

**MINUTES OF THE SPECIAL MEETING
OF COMMISSIONERS OF THE
SILVER LAKE WATER AND SEWER DISTRICT**

November 26, 2019

The special meeting of the Board of Commissioners of the Silver Lake Water and Sewer District was held on November 26, 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 Scott Smith, and Finance Manager Brad Nelson; Eric Delfel with Gray & Osborne, Inc., Consulting Engineer for the District; and John Milne with Inslee, Best, Doezie, Ryder, P.S., Attorney for the District. The special meeting was scheduled in lieu of the regular Board meeting scheduled for November 28, 2019, which had been cancelled due to the Thanksgiving holiday.

1.) CALL TO ORDER:

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

2.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of November 14, 2019 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

There were no members of the public in attendance.

4.) FINANCIAL MATTERS:

a.) Vouchers and Check(s) Approval

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

Fund	Code	Number	Amount
Water Maintenance	743 5408666	.11-056-.11-093	\$161,232.57
Sewer Maintenance	743 5418666	.11-015-.11-021	168,369.75
Sewer Capital Improve.	743 5448666	.11-005-.11-007	129,539.00
Water Capital Improve.	743 5468666	.11-004-.11-006	117,061.23
Revolving Check Fund		6844 - 6875	21,097.59
Total Warrants			\$597,300.14

b.) Staff Report – Deferred Compensation Match Program

Mr. Nelson presented a Staff report on the Deferred Compensation Match Program and Resolution No. 784.

On November 14, 2019, the Board of Commissioners discussed the District’s 2020 Salary and Wage Forecast and a report from the General Manager on a new District 457k Employee Match Program. Currently, the District provides employees with the option to

participate in a 457k Deferred Compensation Plan administered by the State of Washington Department of Retirement Systems (DCP) without a District match.

Employer match programs are not uncommon, with the typical format being a percentage based on an employee's monthly salary, typically around 2%. However, these formats favor higher compensated employees. The General Manager's recommended match program with a fixed dollar amount of \$200.00 for regular full-time employees and \$100.00 for regular part-time employees. The Board of Commissioners discussed the benefits and costs and directed staff to provide a resolution that set the fixed dollar amount at \$250.00 for regular full-time employees and \$125.00 for regular part-time employees. Seasonal full-time and part-time employees would not be eligible for the District match.

Staff prepared Resolution No. 784 based on the Board of Commissioner's direction. The total costs, including payroll taxes for the regular full-time employees, and based on all employees taking advantage of the match, is \$96,880.00 per year. The total costs for the regular part-time employees, based on all employees taking advantage of the match, is \$4,793.00 per year.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed Resolution No. 784 – District 457k Deferred Compensation Employee Match Program.

c.) Staff Report – 2020 Capital Improvement Program

Mr. Nelson presented the 2020 Capital Projects Report. The 2020 Capital Projects Report provides a review of the District's current capital projects and forecasts capital project costs for the next two fiscal years. Typically, most of the projects presented in the Annual Capital Projects Report were authorized in the Water and Sewer Comprehensive Plan.

The 2020 Capital Project Report also contains the District's share of the City of Everett's Sewer Capital projects and Clearview Water Supply Agency (CWSA) Water Capital projects as required by contract. Like the District's Capital projects, projections by the City of Everett and the CWSA can change from year-to-year.

A Table was provided to the Commissioners that outlined the District's expected total investment in water and sewer infrastructure of \$8,182,700 in 2020, with another \$12,220,920 in 2021. The Table also summarized the projected Capital Project costs for each agency.

Funding to pay for the District's Capital projects are typically provided by rates and general facility charges that are assessed to all new water and sewer connections or by the issuance of debt, including Public Works Trust Fund Loans (PWTF). The District still has a \$7,810,000 loan to provide funding for the City of Everett Water Pollution Control Facilities (WPCF) Expansion project. The District continues to request loan reimbursements when the City of Everett submits an invoice, and in 2017 negotiated a broader project scope to include other City of Everett Sewer Plant Improvements to maximize the District's use of the loan through 2022. Funding for the Clearview Water Supply Agency's (CWSA) Capital projects is currently embedded in the water rates

charged by the CWSA. A detailed review of the City of Everett, CWSA, and Silver Lake Water and Sewer District Capital projects were provided separately.

The District is contractually obligated to pay a portion of certain City of Everett Sewer Treatment Plant projects. The District's percentage of the projects are defined by contract and based on the percentage of the City's Sewer Treatment Plant's capacity. For most treatment plant projects, the District's percentage is 16%. A Table was provided that outlined the City of Everett's current planned projects, the project's total budget, the District's share of the project (%), and the District's share of the projects for 2020 and 2021.

The District expects to pay the City of Everett \$284,800 in 2020 and \$224,000 in 2021 for Capital projects. Mr. Nelson provided a list of the City of Everett's most current Wholesale Sewer Project listing expenses projected to 2026.

The District is a member of the CWSA and has contractual agreements to share in the capital improvement of CWSA's Capital projects. In 2013, CWSA changed the accounting classification of several projects from maintenance to capital to better reflect the work being performed and how costs were being allocated to the members. The District's share of CWSA's Capital projects ranges from 20.16% to 26.87%. Currently, there are no projects scheduled for 2020 or 2021.

The District's adopted Water and Sewer Comprehensive Plans outline the District's total approved capital projects over ten years. Over time, the projects approved in the Comprehensive Plans can change, based on changing technologies or the capital needs of the District. A Table was provided to the Commissioners that outlined the District's current and projected capital projects. The District's investment in capital projects is expected to be \$7,897,920 in 2020 and \$11,996,920 in 2021. A detailed list showing the District's 2020 and 2021 proposed projects and the District's current Water and Sewer Comprehensive Plan Capital Project listings were provided as a reference.

d.) Staff Report – 2020 Wholesale Contract Rate Forecast

Mr. Nelson provided a Staff report on the 2020 Wholesale Contract Rate Forecast.

Two of the District's largest costs are to purchase water and to provide sewer treatment services for customers. The District purchases water directly and indirectly from the City of Everett. Sewer treatment services are provided by the City of Everett and King County Metro Sewer through the Alderwood Water & Wastewater District (AWWD).

In 2017, the District spent over \$10.174 million to purchase water and pay for sewer treatment services. This was an increase of \$716,242 from 2017's total costs. Since the District customer's water and sewer rates are highly dependent on these contracted service rates, his report provided a forecast over the next five years. Staff provided Tables for each contracted water and sewer service that outline the 2019 rate and forecasted rates to 2023.

All of the water used by the District is supplied from the Everett Water Filtration Plant via Master Meters from the Clearview Water Supply Agency (CWSA), the City of Everett,

and the newly constructed Master Meter Intertie from the Alderwood Water & Wastewater District (AWWD).

Total water costs are determined by cost, per water unit (each unit is 100 cubic feet (1 CCF or 748 gallons of water), and by the number of water units purchased.

Historically, the District's purchased water units is fairly consistent, with few seasonal spikes related to hot and dry summer weather. However, in 2015 and 2017, the area experienced an extended hot and dry summer resulting in a significant increase in water use. By August of 2015, the City of Everett requested a voluntary water reduction of 10%. District customers responded by reducing their consumption below 2014's consumption for September and October 2015. In 2017, the City of Everett's storage and production was sufficient to meet the increased demand, and no request for water reduction was initiated by the City of Everett. The District's 2015 and 2017 demand curves, while delayed until later in the summer, were also steeper and had a longer duration than experienced in previous years. For 2019, the District experienced an initial strong demand, which tapered off by August.

Staff anticipates a 2% water demand increase in 2020. He expects no change to the CWSA rate, respective of the City of Everett's communication that they had less capital expenses for 2019. The District's total forecast increase of CWSA water costs would be approximately \$33,227. A Table was provided to the Commissioners that outlines the actual, estimated, forecasted water rates and consumption estimates from 2019 to 2024 for the CWSA.

The District's west end meter was historically committed to purchase approximately 125,000 units from the City of Everett until the City of Everett's Sewer Agreement was executed. At this time, District staff believes the District's entire water demand can be met via CWSA and Master Meter #10; AWWD Wholesale.

In 2013, the City of Everett began a series of significant water rate increases within the 20% per year range. However, in 2017, the City of Everett decided to bill the two wholesale Districts under City rates, which actually reduced the cost of City water under a declining block methodology. For 2024, the City is forecasting a \$.11 per unit increase or 5.00% increase from their 2019 rate.

In 2015, the District completed Master Meter No. 10 and began purchasing water from the Alderwood Water & Wastewater District. The District continues to purchase more water from Master Meter No. 10. The District expects this trend to stabilize in 2020. For 2019, District staff expect the AWWD Water Rate to increase by \$.11 per unit, or 7.90%. Overall, the District anticipates the Net Water Rate to increase approximately \$.06 per unit to \$1.2411 per blended water unit in 2020, depending on how much water is purchased directly from the City of Everett and AWWD.

A Table of the contracted water rate increases between 2020 and 2024 for CWSA, AWWD, and the City of Everett was provided to the Commissioners. Overall, staff

expects per-unit water rates to increase at an annualized rate of 2.38%, with an annualized increase in consumption of 3.35% over the next five years.

The District purchases sewer treatment services from the City of Everett and AWWD. The District has created two sewer basins to allocate the respective sewer treatment costs to customers. There are approximately 14,638 sewer customers including 635 Cross Valley customers, in the Everett Treatment Basin. There are approximately 2,465 sewer customers in the AWWD Basin.

Both sewer rates are determined by long term contract. Not included within the City of Everett's Sewer Treatment Rate, is the District's share of capital projects at their sewer treatment plant. City of Everett Treatment Plant Capacity Capital Projects are billed separately to the District. The District funds the Treatment Plant Capacity Capital Projects with General Facility Charge (GFC) revenue and with the proceeds of a Public Works Trust Fund Loan.

The City of Everett has estimated their 2020 Sewer Rate to be \$51.17, which is an increase of \$1.73 or 3.5%. The City is also forecasting the District's rate to increase \$3.43 in 2020. This is the second consecutive year that the District's rate has increased at a higher dollar cost than the City's sewer rate. By 2024, the District's Treatment rate is forecasted to be \$47.94. It is important to note that while the City of Everett has been delaying large capital projects on their Capital Facility Plan, there has not yet been a reduction in their forecasted sewer rates. This simply may be a timing issue between when the City's Capital Facility Plan was adopted and when their last rate study was conducted.

In 2019, King County Metro adopted a new Sewer Ordinance that slowed its sewer rate increase. The District is expecting a 2020 rate increase for sewer customers in the AWWD Basin of \$.11. By 2024, the District's Treatment rate in the AWWD Basin is forecasted to be \$54.98.

The District anticipates the City of Everett Contracted Sewer Rate will increase an annualized 3% over the next five years, with the connections increase just under 1% per year. Overall, we expect the City of Everett's Sewer Rate to increase from its present \$37.19 to \$47.94 per ERU. Staff anticipates the AWWD Sewer Rate to increase an annualized 2.20%, with the connections to increase just under 1% per year. Overall, staff expects the AWWD Sewer Rate to increase from \$48.46 to \$54.98 per ERU.

As was the case last year, staff continues to be uncertain about the forecast estimates for both sewer basins. For customers within the Everett Sewer Basin, the most significant impacts will be the capital costs if the existing treatment plant is required to upgrade due to new discharge regulations into the Snohomish River. In addition, the matter of the City of Everett's land purchase for bio-solids removal remains unresolved between the parties.

For customers within the AWWD Sewer Basin, the most significant impacts are the capital costs associated with the Brightwater Treatment Plant, the project's reliance on future connection fees, and the political will of the King County Council.

Staff anticipates a “Pass-through” Water Rate for 2020 of \$.05 - \$.10 per water unit for all water customers. Staff also anticipates the 2019 Everett Sewer Basin Rate increase to be \$3.25 per ERU as a “pass-through”. Finally, we anticipate the 2020 Alderwood Sewer Basin Rate increase to be \$.11 per ERU.

At this time, staff is not presenting a District portion of the rate increase, deferring to the planned 2019 Water and Sewer Rate and General Facilities Fee Study planned for early 2020.

5.) CAPITAL IMPROVEMENT PROJECT(S):

a.) Staff Update – Waldenwood Lift Station

Mr. Smith provided an update to the Board of Commissioners regarding the Waldenwood Lift Station Project, where the current work is still the excavation on-site for the new station. It was reported that a motor on the existing station that is still in operation was successfully replaced by District employees in cooperation with the Contractor, to permit access to the existing station that is now an island within the excavation.

b.) Staff Update – 131st Street Water Main Project

Mr. Smith provided an update to the Board of Commissioners regarding the 131st Street Water Main Project. This project is nearing completion, following some delays associated with having to bore some of the service line crossings of the street followed by having to flush and resample the newly installed water main.

c.) Staff Report – District Headquarters Project

Mr. Brees provided a report to the Board of Commissioners regarding the District Headquarter Project Closeout and Retainage Payment.

The Certificate of Substantial Completion (an AIA Form that reflects a contract milestone) was issued for the District Headquarters project on October 3, 2018. At that time, Petra Inc. (Petra) was provided with an extensive punch list of items to address and was also tasked with providing the District with As-Built Drawings, O&M Manuals, and Warranty Documents, for the work and materials supplied. Petra promptly addressed the majority of the punch list items and Petra made initial submittals of the required project documentation at the end of 2018. In July of 2019, Petra completed work on the required as-built drawing, follow-up submittals, and the Certificate of Final Completion was issued for the project with an effective date of July 5, 2019. In July, District staff filed the Notice of Completion with the three state agencies which must each provide a letter certifying that Petra has met all of their respective requirements (taxes, unemployment premiums, and prevailing wage requirements). In September and October, Petra completed work on a list of warranty repairs identified by the District. Finally, on November 12, 2019, the Final Release Letter was issued by the Department of Labor and Industries.

Final Pay Application No. 16 was submitted for review and approval. This application is for the release of retainage.

Staff requested the Board review Final Pay Application No. 16 and, if in agreement, by motion, direct staff to process a payment totaling \$179,087.13.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Final Pay Application No. 16 and directed staff to process a payment to Petra for release of retainage, in the amount of \$179,087.13.

6.) DEVELOPMENT PROJECTS:

a.) Staff Report - Developer Extension Agreement-Silver Firs Elementary Fire Hydrant

Mr. Smith presented a Staff report and Vicinity Map regarding a Developer Extension Agreement for Silver Firs Elementary Fire Hydrant.

The proposed project is located at 5909-146th Place SE. This project will install a new hydrant at the north end of Silver Firs Elementary School that will provide fire protection for two new portable classroom buildings to be installed in 2020.

The Everett School District will be installing approximately 230 feet of new 8-inch water main with a new Fire Hydrant.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for Silver Firs Fire Hydrant project. The Developer is the Everett School District.

b.) Staff Report – Silver Glen Meadows Easement Relinquishment

Mr. Smith presented a Staff report to the Board of Commissioners on the proposed Silver Glen Meadows Easement Relinquishment.

The Board approved a Developer Extension Agreement for the Silver Glen Meadows project on April 12, 2018. As part of the approved water plan, an existing 6-inch water main on the south edge of the project was to be removed, and the existing easement relinquished. The existing water main was to be replaced with a new 8-inch line in a new easement that aligns with a future road extension.

The existing easement for the 6-inch water main was granted in October 1968. The previously existing 6-inch water main has been removed and replaced with the new 8-inch main during construction of the Silver Glen Meadows Development project. In addition, an easement has been granted to the District for the new 8-inch water main.

The District has no need or interest to maintain the previous easement for the old 6-inch main, which would be underneath the building footprint of two lots and the storm water facility.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed the Notice of Termination and Release of Easement for the 1968 easement for Silver Glen Meadows.

c.) Staff Report – New DE Assignment Form

Mr. Smith presented a Staff report to the Board of Commissioners regarding a New DE Assignment Form.

During the Board meeting on November 14, 2019, staff presented four revised/new development forms for approval. A proposed form for transferring ownership of a Developer Extension was held back for further revision by the District’s Attorney, which has since been completed.

It is not uncommon for DE projects to be sold between developers or builders after approval, which is allowed with District approval, per Section 15 of the standard DE Agreement document. However, there is no current mechanism to transfer a DE between two developers, and in the past, a new DE has been created for the same project.

This can result in internal confusion for project names and numbering, and has the potential for conflicting timeline requirements. Staff is proposing to adopt a new DE Assignment Form to simply transfer an existing DE agreement from one developer to another.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the new DE Assignment form.

7.) MAINTENANCE & OPERATIONS:

a.) Staff Update – 2020 District Calendar of Meetings and Holidays

Mr. Brees presented an update to the Board of Commissioners on the 2020 Calendar that outlines holidays and Commissioner Meetings, for the Board to review meeting dates and the District Office schedule for the upcoming year.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the Calendar and meeting schedule for 2020.

8.) INTER-AGENCY REPORTS

a.) Staff Report – Clearview Water Supply Agency Meeting

Mr. Brees reported on the Clearview Water Supply Agency Meeting that was held on November 20, 2019.

Mr. Brees and Commissioner Anderson attended the Clearview Water Supply Agency (CWSA) Meeting held on November 20, 2019, at the Alderwood Water & Wastewater District. The Meeting Agenda included a review of Maintenance and Operations Reports, Financial Reports, and the agency Budget for 2020. Alderwoods’s M&O Director, Mr. Dave Barnes, provided a summary of operational issues. He noted that the station had run on emergency power one time during the past month. This outage was due to a harmonic imbalance (a reoccurring issue) in the two VFD’s that were in operation at the time. Mr. Barnes also reported on various preventative maintenance activities completed at the pump station. In October, Alderwood staff began testing of the pipeline’s Cathodic Protection system. Alderwood staff has acquired the equipment and training to perform this inspection, utilizing agency staff rather than a contractor.

There were no major items to report with respect to finances for the month of October. Monetary Assets for CWSA, as of October 31, 2019, totaled \$1,002,575.01. The Vouchers approved at the meeting totaled \$444,446.90. The CWSA Budget for 2020 was reviewed and approved. The total budget approved for 2020 is \$5,366,875, with purchased water accounting for \$4,600,000 of the total. The approved 2019 Budget was \$5,464,004 and the year-end estimated total expenditures are \$5,294,096. There are no major capital projects included in the 2020 budget.

The next meeting of the CWSA is scheduled for Wednesday, December 18, 2019, at 3:00 p.m., at the Alderwood Water & Wastewater District.

8.) **STAFF REPORTS**

a.) **District Engineer:**

No further report.

b.) **Finance Manager:**

Mr. Nelson reported to the Board of Commissioners that the open enrollment period for the District's employees to enroll in or change health insurance plans which opened November 1, 2019 will be closing on Wednesday, November 27, 2019.

Mr. Nelson provided an update on the State Auditors schedule to complete their Audit of the District's Financial Statements, as they have been delayed and now expect to complete their work on December 12, 2019.

Mr. Nelson reported that a letter had been sent to a property owner that is encroaching on a sewer easement with a "park style" mobile home. The mobile home is not currently connected to the District's system. It appears to be only stored on the site. The property owner is required to relocate the mobile home and was provided with the District's requirements if the unit is intended to be served by the District.

c.) **Attorney**

Mr. Milne reported that oral argument for the Federal Way excise tax issue has been scheduled by the Washington Supreme Court for January 16, 2020. Mr. Milne reported that three amicus briefs will be filed supporting the position that cities should not be able to impose such taxes on utilities without express statutory authority.

d.) **General Manager:**

Mr. Brees reported that he had attended a WASWD Board Meeting earlier in the week and reported on some possible legislation that would greatly impact regulations related to District finances and elections. The possible legislation is stemming from an Enumclaw Drainage District matter that was the subject of fraud. Mr. Brees will provide input to WASWD including comments from Commissioner Backstrom.

The General Manager requested an Executive Session to discuss matters pursuant to RCW 42.30.110 (1) (g) regarding Performance Reviews of District Employees. A motion was made, seconded, and unanimously approved by the Board of Commissioners to convene to

an Executive Session to discuss these matters. Before convening to the Executive Session at 5:55 p.m., President Keppler advised that the Executive Session would be concluded at 6:15 p.m. The Commissioners and the General Manager then attended the Executive Session. The Executive Session concluded at 6:15 p.m. and the open public meeting reconvened.

This ends the Minutes of the November 26, 2019 special 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 November 26, 2019 special 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 December 12, 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 12th day of December, 2019.

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



Bill Anderson, Secretary
for (Bill Anderson)