

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

December 24, 2019

The special meeting of the Board of Commissioners of the Silver Lake Water and Sewer District was held on December 24, 2019, beginning at 11:00 a.m., at the District Administration Building. Attending were Commissioners Rod Keppler and Anne Backstrom. Also present were, General Manager Curt Brees, District Engineer Scott Smith, O&M Manager Ron Berger, 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 December 26, 2019, which had been cancelled due to the Christmas holiday.

**1.) CALL TO ORDER:**

Commissioner Keppler called the meeting to order at 11:00 a.m.

**2.) APPROVAL OF MINUTES:**

The Minutes of the regular meeting of December 12, 2019 were unanimously approved as circulated.

**3.) PUBLIC COMMENT:**

There was no public comment from the audience in attendance.

**4.) COMMISSIONER VACANCY**

Mr. Milne and Mr. Brees provided an overview of the process to fill a nonpartisan vacancy position as defined by RCW 42.12.070(1), which states that when one position is vacant, the remaining members of the governing body shall appoint a qualified person to fill the vacant position. There was brief discussion among the Commissioners and a motion was made to appoint Mr. John Warner to fill the vacant position. Mr. Warner had run for the open Position No. 1 and was the runner up in the general election.

A member of the public in attendance, Ms. Shauna Willner requested to provide comment and the Board provided an opportunity for her to speak. Ms. Willner won the election for the open Commissioner Position No. 1 in November and will be sworn into office in January. Ms. Willner expressed that she felt that the decision to fill the vacant position should not be made at this time and should be deferred to a later date.

Following discussion, the Board of Commissioners appointed Mr. John Warner to fill the vacancy of Position No. 2 on the District's Board of Commissioners.

Mr. Warner took the Oath of Office and was sworn in as Commissioner, Position No. 2, by Mr. Milne, for the Silver Lake Water and Sewer District.

**5.) 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:

<b>Fund</b>	<b>Code</b>	<b>Number</b>	<b>Amount</b>
Water Maintenance	743 5408666	.12-056-.12-093	\$103,650.12
Sewer Maintenance	743 5418666	.12-015-.12-021	170,419.85
Sewer Capital Improve.	743 5448666	.12-005-.12-007	21,505.01
Water Capital Improve.	743 5468666	.12-004-.12-006	19,745.56
Revolving Check Fund		6878 - 6913	47,934.06
<b>Total Warrants</b>			<b>\$363,254.60</b>

**b.) Staff Report – 2020 Utility Rate Forecast**

Mr. Nelson presented a Staff report on the 2020 Utility Rate Forecast. District staff has previously provided the Board of Commissioners with Annual Fiscal Planning Reports related to labor, contract water and sewer rates, equipment replacement needs, and associated costs. The Board of Commissioners then provided direction to the General Manager for the development of the Utility Rate Forecast. The 2020 Utility Rate Forecast was provided as an attachment. Staff highlighted the following:

- The 2020 Utility Rate Forecast assumes 171 new water connections, including 568 ERU's, and 153 new sewer connections, including 568 ERU's. The total forecasted General Facility Fee revenues are \$4,065,285 at the current GFC rates. There are a couple of large multifamily projects about to end construction and their connections are forecast to connect in 2020. 2020 Bills of Sales are forecast at \$1,398,000, as large tracts of developable land become scarcer and current agreements are smaller in scale. Overall, the District expects to collect \$5,463,285 in new connection revenues, which is an increase of \$3,938,945 from 2019.
- Staff anticipates a Pass-through Water Rate increase of \$.10 per water unit, a \$3.45 per ERU pass-through for customers in the Everett Sewer Basin, and a \$.10 per ERU pass-through for customers in the AWD Sewer Basin.
- The District's interest income will increase slightly, due to a combination of increased cash reserves, but partially offset by declining interest rates. Staff anticipates interest income of \$1,150,000 for 2020.

<b>2020 Utility Rate Forecast</b>					
<b>Single Family Water and Sewer Rates</b>	<b>Current</b>	<b>2020</b>		<b>Forecast</b>	<b>%</b>
	<b>Rate</b>	<b>Pass Through</b>	<b>District</b>	<b>Rate</b>	<b>Increase</b>
Water Base Rate	\$ 7.60	\$ -	\$ -	\$ 7.60	0.00%
Water Per Unit Rate - Winter	\$ 2.15	\$ 0.05	\$ -	\$ 2.20	2.33%
Water Per Unit Rate - Summer	\$ 2.60	\$ 0.05	\$ -	\$ 2.65	1.92%
Everett - Sewer Rate	\$ 58.25	\$ 3.45	\$ -	\$ 61.70	5.92%
AWWD Sewer Rate	\$ 57.65	\$ 0.10	\$ -	\$ 57.75	0.17%

*Pass Through Rate Increases Would Roll Into Effect Starting May 2019*

Based on current assumptions, the District’s 2020 Forecasted Operating Statement is forecast to provide \$29,590,125 of total revenues, with \$18,744,295 of operating expenses, and \$3,525,000 in depreciation. Overall, Net Income before depreciation would be estimated to be around \$10,845,830, which would be sufficient to meet a future bond issue’s coverage ratio.

Staff also attached the Forecasted Peer Agency Water and Sewer Rates for 2020. I would note that the District’s water rate continues to be significantly lower than our peers and the District’s Water Base Rate has not been adjusted since 2015.

**c.) Staff Report – Washington Paid Family Medical Leave Act**

Mr. Nelson presented the Washington Paid Family Medical Leave Act Report and Draft Resolution No. 788.

In 2018, the State of Washington adopted RCW 50A.05, which established the Washington Paid Family Medical Leave Act (PFMLA). The PFMLA established a State fund to provide employees to have access to paid leave for certain qualifying medical events for themselves and their family member. Under the PFMLA, the District began withholding employee premiums and reporting hours worked starting January 1, 2019. Employees are eligible for benefits starting January 1, 2020. For the purposes of PFML policies and rules, the District has less than fifty employees. Currently, the District has 35 to 40 employees as calculated under PFMLA rules. For 2020, the District may hit 41 employees, depending on the number of seasonal employees hired.

Throughout 2019, the Washington State Employment Security Division (ESD) has been creating rules for the program. The rule making sessions have gone on longer than anticipated; and even today, State employers are uncertain what all the final rules will be. However, beginning January 1, 2020, employers must make certain decisions regarding PFML.

**Supplementation**

Employers must decide whether PFML can be supplemented by other employer sponsored paid leaves (Vacation/Sick); and if they allow supplementation, what level will they approve. Supplementation can mean any combination of use of employer provided paid time off and PFML, based on hours, 100% of salary (100% supplementation, or full salary and PFML (full or double dipping). While most employers are expected to adopt a non-

supplementation policy, for concerns that supplementation will promote extended leave periods, staff is recommending **full** supplementation. The basis for this recommendation is:

- Full supplementation will not result in higher District costs, since the District's leave costs are limited by an employee's Vacation and Sick Leave banks.
- Staff doesn't believe any supplementation policy will promote District employees to abuse their sick leave use.
- There are so many different and complex sick leave needs of District employees, we believe the individual employee is best suited to make their own personal decision.
- District employees are paying the premiums for PFLM.
- The maximum amount most District employees would qualify for (per week) is \$1,000.00 of PFML.

#### **Concurrency with Federal Family Medical Leave Act**

Since the District has less than fifty employees, it is not required to provide Federal Family Medical Leave. The District's current resolution does provide a Family Medical Leave Policy that mirrors the Federal program. Staff is recommended replacing the District's Family Medical Leave Policy, which is optional, with PFML (which is not optional). This would remove the question about concurrency until the District has fifty employees.

#### **Job Protection**

Since the District has less than fifty employees, it is not required to provide job protection to employees while they are on PFML. Staff recommended that the District does not provide job protection when an employee is exclusively using PFML (Unpaid Status). This recommendation will provide the General Manager to make case-by-case decisions based on the needs of the District, the specific employee responsibilities, staff coverage, and other performance factors.

#### **Health Insurance Benefits while on PFML**

PFML does not require employers to provide health benefits under PFML. Staff recommended that the District not provide health benefits to employees that are exclusively using PFML (Unpaid Status). Employees that use their Vacation and Sick Leave banks with PFML would be eligible for health benefits, just as they currently are now.

#### **Shared (Donated) Leave**

The District currently has a Donated Leave Policy which is rarely used. The idea behind a Donated Leave Policy is to allow employees with leave banks to donate their leave to an employee without leave to address a medical issue. Recent IRS clarifications have made a Donated Leave Policy harder to enact, since both the donor and recipient have tax implications under certain deductions. Due to the recent guidance on tax implications, staff recommends no longer maintaining a Donated Leave Program. The PFMLA, in a sense, provides a safety net for employees without leave balances, in place of a Donated Leave Program.

Resolution No. 788 also makes a minor change to the cash-out of sick leave benefits for employees that retire from service. The current resolution requires employees that retire from service have 144 months of service with the District to receive 25% of the cash value of their sick leave banks. The District's new resolution will allow employees that separate after five years to receive 25% of the cash value of their sick leave banks. Staff recommended removing the 144 months requirement for employees that qualify and apply for state retirement. This would allow the District to better recruit employees that are within five years of state retirement without making a policy exemption in their Appointment Letter. The total cost the District would vary, but not exceed a maximum of 24-hours of sick leave cash-out per year (96 hours times 25% = 24 hours). This policy change would not affect any current employees. Resolution No. 788 also re-sequences the order of other leave types, starting with the PFMLA.

Staff also noted that in the future should the District have 50 employees, it will then be mandated to change its policies under PFMLA and Federal FMLA.

Staff recommended the Board of Commissioners discuss Resolution No. 788's major policy recommendation, provide policy direction to staff, and adopt Resolution No. 788.

Following discussion, the Board of Commissioners adopted and executed Resolution No. 788, amending Chapter 3.15, entitled "Vacation, Holidays, and Leave", of the District Code.

**6.) 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. Primary work on the site is the continued excavation of the pit for the new lift station.

**7.) MAINTENANCE AND OPERATIONS REPORTS:**

**a.) Staff Report – Purchase Authorization**

Mr. Berger presented a Staff report regarding purchase authorization needed for the 2020 Model Year Vactor Truck.

At the October 24, 2019 Board of Commissioners Meeting, the 2020 Equipment Replacement Schedule was presented. The District's Commissioners approved a New Vactor Truck for purchase in 2020 to replace the existing 2007-year model.

In 2019, the District purchased a New Vactor Truck and used the Washington State Contract to purchase this truck from Owen Equipment.

Currently, there is not a State Contract available for the New Vactor Truck purchase. The contract that was used last year has expired and it is not yet known as to when the new contract will be awarded by the State and available for use by the District.

At the current time in Washington State, public agencies are instead using Sourcewell, (formerly NJPA), Contract #122017-FSC. Sourcewell is a national purchasing co-op that the District is a member of, and thanks to recent legislation, it is now easier to use this contract and comply with public bidding requirements. The Sourcewell (formerly NJPA) Discount for the new Vactor Truck is just over \$10,000.00.

Staff recommended using Sourcewell to meet its public bidding requirements and to procure the New Vactor Truck for purchase in 2020. The order will be placed at the end of 2019 to lock-in lower pricing before the new price increase of 5% comes in the New Year. The New Vactor Truck will be identical to the previous model that was purchased in 2019. Once the order is placed, this truck has a year build time.

The Table below provides the regular price of the Vactor Truck and the savings using the Sourcewell (formerly NJPA) buying service contract:

<b>Vendor:</b>	<b>Price:</b>
Owen Equipment (NJPA Sourcewell Discount)	\$550,206.8
Owen Equipment (regular price, no contract discount)	\$560,361.43 (including tax)
Expired State Bid for similarly equipped Vactor Truck Unit #73	Price Paid for Truck #73, \$559,619.03 (including tax)

Staff requested the Board of Commissioners by resolution, authorize the purchase of a new Vactor Truck at a cost of \$544,994.25 (including sales tax) from Owen Equipment, utilizing the Sourcewell (formerly NJPA), Contract #122017-FSC purchasing co-op.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners adopted Resolution No. 789, authorizing the purchase of a New Vactor Truck at a cost of \$544,994.25 (including sales tax) from Owen Equipment, utilizing the Sourcewell (formerly NJPA), Contract #122017-FSC purchasing co-op.

**b.) Update on 41<sup>st</sup> Avenue Tapping Tee Failure**

Mr. Berger provided an update on the 41<sup>st</sup> Avenue Tapping Tee Failure. Mr. Berger presented photos showing the failure of a Tapping Tee installed approximately three years ago by a developer on 41<sup>st</sup> Avenue SE. The product utilized is incompatible with the Cast Iron Water Mains and will be written out of the District’s specifications for this application.

**c.) Update on District Surplus Property**

Mr. Brees provided an update and the draft Appraisal Report to the Board of Commissioners on the District Surplus Property located at 2210-132<sup>nd</sup> Street SE. The District is currently engaged in discussions with the City of Mill Creek regarding the sale of the property by the District to the City.

**8.) INTERAGENCY REPORTS:**

**a.) Staff Report – WASWD**

Mr. Brees presented an update to the Board of Commissioners on the WASWD Section 3 Meeting and the Board Meeting.

Commissioner Backstrom, General Manager Curt Brees, and Technical Services Manager Chad Phelan, attended the WASWD Section 3 Meeting held on December 10, 2019, in Marysville. Mr. Phelan was the speaker at the meeting, presenting the Districts process used to dispatch field employees for suspension/restoration of service for nonpayment. Mr. Phelan developed a new process, in coordination with other District staff approximately three years ago, that makes this difficult process much more efficient and more responsive to restore service when a payment is received. The process has also generated interesting data that will guide future updates to the District's payment policies.

Mr. Brees also attend the WASWD Board Meeting held on December 16, 2019, in Tukwila. Notable topics included: legislative reports for the upcoming session, correspondences with State Agencies, and that WASWD is looking at relocating their office location in response to a request from the property owner, prior to the expiration of the current lease term.

WASWD's Commissioner Workshop is scheduled for January 18, 2019, in Tukwila. Attendance will need to be confirmed at least a week prior.

**b.) Staff Report – CWSA**

Mr. Brees provided a Staff report regarding the CWSA Meeting on December 18, 2019.

General Manager Curt Brees attended the Clearview Water Supply Agency (CWSA) Meeting held on December 18, 2019, at the Alderwood Water & Wastewater District (AWWD). The meeting agenda included: a review of Maintenance and Operations Reports and Financial Reports. At the opening of the meeting, Mr. Brees reported that Commissioner Bill Anderson, that has represented Silver Lake since the inception of the Clearview Group, has resigned his position with the District, with the effective date of December 18, 2019. Mr. Anderson had hoped to attend the meeting but is recovering following surgery earlier in the month.

Alderwoods's M&O Director, Mr. Dave Barnes, provided a summary of operational issues. There were no emergency call-outs during the month of November. AWWD staff and contractors completed maintenance on the Generator and Uninterruptible Power Supply Systems at the pump station.

There were no major items to report with respect to finances for the month of November. Monetary Assets for CWSA, as of November 30, 2019, totaled \$800,086.77. The Vouchers approved at the meeting totaled \$388,272.61.

The next meeting of the CWSA is scheduled for Wednesday, January 15, 2020, at 3:00 p.m., at the Alderwood Water & Wastewater District. The meeting location January 2020

may be moved to Silver Lake Water and Sewer District, where Bill Anderson would be recognized for his service to the Clearview Group.

**c.) Staff Report – EWUC**

Mr. Brees provided a Staff report and Everett’s Water Situation Sheet regarding the EWUC Meeting on December 19, 2019.

General Manager Brees attended the Everett Water User Committee (EWUC) Meeting held on December 19, 2019, at the City of Marysville. The meeting topics included: updates from the Department of Health, operational updates from City of Everett staff, an overview of the water supply situation, updates on Everett CIP projects, and a tour of the City of Marysville’s Sunnyside Water Treatment Plant.

Ms. Erica Lindsey with Department of Health (DOH) reported that the USEPA extended the comment period for the updated Lead and Copper Rule. The new rule will include several new measures that are not fully understood and will be difficult to implement. Two issues of concerns to the District will be, how the rule applies to successive systems of wholesale providers and the testing requirement at schools and daycares. Ms. Lindsey encouraged everyone to comment, discussed concerns with the new rule, and identified an AWWA webinar that provides an in depth analysis of the complicated rule.

City of Everett staff reported on the Conservation Program. Currently, the city, with input from wholesale customers, is developing the Conservation Program as a part of the City’s 2020 Comprehensive Water System Plan update. Existing conservation measures will remain in place for 2020 as new goals are set in the comprehensive plan. It was reported that Mr. Greg Moore will be retiring this month and that a new head of the program has been selected.

Mr. Jim Miller provided a report on the water supply. While to date in 2019, rainfall is only 82% of normal in the watershed. The short term forecast is predicting significant precipitation and flows out of the reservoir have been increased. The water supply is projected to be adequate for 2019.

Various City of Everett staff provided updates on several projects including replacement of the East Clearwell roof and the Emergency Generator Replacement Project and the Reservoir No. 2 Replacement Project. It was reported that the Clearwell roof and Generator Replacement Projects are on track with schedules to be completed in 2020.

Following the meeting, a tour of the City of Marysville’s Sunnyside Water Treatment Plant was conducted. It is a relatively new facility that provides iron and manganese removal from ground water, and can provide peak production of 3 million gallons a day. The City of Marysville blends their own supplies with a City of Everett supply to serve the needs of the City.



**d.) Update – Everett Biosolids Property Purchase**

Mr. Brees provided an update to the Board of Commissioners on the Everett Biosolids Property Purchase. Mr. Brees recently met with the City Staff to restart discussions on the disputed allocation of the property purchase to Wholesale customers including the District. The meeting was positive in building a better understand between the parties. The City of Everett will be providing an analysis of potential rate savings if applicable, and there was discussion regarding engaging a mediator or arbitrator to help resolve the dispute.

**9.) STAFF REPORTS**

**a.) District Engineer:**

Mr. Smith reported that the District's former District Engineer, Mr. Rick Gilmore was featured in a publication by the University of Washington.

**b.) Finance Manager:**

Mr. Nelson reported that retiring commissioners are permitted by the HRA Veba plan rules to change their plans from limited to not limited upon the effective date of their retirement.

Mr. Nelson also reported on a recent customer interaction regarding a leak.

**c.) Attorney**

Mr. Milne thanked the Board of Commissioners for their many years of support and expressed his pleasure in serving as the District's Attorney.

**d.) General Manager:**

Mr. Brees presented Mr. Milne with a card from the District's staff and Commissioners and congratulated Mr. Milne on his retirement.

**This ends the Minutes of the December 24, 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

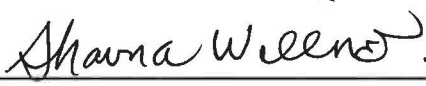
I, the undersigned, Secretary of the Board Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

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 December 24, 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 January 9, 2020, 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 9<sup>th</sup> day of January, 2020.

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

  
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Secretary