

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

January 10, 2019

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on January 10, 2019, beginning at 5:30 p.m., at the District Administration Building. Attending were Commissioners Bill Anderson, Rod Keppler, and Anne Backstrom. Also present were General Manager Curt Brees, District Engineer Rick Gilmore, and Finance Manager Brad Nelson; Eric Delfel with Gray & Osborne, Inc., and John Milne with Inslee, Best, Doezie, and Ryder P.S., Attorney for the District.

1.) CALL TO ORDER:

Commissioner Anderson called the meeting to order at 5:30 p.m.

2.) ELECTION OF OFFICERS

Following discussion, by motion made, seconded, and carried unanimously, the Commissioners elected Rod Keppler as President, Anne Backstrom as Vice President, and Bill Anderson as Secretary for 2019. Commissioner Keppler then presided over the remainder of the meeting.

3.) APPROVAL OF MINUTES:

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

4.) PUBLIC COMMENT:

Mike Harms a resident of the District was in attendance at the meeting. Mr. Harms introduced himself as a resident of the Pioneer Trails neighborhood for the past twenty-two years and shared that he is a current employee of Seattle Public Utilities. Mr. Harms indicated that he is potentially interested in running for the Board of Commissioners in 2019. Everyone in attendance welcomed Mr. Harms to the meeting.

5.) 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	743 5408666	.01-001-.01-041	\$184,428.72
Sewer Maintenance	743 5418666	.01-001-.01-005	8,957.95
Sewer Capital Improve.	743 5448666	.01-001-.01-003	35,692.31
Water Capital Improve.	743 5468666	.01-001-.01-006	228,972.94
Revolving Check Fund		6319 - 6322	2,395.74
Total Warrants			\$460,447.66

b.) Staff Report – Resolution No. 769

Mr. Nelson provided a verbal summary to the Board of Commissioners of a Staff report and attached Draft Resolution No. 769 that would authorize the investment of District monies in the Washington State Local Government Investment Pool (LGIP).

On June 14, 2016, the District's Board of Commissioners adopted Resolution No. 703 which authorized the District to join the LGIP, and appointed the General Manager, Mr. Patrick Curran, as the authorized individual to make changes on behalf of the District, under the resolution requirements of the Washington State Treasurer.

On May 4, 2017, the District appointed Mr. Curt Brees as the District's new General Manager, and District staff completed the LGIP Transaction Authorization Form removing Mr. Curran and adding Mr. Brees.

In September 2018, State Treasurer staff contacted the District regarding email statements and requested authorization to send the statements electronically. When Mr. Brees signed the authorization form, State Treasurer staff then requested a new resolution appointing Mr. Brees as the "authorized individual", even though they accepted the Transaction Authorization Form the previous year.

Rather than requiring a new resolution with each change of relative staff, the District worked with the State Treasurer's Office to draft a resolution that simply appoints the position, rather than the individual. Resolution No. 769 accomplishes this appointment.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed Resolution No. 769 - Authorizing the Investment of District Monies in the LGIP and appointing the General Manager as the authorized individual to act on behalf of the District.

c.) Staff Report – Resolution No. 770 – Financial Policies

Mr. Nelson provided a verbal summary to the Board of Commissioners of a Staff report and attached Draft Resolution No. 770 updating the District's Financial Policies.

The Silver Lake Water and Sewer District establishes certain Financial Management Policies by resolution, including credit card policies and travel related expenses. Currently, the District has eight cards. Five are directly issued to employees and three are general cards that can be used by an employee when issued to them.

With the proper internal controls and usage policies, abuse and fraud can be limited; however, external credit card fraud can and has happened. The District's rules and account setup limit the District's exposure and the vendor, Elan, has been quick to identify fraudulent transactions and contact the District quickly.

Staff has requested the authority to issue two new cards: one to the IT Manager and another as an additional general travel card that will be secured in the safe. The District's credit limit would increase to \$65,000.

In addition, Resolution No. 770 would also modify the Financial Policies by increasing the District's acceptable tip limit from 10% to a not-to-exceed amount of 20%. The previous limit was adopted in 1982 and market conditions have changed significantly since then; especially in Seattle, where tipping is now simply included as part of the meal expense. Resolution No. 770 also outlined several use restrictions that follow State law and District practices prohibiting the purchase of alcohol, entertainment, and other personal expenses relating to travel and meal reimbursement.

Resolution No. 770 also addresses the evolving world travel, hotel, vendor, and online program rewards. Not only have rewards programs expanded past airlines and credit cards, there are often up front discounts with their use. Resolution No. 770 would allow employees to use personal reward accounts when using District credit cards under the conditions listed below. To review this proposed change, staff reached out to the State Auditor's Office and received guidance that concurs with the changes. The Financial Management Policies will be updated to include the following section:

A-32. If the District does not have a cash or travel mileage reward program for District credit/purchasing cards or with a specific vendor, an employee may use their personal travel or rewards account number under the following conditions:

- a.) There is no increased cost to the District associated with the use of the employee's personal travel or rewards account number;
- b.) The value of the reward or points is de minimis and not in the form of cash, a gift card, merchandise, or other tangible property;
- c.) For airlines and hotel rewards, employees must disclose the use of their airline and hotel rewards program and provide documentation that the selection of the specific hotel or airline did not increase the District's costs;
- d.) For all other reward programs, employees must disclose the use of their rewards program, confirm the District does not have a rewards program with that retailer or online vendor, and document the cost savings to the District;
- e.) Any additional costs associated with an employee's use of their personal rewards account are not a District expense and are the responsibility of the employee;
- f.) The General Manager may review and approve special circumstances that may arise related to airline and lodging during travel.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed Resolution No. 770, approving two new credit cards and a new credit limit of \$65,000, adopted the new Financial Management Policies, amended Resolution No. 369, and repealed Resolution No. 722.

d.) Staff Report – Clifton Larson Allen

Mr. Nelson provided a report to the Board of Commissioners regarding preparation of the District's Annual Financial Reports. Included in the packet are a Staff report, Agreement for Compilation and Preparation Services, and an Agreement for Review and Preparation Services from Clifton Larson Allen, LLP.

The Silver Lake Water and Sewer District engages the services of a professional Certified Public Accounting (CPA) firm to review and prepare the District's Annual Financial Report. The lead accountant is Mr. David Hoagland with Clifton Larson Allen, LLP. The proposal price for the work is \$23,230, which is an increase of \$1,100 from 2018's work. The work is scheduled to begin in March with the financial statements completed in May. Mr. Hoagland will report to the Board of Commissioners at their May 23, 2019 meeting, with the reports being filed with the State of Washington by May 30, 2019.

Following discussion, the Board of Commissioners approved and directed the General Manager to execute the Agreement for Compilation and Preparation Services and the Agreement for Review and Preparation Services from Clifton Larson Allen, LLP.

6.) CAPITAL IMPROVEMENT PROJECT(S):

a.) Staff Report – Reservoir No. 3 Improvement Project Update

Mr. Gilmore provided a verbal summary to the Board of Commissioners of a Staff report, Gray & Osborne's Letter of Recommendation and Progress Pay Estimate No. 13 (for work through December 28, 2018).

Coatings Unlimited has completed the interior coating application, all millage requirements have been achieved, and minor touch-up will be completed. Once it is confirmed that the paint is cured, disinfection of the tank will be completed to allow for filling of the reservoir.

The booster station lighting is being installed and is now powered off of the District's station system. The electrical re-cabling of the control panels is complete. The station plumbing for the lavatory and sample stations is scheduled to be completed this week. The Alum-tech Noise Enclosure has been received and was installed this week.

Staff recommended to pay RAZZ Construction for the work performed through December 28, 2018, as identified on Pay Estimate No. 13, including sales tax, in the amount of \$191,821.42. The total payment made through Pay Estimate No. 13, including Change Orders No. 1 and 2 represents completion of 86% of the contracted work. RAZZ Construction has provided a Retainage Guarantee Bond.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 13 and directed staff to process a payment to RAZZ Construction for work performed as identified, including Washington State Sales Tax, in the amount of \$191,821.42.

b.) Staff Report – District Headquarter Lighting Upgrade

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report regarding District Headquarter Lighting Upgrades.

In June of 2018, the Board of Commissioners approved the purchase of Light Emitting Diode (LED) fixtures to retrofit/replace the existing light fixtures that used either florescent (interior spaces) or metal halide technology (exterior mounting locations). Fixtures were to be purchased from North Coast Electrical Company and installed by District Staff, with an incentive from Snohomish County PUD upon completion, to offset some of the project cost.

The original project plan was to retrofit all of the existing fixtures (interior and exterior); however, in coordination with Snohomish County PUD (PUD) the District considered an additional element, updating the lighting controllers as part of a demonstration project. Rather than use the existing master lighting controller, the controls would be bypassed and individual fixtures or groups of fixtures would have their own smart, energy savings controls. PUD had indicated that if the District proceeded there would be additional incentives, covering the incremental cost increase. However, before the District was able to finalize these plans, the PUD indicated that the demonstration projects would soon end and in order to participate, the District would need to complete all work by December 31, 2018. This notification came late in the fall and some equipment had not even been ordered yet. As a result, District staff deferred the planned work to retrofit interior lighting, and focused on completing all of the exterior lights by December 31, 2018.

The work completed in 2018 by District staff included replacement of 60 exterior fixtures around the site. These fixtures represent 13% of all power used on the site, and the completed project will save approximately 44,597 kwh/year (this is about the annual power use for four households). The total equipment cost including sales tax was \$55,419. To offset this cost, a rebate check from PUD in the amount of \$7,619 has already been received and the annual power savings at current rates amounts to \$3,669/year. While it will take a number of years to fully recoup the project costs, the District will benefit from improved site lighting (the new lights are brighter and more focused), reduced maintenance as the fixtures have an estimated twenty year service life, and the annual savings will increase over time as power rates go up in the future.

Sometime early in 2019, PUD will introduce a new Incentive Program that includes smart lighting controls as a part of their standard incentives to business customers (no longer a demonstration program). At that time, the District will select between smart controls and LED light upgrades or just LED upgrades, using the existing configuration for controls. The interior lighting retrofits are expected to be at a lower cost than the completed exterior work. For the contemplated interior work, typically the upgrade consists of retrofitting an existing fixture to use an LED bulb rather than purchasing an entirely new fixture.

c.) Staff Report – 2019 Bills of Sale - 4th Quarter

Mr. Gilmore presented a verbal summary to the Board of Commissioners of a Staff report listing the accepted 4th Quarter Bills of Sale for Developer Extensions, representing \$424,124.63 of utility infrastructure added to the District by Developer contribution, for

their review. Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved acceptance of the Bills of Sale for:

NAME	WATER	SEWER
Manchester Court	\$77,926.95	\$91,162.95
Oak Heights Estates II		155,154.73
Copper Crest Offsite Sewer		99,880.00
Total Value	\$77,926.95	\$346,197.68

With these projects, the total estimated value of Developer contributed facilities accepted by Silver Lake Water and Sewer District through the 4th Quarter of 2018 is \$1,053,534.98.

7.) MAINTENANCE & OPERATIONS

a.) Staff Reports – Review 2019 Conference Schedule

Mr. Brees provided a verbal summary to the Board of Commissioners regarding the 2019 Conference and Training Schedule, for their review.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the 2019 Conference and Training Schedule.

8.) STAFF REPORTS

a.) District Engineer:

No further report.

b.) Finance Manager:

Mr. Nelson reported to the Board of Commissioners on recent guidance and rule making by the Washington State Employment Security Department regarding the new Washington State Paid Family Leave law. Mr. Nelson reported that there will be numerous challenges associated with the law including determinations regarding how Commissioners that are paid a daily stipend are to be included, and the challenges associated with On-call Duty by the District’s field crews. Premium collection will begin in January with reporting to the State due in April. Workers will be eligible for benefits beginning in 2020.

Additionally, Mr. Nelson reported that he had correspondence with a customer regarding eligibility for a leak credit. The customer had previously indicated that they intended to address the Board of Commissioners. Mr. Nelson detailed the timeline of, and the notifications made to the customer by the District regarding the leak. At the time of the most recent correspondence, the leak had not been repaired.

c.) Attorney:

Mr. Milne reported to the Board of Commissioners on two items:

First, King County has filed a motion to extend the deadline for filing the brief associated with their appeal to the Washington State Supreme Court, of the Superior Court Decision pertaining to the charging of rent for use of the ROW. If the Supreme Court grants review, the matter would likely be scheduled for oral argument in the fall of 2019.

Second, Mr. Milne reported that the City of Federal Way had prevailed in the Superior Court litigation regarding the imposition of an excise tax on water and sewer utilities operating within the City. This decision has been appealed by the impacted districts and they are requesting review by the Supreme Court. If accepted, it too would likely be scheduled for oral argument in the fall of 2019.

d.) General Manager:

Mr. Brees reported to the Board of Commissioners that Brian Malen, IT Technician, is currently attending a Cyber Security training. This training is hosted by the Department of Homeland Security and is geared toward protecting utilities.

Next, Mr. Brees reported that Mr. Jose Cervantes had submitted a resignation effective Friday, January 11, 2019. Mr. Cervantes had been hired by the District in June of 2018 as a Utility Maintenance Worker 2.

Finally, Mr. Brees reported that the windstorm that impacted the District in the early morning hours of January 6, 2019, knocked out power to fourteen of the District's lift stations. The generator at the Creekside Lift Station failed to operate, due to rodent damage to wiring that had not been previously discovered. No overflow occurred as line power was restored prior to overfilling. Additionally, personnel were ready to pump the station with a Vactor truck if needed.

The General Manager requested an Executive Session to discuss matters pursuant to RCW 42.30.110 (1) (g) to discuss with legal counsel representing the agency regarding potential litigation. A motion was made, seconded, and unanimously approved by the Board of Commissioners to convene to an Executive Session to discuss this matter. Before convening to the Executive Session at 6:15 p.m., Commissioner Keppler advised that the Executive Session would be concluded at 6:45 p.m. The Executive Session concluded at 6:45 p.m. and the open public meeting reconvened.

9. SETTLEMENT AGREEMENT

Having reviewed the Settlement Agreement between the District and Mr. Greg Wagemans dba SprayLawn Hydroseeding; following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the Settlement Agreement and authorized the General Manager to sign the Agreement on behalf of the District.

This ends the Minutes of the January 10, 2019 regular meeting. The following signature page is a scanned image of the original signature page of the Minutes and certifies these are the approved Minutes by the Secretary of the Board.

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 January 10, 2019 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 January 24, 2019, 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 ____ day of January, 2019.

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



Bill Anderson, Secretary