided to the contractor last week. These changes will minimize slopes of walkways, eliminating the need for handrails. However, this revision will require some additional fill and additional sidewalk area. While there will be some savings associated, it is anticipated to result in a net additional cost.

The ten month contract term for the project is nearing its end. The scheduled date for substantial completion is June 10, 2018, with final completion called out on July 10, 2018. The Contractor is forecasting completion a few weeks behind this schedule. It is anticipated

that they will request some additional time to complete the work, pointing to weather delays encountered in March and April of this year.

Change Order No. 5 is currently in development for three changes to the Contract. However, the documentation was not finalized in time to be included with this month's pay application. These items will be reviewed in June with any additional changes. A summary of the three items are:

- Minor modifications to the parking lot gates and access control (additional cost).
- Deletion of conduits for a future backup and backup generator (credit).
- Excavation and export of unsuitable materials and import of replacement material for soft soils encountered in the new paved areas (additional cost).

Staff requested the Board of Commissioners review Pay Application No. 9, and if in agreement by motion, direct staff to process a payment for Pay Application No. 9. The total payment to Petra, Inc., minus retainage, requested in Pay Application No. 9, is \$601,414.88.

Following discussion that included questions related to the schedule of work and date of project completion, by motion passed unanimously, the Board of Commissioners approved Pay Application No. 9 and directed staff to process a payment for Pay Application No. 9 in the amount of \$601,414.88 to Petra, Inc., minus retainage.

b.) Staff Report – Reservoir No. 3 Improvements Project Update

Mr. Gilmore presented a verbal summary to the Board of Commissioners of a Staff report with attached Gray & Osborne's Letter of Recommendation to pay RAZZ Construction for the work performed through April 27, 2018, as identified on Pay Estimate No. 5, regarding the Reservoir No. 3 Improvements Project update.

The Contractor has completed the electrical conduit installation beneath the proposed floor slab in the new Booster Station. Pouring of the concrete slab is scheduled for May 14, 2018. Masonry work for the stem wall will begin following form stripping and a cure window required to protect the concrete slab. Only the offsite fabrication of the stair components to access the Reservoir catwalk is awaiting completion. All other metal components have been fabricated, delivered, and are being placed this week, to be followed by structural welding scheduled for the week of May 14, 2018.

The total payments made through Pay Estimate No. 5 represent a construction activity completion of 26% of the contracted work. RAZZ Construction has provided a Retainage Guarantee Bond. Staff requested the Board to review Pay Estimate No. 5 and if in concurrence by motion, direct staff to process a payment to RAZZ Construction for work performed as identified, including Washington State Sales Tax, in the amount of \$270,340.23.

Following discussion, by motion passed unanimously, the Board of Commissioners approved Pay Estimate No. 5, and directed staff to process a payment to RAZZ

Construction for work performed, including Washington State Sales Tax, in the amount of \$270,340.23.

c.) Staff Report – 725 Zone Improvements Project Update

Mr. Gilmore provided a verbal report to the Board of Commissioners of a Staff report with attached Gray & Osborne Letter of Recommendation to Release Retainage and Release of Retainage Progress Estimate No. 5, regarding the 725 Zone Improvements Project Update.

The 725 Zone Improvements Project is complete except for project closeout documentation and completion of the process to release retainage prior to Laser Underground and Earthworks, Inc. All closeout documentation has been received and the State Departments of Employment Security, Labor and Industries, and Revenue have all issued release on retainage letters for this project. Staff recommended the Board of Commissioners release the retainage to Laser Underground and Earthworks, Inc. in the amount of \$21,253.58.

Following discussion, by motion passed unanimously, the Board of Commissioners approved the Release of Retainage Progress Estimate No. 5 to Laser Underground and Earthworks, Inc. and directed staff to process a payment of retained funds to Laser Underground and Earthworks, Inc. for work performed as identified, in the amount of \$21,253.58.

d.) Developer Extension Agreement – 3256 Murphy’s Corner Starbucks

Mr. Gilmore presented a verbal summary to the Board of Commissioners of a Developer Extension Agreement and attached Vicinity Map for 3256 Murphy’s Corner Starbucks.

This project is located at 2130-132nd Street SE. The project is about 10 feet of 6-inch diameter water main extension, and continues with approximately 80 feet of private 6-inch water main continuing from an above grade Reduced Pressure Backfill Device to the new mechanical room being constructed in the Starbuck Tenant Improvements of the former North County Bank, adjacent to the District’s Old Office Headquarters Site (Lowe’s Parking Lot). The Developer is Starbucks Coffee Company.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for the 3256 Murphy’s Corner Starbucks project.

e.) Staff Report – Front Office Security Improvements

Mr. Brees presented a verbal summary to the Board of Commissioners of a Staff report regarding Front Office Security Improvements.

The Architect has submitted plans to Snohomish County for issuance of Building Permit. As this permit submittal is straight forward, considered a tenant improvement, District staff are hopeful the permit will be issued in four to six weeks. Currently, the Architect is finalizing plans and specifications for bidding to contractors on the MRSC Small Works Roster. The current timeline is to be ready to solicit bids on June 1, 2018, or upon permit issuance.

6.) MAINTENANCE AND OPERATION REPORT(S):

a.) Staff Report – Asset Management Software

Mr. Phelan provided a verbal summary to the Board of Commissioners of a Staff report and Attachment “A” regarding Asset Management Software.

After establishing the GIS inventory of District Assets, the District’s intent has been to purchase and implement an asset management and work order system that will help District staff plan and record maintenance done on District field assets. There is a total of \$200,000 allocated in the 2017 Water Comprehensive Plan and 2018 Sewer Comprehensive Plan for implementing an asset management system in 2018. Some of the functions the District will achieve with the asset management software are:

- Tracking maintenance on utility assets, fleet maintenance, and facility maintenance.
- Generating and managing work orders.
- Generating invoices to outside companies and agencies for work that District personnel perform that is reimbursable.
- Generate reports that will enable wise spending of capital and maintenance resources.
- Integrate with District GIS, financial system, fuel system, utility locates, TV inspection records, and other software systems.
- Potentially create time cards for payroll use.

The District issued a Request for Proposals (RFP) for an Enterprise Asset Management System that closed on April 6, 2018. The District received three RFP responses from 1) Loc8, 2) Elements, and 3) Lucy.

Staff reviewed the three proposals and recommended purchasing and implementing Lucy Enterprise Asset Management Software. Lucy was the lowest cost proposal and also staff found it would be the best fit for the District’s needs. Staff would work with Lucy to install and implement the software. Staff requested the Board of Commissioners authorize staff to purchase Lucy Enterprise Asset Management Software and negotiate an agreement with them for implementation and software maintenance.

The upfront cost of the software licensing is \$35,500.00 (plus tax). The estimated implementation cost is \$50,000.00; however, the District will only be charged for the Lucy staff hours used based on a schedule of hourly rates. The ongoing maintenance costs will be \$7,100.00 per year based on the number of licenses. Beginning the second year, the maintenance fee will increase 2.5% per year.

Following discussion, by motion passed unanimously, the Board of Commissioners authorized staff to purchase the Lucy Enterprise Asset Management Software, and to negotiate an agreement with Lucy for implementation and software maintenance.

b.) Staff Report – Surplus of District Property/Draft Resolution No. 759

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report and Draft Resolution No. 759 with attached Exhibit “A”, regarding surplus of certain District property. The District recently took delivery of a new John Deere 310 Backhoe to replace

the 1997 Ford Backhoe that has been in service for many years. The Ford machine has approximately 3000 hours logged on it.

Also received was a new Ford F-150 Truck to replace the current Duty Truck which is a 2006 Ford F-250 with approximately 100,000 miles.

Staff requests that the Board approve the surplus sale of both the used 1997 Ford Backhoe and 2006 Ford F-250 Truck, and also a Wright Stander Lawn Mower and a damaged truck body and tool box salvaged from Service Truck #55.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed Resolution No. 759, declaring certain District personal property to be surplus (the used 1997 Ford Backhoe, 2006 Ford F-250 Truck, Wright Stander Lawn Mower, and damaged truck body and tool box salvaged from Service Truck #55), and for all to be sold at public auction or private sale.

c.) Update on Commissioner Emails

Mr. Brees provided a verbal update to the Board of Commissioners regarding possible changes for use of Commissioners' emails that was previously discussed. Some complications with the previously discussed plan to reduce the number of email accounts to one, were discovered. It is now recommended to retain the current email accounts for each Commissioner.

7.) INTER-AGENCY REPORTS:

a.) Staff Report – WSDOT SR 96 Project

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report and attached Project Map regarding the WSDOT SE 96 Project.

In late February of 2018, the District learned of an upcoming project from WSDOT to repave SR 96 within the District. This State route bisects the District and is made up of 128th/132nd Street SE and Seattle Hill Road. On April 27, 2018, District Engineer, Rick Gilmore and O&M Manager, Ron Berger, attended the Preconstruction meeting for the project. While the District has significant water and sewer facilities in the roadway in the project area, the impact to these facilities is expected to be minimal as the planned work is to grind the current roadway surface and repave to the existing grade. In the Preconstruction meeting, District staff confirmed that WSDOT's specifications included provisions for working around the District's valve covers and manhole structures.

The District's 2017 Comprehensive Water System Plan includes a project for cast iron water main replacement, system looping, and operational flexibility (additional valves) along portions of Seattle Hill Road within the WSDOT Project area. This project titled "Seattle Hill Road Valves and Silver Cedars" was scheduled in the plan for 2020, at an estimated total cost of \$720,000. Due to the limited notification the District received for this upcoming project, District staff are not able to complete the project prior to WSDOT's work.

Typically, it takes several months to get a District project permitted within WSDOT right-of-way, often conditioned with onerous requirements. However, WSDOT may permit a smaller project that achieves some of the District's goals, provided the work is complete prior to WSDOT's own work as WSDOT would prefer to see the roadway be left intact following paving.

A project that achieves some of the District's primary goals that could be completed on an expedited basis would be the installation of three or four Insertion Valves on the existing 12" Cast Iron Main. With these additional valves, the District would gain operational flexibility and the system's reliability would be improved by being able to isolate smaller areas than District staff are currently able to do, mitigating the risk of keeping a 12" Cast Iron Main in service. District staff are currently exploring the possibility that WSDOT would allow this work as contemplated.

Following discussion, by motion passed unanimously, the Board of Commissioners authorized staff to work with WSDOT and complete a project to install isolation valves within Seattle Hill Road, provided the work can be coordinated with WSDOT.

8.) **STAFF REPORTS**

a.) **District Engineer:**

Mr. Gilmore reported to the Board of Commissioners that District staff, in coordination with the Alderwood Water & Wastewater District, had completed a test of Master Meter #10. In this test it was determined the District can take delivery in excess of 2 MGD of water. It is hoped that when Alderwood completes a project later this year that will boost system pressure and this quantity will be increased.

b.) **Finance Manager:**

Mr. Nelson reported staff will be transferring funds from the Local Government Investment Pool, as the District has been making larger progress payments on Capital Projects.

Mr. Nelson also reported the District's 2017 Financial Statements have been prepared and will be presented to the Board of Commissioners on May 24, 2018.

Additionally, Mr. Nelson shared that the State Auditor's Office has confirmed the date and time for the Exit Conference. Commissioner Backstrom is scheduled to attend. There are no Findings or Management Items.

Finally, Mr. Nelson shared insights from the Government Finance Officers Conference he attended earlier in the week.

c.) **Attorney:**

Mr. Milne provided a brief update to the Board of Commissioners concerning two lawsuits that are underway in King County that are of statewide significance for water and sewer districts. First, is a suit against the City of Federal Way for the assessment of an excise tax on utility services that is not clearly authorized by statute. Second, is a lawsuit between King County and water and sewer districts related to the requirement to pay rent for use of

the right-of-way; in Milne's opinion, the rental charge is a tax that is not specifically authorized by State Law.

d.) General Manager:

Mr. Brees informed the Board of Commissioners of two upcoming events, a staff BBQ scheduled for noon on the 25th of May, and the Clearview Water Supply Agency's Annual Dinner scheduled for June 20, 2018.

Mr. Brees also reported to the Board of Commissioners of the passing of Commissioner George Webster of Ronald Wastewater District on April 2, 2018. A celebration of his life will be held on Saturday, May 19, 2018, at 1:00 p.m., at the Shoreline Lake Forest Park Senior Center.

Mr. Brees shared with the Board of Commissioners a Letter of Appreciation received from Mukilteo Water & Wastewater District's Board of Commissioners, thanking Silver Lake Water & Sewer District staff (Vactor crew) for assistance when Mukilteo experienced a catastrophic failure at their largest sewage lift station on Tuesday, April 24, 2018. They stated a sewer spill was avoided and the Silver Lake crew's assistance averted what could have been a major sewer spill in Old Town Mukilteo.

Minute Certification

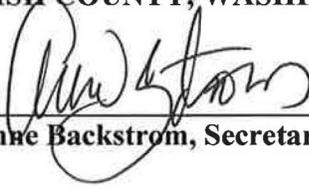
I, the undersigned, Secretary of the Board Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

1. The attached copy of the Minutes of the Meeting of Commissioners (the "Minutes") is a full, true and correct copy of the Minutes of the May 10, 2018 regular meeting of Commissioners, duly adopted at a regular meeting of the Board of Commissioners of the District, held at the regular meeting place thereof on May 24, 2018, as these Minutes appear on the Minute book of the District; and;

2. A quorum of the members of the Board of Commissioners was present throughout the meeting and a majority of those members present voted in the proper manner for the approval of these Minutes.

IN WITNESS WHEREOF, I have hereunto set my hand this 24th day of May 2018.

**SILVER LAKE WATER AND SEWER DISTRICT
SNOHOMISH COUNTY, WASHINGTON**



Anne Backstrom, Secretary