

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

March 12, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on March 12, 2020, beginning at 5:30 p.m., at the District Administration Building. Attending were Commissioners Anne Backstrom, John Warner, and Shauna Willner. Also present were General Manager Curt Brees, District Engineer Scott Smith, and Finance Manager Brad Nelson; Eric Delfel with Gray & Osborne, Inc., and William Linton and Curtis Chambers with Inslee, Best, Doezie, and Ryder P.S., Attorney's for the District.

**1.) CALL TO ORDER:**

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

**2.) APPROVAL OF MINUTES:**

The Minutes of the meeting of February 27, 2020 were unanimously approved as circulated.

**3.) PUBLIC COMMENT:**

No members of the public were present.

**4.) 131<sup>st</sup> Special Water Connection Charge Hearing**

**a.) Staff Report – Public Hearing Process**

The Board of Commissioners were provided a Public Hearing Process document and provided a summary of the hearing process steps. Mr. Brees reported that on February 27, 2020, the Commissioners set a Hearing date of March 12, 2020, to receive public testimony on the establishment of the new 131<sup>st</sup> Street Special Connection Charge and Notice of such hearing was published on March 6, 2020, in the Everett Herald. The Notice of Hearing was posted on the District's web page on March 4, 2020, as well as posted in the lobby of the District's Administration Building. The Property Owners subject to the proposed Special Connection Charge were sent a letter, detailing the proposed charge specific to each property, provided with District contact information and notified of the date of the hearing.

**b.) 131<sup>st</sup> Special Water Connection Charge Hearing**

Commissioner Backstrom opened the Public Hearing to consider a Special Water Connection Charge for 131<sup>st</sup> Street SE.

Mr. Smith provided a Staff report on the 131<sup>st</sup> Street SE – Special Water Connection Charge (SCC). The Board approved the design of the 131<sup>st</sup> Street SE Water Main Project on June 27, 2019, and awarded the construction contract to D&G Backhoe on August 8, 2019. The scope of the project was to install approximately 600 LF of new 12" water main in 131<sup>st</sup> Street SE between 10<sup>th</sup> Drive SE and 12<sup>th</sup> Drive SE, which had previously been served by only a 4" water main.

On December 12, 2019, staff presented the concept of a Special Connection Charge (SCC) for properties along 131<sup>st</sup> Street SE that would benefit from the increased fire flow on future

development projects. The SCC would help the District recoup any future developer's proportionate share of the overall project costs. The Board approved the concept of the SCC, and directed staff to proceed with notice to the property owners once the final project costs were known.

Property specific letters were mailed to each affected parcel owner on February 11, 2020. The proposed date of March 12, 2020, for Board adoption of the SCC was included in the notice letters to the property owners, with comments requested by March 6, 2020. A few verbal responses have been received, most needing clarification on the timing or applicability of the new SCC.

The new 12" water main in 131<sup>st</sup> Street SE serves two primary functions: (1) replacement of the undersized 4' water main, increasing the available fire flow to meet current standards for new development projects in the area, and (2) to help strengthen the District's water main network capacity in order to serve this area by the District's source meters and reservoirs. Currently, this area is isolated from other parts of the Silver Lake system and is interconnected to the City of Everett's Water System, which has a higher cost to the District. Other District and developer projects will likely follow in the Silver Acres area in the near future and the District intends to serve this area directly. The project on 131<sup>st</sup> provides a strong base to start improving the overall system.

If the District had not proceeded with this water main project, individual developers would have been responsible to install a new 8" water main in 131<sup>st</sup> Street SE, at their cost, to meet fire flow requirements. A specific example is the Ramalah Short Plat, a four unit duplex at 1120 131<sup>st</sup> Street SE. Exhibit "B" in attached Resolution No. 794, shows the parcels on 131<sup>st</sup> Street SE that will directly benefit from the new water main installation.

A 12" water main was installed for greater network capacity versus an 8" main for fire flow only, so the price difference between the two sizes was used as the basis for cost sharing. Gray & Osborne, Inc. provided recent bid prices for the two pipe sizes, and the average cost of an 8" pipe was approximately 75% of a 12" pipe. Therefore, staff was attributing 75% of the project costs to the developer (fire flow) and 25% to the District (network improvement).

Staff said there are various methods that can be used to calculate the amount of the SCC, and staff considered the three most common, ERU, front footage, and area:

- ERU (or number of connections) was problematic since it required speculation of future development actions. For example, if four duplexes were assumed on a property in the calculations but the owner only built two, it would underestimate the individual parcel amounts.
- Front footage can be the most straightforward method if all parcels have direct and relatively even frontage lengths. However, a few parcels on 131<sup>st</sup> Street SE have either overlapping frontages or small panhandle driveways, which can skew the calculations for the other properties.

- The area method was determined by staff to be the fairest and easiest way to determine the SCC for each parcel. The area is a known quantity from County tax records, and there is no lost or unusable space due to wetlands or critical areas.

The development cost, per acre, using the area methodology is \$67,944.28. The calculation methodology and the amount to be assessed on each parcel can be seen in Exhibit “A” of Resolution No. 794. Payment would be made with an approved water meter permit, similar to a General Facilities or Latecomer’s charge.

It should be noted, the SCC will only be assessed on the parcel when development occurs and receives the benefit from the new water main, due to the availability of increased fire flow. Existing customers who are not making any service changes would not be subject to the new SCC.

Staff recommended the adoption of Resolution No. 794 to establish a new Special Water Connection Charge for those parcels along 131<sup>st</sup> Street SE where development will benefit from the increased available fire flow.

With no members of the Public present to provide comment, and no questions from the Board of Commissioners to staff, Commissioner Backstrom closed the Hearing.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners adopted Resolution No. 794, establishing a Special Water Connection Charge for 131<sup>st</sup> Street SE.

## **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	.03-001-03-050	\$78,880.35
Sewer Maintenance	743 5418666	.03-001-03-015	205,215.97
Sewer Capital Improve.	743 5448666	.03-001-03-004	179,543.26
Water Capital Improve.	743 5468666	.03-001-03-005	60,658.75
Revolving Check Fund		6995 - 7003	128,121.53
<b>Total Warrants</b>			<b>\$652,419.86</b>

### **b.) Staff Presentation – Exit Conference 2017 Audit**

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the recent Exit Conference held with the audit team of the State Auditor at the District on March 6, 2020.

The District is audited bi-annually by the Washington State Auditor (SAO) for its Financial Statements and accountability (compliance). This year’s audit was for the fiscal periods ended December 31, 2017 and December 31, 2018. When conducting an audit, the State Auditor has three reporting levels: findings, major misstatements, or non-compliance;

Management Letter items, which left unaddressed may result in a future finding; and Exit items, which are considered minor housekeeping. The SAO requires both an Entrance Conference and an Exit Conference with an elected official representing the Board of Commissioners. Commissioner Backstrom attended the Exit Conference on March 6, 2020. In addition, staff always reports to the full Board, the results of the audit.

The District received a clean audit with no Findings for both 2017 and 2018. There was one Management Letter item and three Exit items. The Management Letter revolves around the District's practices of not removing water meters and hydrants from the fixed asset subsidiaries when they are replaced. This is a new accounting interpretation by SAO, whereas they verify the Plant in Service and Accumulated Depreciation accounts separately, rather than together as Net Book Value. Adding to the complexity of their recommendation, is that the change does not factor into it how "acceptable" accounting records were created decades ago.

A Table and the District's 2018 Balance Sheet was provided to the Commissioners as an examples of this interpretation by the State Auditor, showing how their recommendation has an insignificant effect on the Financial Statements as a whole.

The District has several options to address SAO's concerns including: following SAO recommendations (labor intensive and does not provide better information); not capitalize District purchased water meters and hydrants; reformat Financial Statements to report on cash basis entry; or having the District's CPA firm provide the Financial Statement audit rather than the SAO. Staff will be working with the District's CPA firm to prepare a recommendation including a proposal to perform the Financial Statement audit, before the May 30, 2020 filing deadline.

The three Exit items are: 1) a recommendation related to the procedure for submitting known or suspected loss, the State Auditor's Office, 2) a recommendation that the District develop additional procurement policies, and 3) completion of the Risk Management – Schedule 21 related to self-insurance for unemployment compensation.

RCW 43.09.185 requires agencies to contact the State Auditor when they have a known or suspected loss. Originally, this RCW applied to internal losses; however, over the last five years, SAO has been re-reading this provision to be both internal and external. The District did have a potential loss that was corrected before an actual loss was incurred. The action resulted in employee discipline. In addition, SAO was contacted shortly before the Entrance Conference where the District disclosed the incident. The SAO recommends that they should be contacted immediately.

The District's previous audit included a recommendation on improving the District's procurement policies and some improvements were made. However, they are recommending additional improvements.

The District's previous audit outlined SAO's belief that the District was self-insured for unemployment benefits, since it elects to pay the State per unemployment claim. The previous audit had a recommendation that the District prepare an actuarial report for

potential claims and reserve funding on the amounts. The District disagreed on several points:

- The State of Washington is the insurer for unemployment benefits, since they determine what is being insured and what the respective rates are. The State allows employers to pay rates either by their formula or based on the actual claim. The District elects to pay by claim.
- The District has not had a claim for unemployment for over thirteen years and has sufficient resources to pay any claim that might arise. As such, an actuarial study would be a needless expense.
- Reserving funds to pay future claims would have no effect on the Financial Statements, since internal restriction cannot be reported as a Restricted Asset.

District staff, in preparing the 2017 and 2018 Financial Statements, felt that this issue had been resolved, and the District replied N/A on Statement 21 – Risk Management. The reason for this is the District does not believe it has a self-insurance program for unemployment and do not want the readers of the Financial Statements to be confused. The District will probably report a program manager for future statement, with a note disclosure that indicates the District does not believe the District's unemployment process is self-insured.

Finally, the SAO listed a larger number of “misstatements” to the Financial Statements than normal. While it is common, minor disagreements between the District/District's CPA, and SAO on the proper reporting under Generally Accepted Accounting Principles, this report cycle had more instances with seven in 2017 and three in 2018, though some of 2017 and 2018's were the same item. Staff disagreed with SAO's schedule of misstatements to the extent we outlined the specific disagreements in the Management Representation letter.

c.) **Staff Report – Emergency Procedures Pertaining to Customer Delinquencies**

Mr. Nelson provided a Staff report to the Board of Commissioners on emergency procedures pertaining to customer delinquencies.

On February 29, 2020, Governor Jay Inslee declared a State of Emergency over the COVID-19 virus, and directed all state agencies to use all resources necessary to prepare and respond to the outbreak. District staff have taken proactive steps to educate staff, clean and disinfect the office daily, and plan for possible contingencies and staff shortages.

One of the impacts of the COVID-19 outbreak is the possible quarantine of residents for fourteen days or more if infected or exposed to the virus. Should a resident become ill or get quarantined, it is possible they may not be able to pay their water and sewer bill on time, and the District would not want to place the resident into the position of breaking quarantine to come and make a payment. Access to clean water and sewer services for washing, cooking, and cleaning is essential for helping to prevent the spread of the disease. Also, there will be the possible economic impact to customers who do not have paid sick time available or face other work shortages.

Historically, the District has extended payment deadlines for all customers upon request to the first Friday of the month following the scheduled shut-off. While the District is not required to follow the Washington Administrative Code Guidelines for regulated utilities with respect to customers with illnesses, the District's process is similar to these guidelines. In addition to regular arrangements, customers who have extenuating issues related to an illness can request a longer period of time, up to 30 days, with contact to the District and an identifiable payment source and date. These procedures were established by Resolution No. 677 and are detailed in Chapter 9.10 of the District Code.

The District's next scheduled shut-off date is March 25, 2020, with Shut-off Notices scheduled to be mailed on March 13, 2020. District staff has identified service disconnection as a potential impact to customers that might be affected by the COVID-19 outbreak. Staff has identified three options for the Board of Commissioners to discuss regarding the District's collection process. These options are only intended as an emergency (temporary) measure and that these recommendations may change based on how the outbreak develops over time:

#### **Option 1 - Procedures Remain the Same**

The District would continue the same process for service disconnection with the next mailed shut-off being mailed on March 13, 2020. Customers could continue to make payment arrangements and an extra extension would be available to April 30, 2020, upon request. The advantages would be that customers know this process well and customers' impacted by the outbreak could delay their payment up to April 30, 2020. At this time, it is unlikely that many households are directly impacted by the outbreak. However, as the outbreak becomes more widespread as it is anticipated it will, the District would most likely need to change its practice in the very near future.

#### **Option 2 - Extend Customers Effected by the Outbreak by Sixty Days (Their next bill's collection date)**

The District would extend the collection period up to sixty days, if a customer called and identified they were impacted by the outbreak. Impacted by the outbreak would mean either illness, quarantined, or economic distress. Under this option, the District would revise its Shut-off Notice to include more specific information on how to contact the District to defer shut-off for 60 days. In these cases, a customer billed on January 31, 2020 and scheduled for disconnection on March 25, 2020, could defer their payment until May 26, 2020. As the District bills residential accounts every other month, these customers could owe for up to six months of service.

The advantage of this approach is that it would be a targeted approach to customers affected by the outbreak. It would only apply to single family, duplex, and adult family homes; customer types with commercial and multifamily would still operate under the District's current guidelines.

Should the outbreak expand, it would allow the Board of Commissioners to have additional tools in the toolbox to address collections in the future. The downside is that customers may not call us before their service is disconnected. Also, if the District experiences labor shortages due to the outbreak, conducting service disconnections would not be a priority.

There is finally the concern about property rentals, since the charges rest with the property. The property owner would ultimately be responsible for the past due charges, if the tenant moves out.

**Option 3 - Defer All Customers Sixty Days with a Possible Repayment Plan Over an Additional Period**

The District would extend the collection period up to sixty days for all customers, regardless of if they were impacted by the outbreak. The District will continue mail notices, billing, Payment Reminder Notices and Notice of Intent to file liens, but would suspend service disconnections initially for sixty days. The advantage to this is that all customers would be handled the same way. Issues that may arise include:

- The outbreak's impact could be more significant sixty days from now with a larger number of customers further past due.
- Commercial and Multifamily customers have larger balances with more complex rental/ownership and shut-off issues.
- "Economic Impact" can be a rather hazy term. A household quarantined, resulting in all the wage earners not being able to work, is a direct effect. However, some that could have an indirect effect is one wage earner in a household that lost hours or their job.

There is a balance between helping customers address a short term emergency condition, in which water and sewer service is essential, while preventing customers from getting in too deep of a financial hole. The other concern is one of staff logistics. While the District currently has ten customers on long term arrangements, mainly due to leaks, there are not so many that they are a logistical burden. However, if the District's process creates several hundred longer term arrangements, we would need to redesign the billing and collection process.

Staff recommended the Board of Commissioners approve Option 3, deferring all customers 60 days, with a possible repayment plan over an additional period of time.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Option 3, deferring all customers 60 days, with a possible repayment plan over an additional period of time.

**6.) CAPITAL IMPROVEMENT PROJECTS:**

**a.) Staff Update - Waldenwood Lift Station Replacement Project**

Mr. Smith provided an update on the Waldenwood Lift Station Replacement Project awarded to McClure and Sons (MSI) on June 6, 2019, along with Gray & Osborne's Pay Estimate No. 6.

MSI placed forms and rebar for the underground walls for the last part of February, and approximately 140 cubic yards of concrete were poured in the walls on Thursday, March 5, 2020. The next major step is for the contractor to strip the wall forms and start backfilling in preparation to install the surrounding piping system.

Staff requested the Board of Commissioners approve the monthly payment estimate for work completed in February, in the amount of \$168,714.80. Work on this Pay Estimate consists of approximately 4.44% of the lift station replacement lump sum bid item. Including this payment, 25% of the contract has been paid to date.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved monthly Pay Estimate No. 6 for work completed in February, in the amount of \$168,714.80.

**b.) Staff Report – 2020 Capital Project Update**

Mr. Smith provided a Staff report, a list of approved 2020 Capital Projects (from November 26, 2019 Board Meeting), a Status Matrix of the projects, and the Gray & Osborne Scope of Work, for the Board's review.

The short and long term projects in the District's Capital Improvement Plan are listed in Chapter 8 in both the Water and Wastewater Comprehensive Plans. Staff and the District's engineering consultant, Gray & Osborne (G&O), coordinate at the end of each year to prepare the proposed list of upcoming projects, which are incorporated into the District's Financial Plan.

A matrix for the 2020 Capital Projects was provided to the Board. One proposed change from past practice is to solicit a Request for Qualifications or Proposals (RFQ/RFP) for the design of some projects. Previously, G&O has exclusively performed all the design and construction support work for District Capital Projects. While G&O has always performed satisfactory work in the past, the District may benefit from having a fresh perspective from a new outside firm. In addition, it is unusual for a public agency to use one consulting firm for years without any type of competitive selection process. G&O would still be strongly encouraged to apply for any projects they are interested in pursuing.

For 2020, the most significant project on the water side is the Silver Acres Intertie with Everett in the northwest corner of the District. This would enable the District to supply the area from our own water system instead of paying the more expensive Everett rate, while still maintaining an emergency interconnect. Included as part of this work would also be some hydraulic modeling, to determine the most cost effective strategy to improve the old and undersized water network in the Silver Acres area. G&O has already done some preliminary work on this project and is familiar with the situation, so the recommendation is to continue using their services for the design and hydraulic modeling work.

On the sewer side, the Waldenwood and Windsong Lift Station projects will still be ongoing with G&O throughout the year. There are also three significant lift station improvement projects that need to start the design phase, with a total cost of approximately \$7.5 million. Staff is recommending to combine them for efficiency, and competitively solicit RFP's for the design work.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the staff recommendation of consultant selection of the various projects programmed for 2020.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the G&O Scope and Fee Proposal for the Silver Acres Intertie project, with a not-to-exceed cost of \$61,300, without prior written authorization from the District.

**7.) MAINTENANCE & OPERATIONS:**

**a.) Staff Update – District Response to the Covid-19 Outbreak - Draft Resolution 795**

Mr. Brees provided an update to the Board of Commissioners on the District's response to the Covid-19 Outbreak and Draft Resolution 795.

Draft Resolution 795 authorizes several of the District's initial response steps including:

- Pursuant to RCW 39.04.280 (1) (c) and (e), declaring an emergency, and waiving the competitive bidding requirements for the District's purchase of essential materials, and supplies.
- Directing and authorizing the General Manager to take all necessary and appropriate steps to ensure uninterrupted operation of the District's water and sewer systems.
- Directing the General Manager to develop emergency policies and procedures for the billing, payment, and collection of the District's customer accounts, that insure customers continue to receive the essential public services provided by the District, while minimizing the financial risk to the District.
- Directing the General Manager to develop emergency policies and procedures related to Sick Leave and Paid-Time-Off for District Employees, establishing guidelines for when employees should stay at home, to mitigate the risk of the illness spreading person-to-person among the District's employees.
- Included with these emergency Sick Leave Policies is the authority to advance regular full-time employees up to eighty (80) hours of sick leave, to be repaid by the employee through future sick leave accruals or deduction from a final paycheck, upon separation from the District.
- Authorizing the General Manager to approve up to three (3) consecutive months of medical, dental, and vision benefits for regular full-time employees and their enrolled dependents who might not have sufficient hours worked, to qualify for a monthly HRA VEBA stipend, as a result of this Emergency.
- Directing the General Manager to develop an Emergency Response Plan for the specific threat posed by COVID-19, to ensure essential water and sewer services are maintained throughout this emergency.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed Resolution No. 795 – Declaring an Emergency and Authorizing Emergency Measures to Ensure Uninterrupted Water and Sewer Service by the District during a Public Health Emergency Caused by the Novel Coronavirus (Covid-19), and Waiving the Competitive Bidding Requirement of RCW 57.08.050.

**8.) INTERAGENCY REPORTS:**

**a.) Staff Report – WASWD Legislative Report**

Mr. Brees provided a WASWD Legislative Update document, dated March 9, 2020.

**9.) STAFF REPORTS:**

**a.) District Engineer:**

Mr. Smith provided an update on behalf of O&M Manager, Ron Berger, on the maintenance and inspection of Reservoir No. 4. Mr. Smith reviewed photos taken on the interior of the reservoir and reviewed the observed condition of the paint after approximately ten years of continuous use. Additional maintenance work is being planned and evaluated, prior to bringing the reservoir back into service.

**b.) Finance Manager:**

Mr. Nelson reported that he is scheduled to attend an upcoming Public Treasurers conference; however, this may be rescheduled due to the outbreak of COVID-19.

Mr. Nelson reported that Clifton, Larson, Allen is scheduled to begin work on the preparation of the District's Financial Statements for 2019.

Mr. Nelson reported that elements of the District's ongoing Rate Study will be delayed and reprioritized. The focus will be on General Facilities Charges (GFCs) first, with a normal pass-through rate adjustment in May or June. Other adjustments will be deferred until later in the year, with implementation likely occurring effective January 1<sup>st</sup> of 2021.

In conclusion, Mr. Nelson had been in communication with the District's commercial bank regarding the impacts of the COVID-19 crisis.

**c.) Attorney:**

Mr. Linton provide a commentary on some of the items included in the WASWD Legislative Report, recognizing effective outreach and lobbying by the association on bills that could have been detrimental to the District had they not been amended.

**d.) General Manager:**

No further report.

**This ends the Minutes of the March 12, 2020 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 March 12, 2020 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 March 26, 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 26<sup>th</sup> day of March, 2020.

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

  
Shauna Willner  
**Shauna Willner, Secretary**