

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

April 9, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on April 9, 2020, beginning at 5:30 p.m. Attending by video conference were Commissioners Anne Backstrom and Shauna Willner, Commissioner, John Warner attended via teleconference; also present by video conference were General Manager Curt Brees, District Engineer Scott Smith, O&M Manager Ron Berger, Finance Manager Brad Nelson and William Linton with Inslee, Best, Doezie, and Ryder P.S., Attorney for the District.; Eric Delfel with Gray & Osborne, Inc. attended by teleconference. The public was provided access to participate via teleconference, with the telephone number and access code published on the District’s website and posted at the District Administration Building (regular meeting location).

**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 March 26, 2020 were unanimously approved as circulated.

**3.) PUBLIC COMMENT:**

No members of the public participated in the teleconference.

**4.) FINANCIAL MATTERS:**

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

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

| <b>Fund</b>            | <b>Code</b> | <b>Number</b>   | <b>Amount</b>         |
|------------------------|-------------|-----------------|-----------------------|
| Water Maintenance      | 743 5408666 | .04-001-.04-046 | \$75,096.08           |
| Sewer Maintenance      | 743 5418666 | .04-001-.04-007 | 616,116.30            |
| Sewer Capital Improve. | 743 5448666 | .04-001-.04-005 | 597,262.48            |
| Water Capital Improve. | 743 5468666 | .04-001-.04-004 | 70,316.97             |
| Revolving Check Fund   |             | 7026 - 7059     | 169,269.82            |
| <b>Total Warrants</b>  |             |                 | <b>\$1,528,061.65</b> |

**b.) Staff Report – Draft 2020 Pass-through Rate Increases**

Mr. Nelson provided a Staff report to the Board of Commissioners regarding Draft 2020 Pass-through Rate Increases.

The City of Everett, Clearview Water Supply Agency (CWSA), Alderwood Water & Wastewater District (AWWD), and King County, change their water and sewer rates to the District annually. The District’s policy is to pass through these water and sewer rate increases on an annual basis to its customers once all the rate increases are finalized.

The District received the 2020 Water and Sewer Rate Increase information. Absent an emergency, based on this year’s information, staff would be recommending no water rate increase; an Everett Basin Sewer Rate increase of \$1.80 per residential equivalent unit (ERU); and an AWWD Sewer Basin Sewer Rate increase of \$.10 per residential equivalent unit (ERU). However, this is not a typical year with the nation in the grips of the COVID-19 outbreak and the economic impact facing customers. Staff has outlined the various pass-through rate adjustment options.

The District purchases water from the CWSA, the AWWD, and directly from the City of Everett. While most of the District’s water is purchased from the CWSA at the lowest rate, the District blends the three rates to determine its cost per water unit (a water unit is one hundred cubic feet of water, 748 gallons). For 2020, staff expected a net pass-through water rate increase of \$.05 per water unit, with the largest contributors being no increase in the CWSA, which is based on the AWWD water contract with the City of Everett, and a \$.25 increase in the AWWD Wholesale rate, and \$.20 increase with our direct tie with the City of Everett.

The Table to the right outlines what actually happened for 2020. The CWSA is expected to decrease by \$0.0905. The AWWD Wholesale Rate will only increase \$.04 per unit. Our direct tie City of Everett water rate will increase \$.1118 per unit. Overall, our blended water rate would decrease about \$.05 per unit, since the largest volume of water is purchased from CWSA. Staff recommended no change to water rates, based on water slim operating margins. AWWD staff has indicated that the reason for the lower than anticipated water rates was the City of Everett having less cash funded capital projects expected in 2019 which is used to set the 2020 rate.

| Blended Water Rate Calculation |           |           |             |
|--------------------------------|-----------|-----------|-------------|
| Agency                         | 2019      | 2020      | Increase    |
| CWSA                           | \$ 1.0747 | \$ 0.9842 | \$ (0.0905) |
| AWWD                           | \$ 1.4000 | \$ 1.4400 | \$ 0.0400   |
| City of Everett                | \$ 2.5474 | \$ 2.6592 | \$ 0.1118   |
| Blended                        | \$ 1.2189 | \$ 1.1595 | \$ (0.0594) |

The City of Everett moved the District from a wholesale rate to a regular commercial customer rate under their declining tier block methodology. The City of Everett’s new rate for direct water purchase increased from \$2.456 to \$2.5474 per unit.

Overall, the overall “blended” pass-through water rate adjustment would be rounded down to a decrease of \$.05 per water unit. No change in water rates is recommended by Staff.

The AWWD Sewer Basin Rate is comprised of the King County Sewer Treatment Rate and 5% of the AWWD Sewer Rate. For 2020, AWWD increased their sewer rates slightly and there was no change from King County. For 2020, the increase in the cost of the AWWD Sewer Basin Rate is from \$48.46 to \$48.62, or \$.16 per ERU. Typically, staff would recommend rounding down the pass-through increase to customers to \$.15 per ERU. The AWWD Sewer Basin Single Family Sewer Rate would increase from \$57.65 per month to \$57.80.

The City of Everett increased their monthly sewer rate from \$37.19 to \$40.35 (Everett). The two main reasons for the increase is the city raised its sewer/storm water rate from \$49.44 to \$51.77 and the total allocated costs rose from \$13,836,995 (2018) to \$16,997,383

(2019). The District was provided a detailed trial balance late last week, and are noticing large increases on capital related costs. Typically, staff would recommend rounding up the pass-through increase to customers to \$3.65 per ERU. The Everett Sewer Basin Single Family Sewer Rate would increase from \$58.25 per month to \$61.90. District staff is still reviewing the rate information provided by the City of Everett and anticipates a downward adjustment.

Provided below is what the typical Water and Sewer Pass-through Rate Increase would be based on the contract changes:

| 2020 Water and Sewer Rate Increase    |       |             |        |               |            |
|---------------------------------------|-------|-------------|--------|---------------|------------|
| Description                           | Water |             |        | Sewer         |            |
|                                       | Base  | Winter Unit | Summer | Everett Basin | AWWD Basin |
| 2019 Current Rate                     | 7.60  | 2.15        | 2.60   | 58.25         | 57.65      |
| 2020 Pass Through of Contracted Rates | -     | -           | -      | 3.65          | 0.15       |
| 2020 District                         | -     | -           | -      | -             | -          |
| 2020 Forecasted Rates                 | 7.60  | 2.15        | 2.60   | 61.90         | 57.80      |
| 2020 Forecasted Increase              | -     | -           | -      | 3.65          | 0.15       |
| 2020 Forecasted % Increase            | 0.00% | 0.00%       | 0.00%  | 6.27%         | 0.26%      |

Due to the COVID-19 Emergency, staff has developed three options for the Board to consider. To provide context, if the District were to forgo a 2020 Pass-through Rate increase it would affect the District's 2020 Net Income by about \$350k for 2020, increasing to approximately \$700,000 per year thereafter.

**Option 1 – Implement a 2020 Pass-through Rate Increase**

- **Pros:** It's the District's normal process and customers are used to it. It's based on direct costs being incurred by the District.
- **Cons:** It impacts customers during emergency and possible recession. Customers can't easily participate in the meeting about rates.

**Option 2 – Defer the Pass-through Rate Increase to the Rate Study (Delay by approximately 12 months)**

- **Pros:** No impact to customers until results of rate study is provided. Customers can participate in the meeting about increased rates.
- **Cons:** Knowingly underfunds District costs when costs are increasing and revenues will be decreasing. Will require larger rate increase in the future.

**Option 3 - Defer the Pass-through Rate Increase during the Emergency Order**

- **Pros:** No impact to customers during the emergency. Customers can participate in the meeting about increased rates.

- **Cons:** Knowingly underfunds District costs when costs are increasing and revenues will be decreasing.  
Will require a rate increase, but not as large as Option 2 in the future.

Staff requested the Board of Commissioners discuss the 2020 contracted rate increases and direct staff on whether to implement a 2020 Pass-through Rate Increase for sewer rates.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners directed staff to implement Option 3, where the rate increase is deferred until after the Emergency has passed. Staff will prepare a newsletter item indicating that while the District’s costs have increased, due changes in wholesale rates, that the scheduled increase has been delayed as a result of the COVID-19 emergency. At a later date, staff will reintroduce the 2020 Pass-through Rate Increase, and provide a resolution at a future Board of Commissioners meeting.

**5.) DEVELOPMENT PROJECTS:**

**a.) Staff Update – First Quarter Bills of Sale**

Mr. Smith presented a verbal summary to the Board of Commissioners of a Staff report listing the accepted 1<sup>st</sup> Quarter Bills of Sale for Developer Extensions in 2020, representing \$285,527.20 of utility infrastructure added to the District by Developer contribution. Following discussion, the Board of Commissioners acknowledged acceptance of the Bills of Sale for:

| <b>PROJECT NAME</b>                | <b>WATER</b>        | <b>SEWER</b>        |
|------------------------------------|---------------------|---------------------|
| <b>1<sup>st</sup> Quarter</b>      |                     |                     |
| 35 <sup>th</sup> Avenue SE-Phase 1 | \$27,665.76         |                     |
| Pinedale 2                         | 56,969.08           | 74,110.89           |
| Watson Short Plat                  | 69,650.26           | 53,693.22           |
| <b>Total Value</b>                 | <b>\$154,285.10</b> | <b>\$127,804.11</b> |

**b.) Staff Report – Aalseth and Hopkins Latecomers Agreements**

Mr. Smith presented a verbal summary of a Staff report, Flow chart, Vicinity maps, and Sewer Plan sheets regarding the Aalseth and Hopkins Latecomers Agreements.

It has been several years since the last Reimbursement (aka Latecomer's) Agreement was processed by the District, and most past agreements have been for regional lift station projects. On December 12, 2019, the Board approved Resolutions Nos. 786 and 787 to update the latecomer process in District Code Section 6.15.030 and adopt a new agreement form, respectively. The basic steps in the latecomer’s process was seen in the flow chart provided in the packets, where red are developer actions, green is staff, and purple is the Board.

Two latecomer applications have been submitted on smaller developments which are both for shorter offsite gravity sewer mains. The sewer improvements on the Aalseth Short Plat and Hopkins Short Plat on 126<sup>th</sup> Street SE have both been accepted by the District, and the developers have submitted the required application materials within the appropriate timeline.

### **Aalseth Short Plat**

The Aalseth Short Plat installed approximately 180 feet of new sewer main for an existing house and a new duplex on the developer's property at 11623 40<sup>th</sup> Drive SE. The new sewer also benefitted three adjacent properties, and a total of five new sewer stubs were installed with the project.

The developer was able to come to an agreement for direct payment for the owner's share on two properties, 4010 116<sup>th</sup> Street SE and 11622 40<sup>th</sup> Drive SE, but not on the third property. Consequently, the developer is seeking to assess a latecomer's fee on the parcel at 4024 116<sup>th</sup> Street SE when they connect to sewer.

### **Hopkins Short Plat on 126<sup>th</sup> Street SE**

The Hopkins Short Plat installed approximately 735 feet of new sewer main, approximately half of which was offsite in 126<sup>th</sup> Street SE. The sewer was built for a new five lot development, but also benefitted three parcels that share the access road, as well as eight lots along the offsite portion. A total of 15 new sewer stubs were installed along the new sewer main, with one additional connection planned as part of a developer extension project at 1314 126<sup>th</sup> Street SE.

The developer was able to come to an agreement for direct payment for the owner's share on the parcels at 1314 and 1403 126<sup>th</sup> Street SE. The developer also has an agreement for a 50% refund with the parcels that share the access road that was recorded as part of an easement negotiation. However, that is a separate legal agreement and would not be part of the District's latecomer fee administration.

### **Assessment Methodology**

Like a special connection fee, there are various methods that can be used to calculate the assessment amount on a latecomer's agreement. Staff considered the three most common: front footage, area, and ERU (or number of connections):

- Front footage can be a good option if all parcels have direct and relatively even frontage lengths along the sewer main. However, the parcels on the Aalseth SP have either no direct frontage or extend beyond the new main. On the Hopkins SP, several parcels are long and skinny, and/or have small panhandle driveways, which can skew the calculations for the other properties.
- The area method can be the fairest and easiest way since it is a known quantity from County tax records. However, unless there is some idea of what the impacts are from critical areas (i.e. wetlands, steep slopes) or other development restrictions, the amount of net usable area to base the assessment on will be unknown for most of the properties in question.
- ERU's are the most straightforward method in these two cases and meets the intent of the sewer stub installation by both the developer and the property owner (i.e. one new connection per lot). The development cost can be easily divided between the total number of connections for an assessment fee, per lot, that is defensible and

explainable. Therefore, the ERU method is the staff recommended option for these two latecomer applications.

**Proposed Assessment Fees**

The developer cost on the Aalseth SP was \$41,614.59. Using the ERU methodology, the latecomer's assessment cost for five connections is \$8,332.91 each. However, this would only be assessed on the parcel at 4024 116<sup>th</sup> Street SE.

The developer cost on the Hopkins SP was \$209,984.95. For 16 total connections, the fee would be \$13,124.06 each. This fee would be assessed on all parcels except for the five development lots and the properties at 1314 and 1403 126<sup>th</sup> Street SE.

Staff stated that if the Board of Commissioners supports the proposed assessment methodology and fees for the two latecomer applications, notice will be sent to the affected parcels. After allowing time for public comment, the final reimbursement agreements will be brought to the Board for approval.

Following discussion, the Board of Commissioners expressed support of the proposed assessment methodology and fees for both of the two latecomer applications. The Board directed staff to send notice to the affected parcels, and following the allotted time for public comment, staff will provided the final reimbursement agreements to the Board for approval.

**6.) CAPITAL IMPROVEMENT PROJECTS**

**a.) Staff Report – 131<sup>st</sup> Street Water Main Replacement Project**

Mr. Smith provided a Staff report and Pay Estimate No. 2 regarding the 131<sup>st</sup> Street water Main Replacement Project.

The District awarded the 131<sup>st</sup> Street SE Water Main Construction Project to D&G Backhoe on August 8, 2019. The scope of the project was to install approximately 600 LF of new 12” water main at 131<sup>st</sup> Street SE between 10<sup>th</sup> Drive SE and 12<sup>th</sup> Drive SE. Pay Estimate No. 1 was approved by the Board on December 12, 2019.

Construction on the project was deemed substantially complete in December, with only the outstanding restoration and punch list items left to finish. Pay Estimate No. 2 is for all remaining work on the project, which is now physically completed and accepted by the District.

Once all the final paperwork items have been completed by the contractor, staff will file the required Notice of Completion form with the State. When the three release letters have been received from the appropriate State agencies, the final project acceptance and payment for release of retainage will be brought to the Board for final approval.

It should also be noted that despite an appeal by the District, Snohomish County is requiring the District to overlay the full width of 131<sup>st</sup> Street within the project limits. This extra paving work was not included with the original construction scope of work with D&G Backhoe, and will be completed with a separate paving contractor this summer. The

estimated cost of the overlay is approximately \$35,000, and is available within the remaining project contingency budget.

Staff requested the Board of Commissioners approve Pay Estimate No. 2 in the amount of \$19,631.07, for all final completed project work.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 2 in the amount of \$19,631.07, for the project that is now physically complete.

**b.) Staff Report – Waldenwood Lift Station Replacement Project**

Mr. Smith provided a Staff report and Progress Estimate No. 7 on the Waldenwood Lift Station Replacement Project.

The District awarded the Waldenwood Lift Station Replacement Project to McClure and Sons (MSI) on June 6, 2019. Previous pay estimates have been approved by the Board monthly.

MSI is backfilling around the foundation wall, installing the interior beams for the crane system, and starting the formwork to pour the concrete building slab. Mr. Smith reviewed photos of project work occurring on the site this week.

Staff requested the Board of Commissioners approve the monthly Progress Estimate No. 7 for work completed in March, in the amount of \$528,721.53. Work on this pay estimate consists of approximately 13.92% of the lift station replacement lump sum bid item.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the monthly Progress Estimate No. 7 for work completed in March, in the amount of \$528,721.53.

**7.) MAINTENANCE & OPERATIONS:**

**a.) Staff Report – 24<sup>th</sup> Drive SE Water Main Break**

Mr. Berger provided a report to the Board of Commissioners on the 24<sup>th</sup> Drive SE Water Main Break (Blow-off Leak and Repair). Mr. Berger also reviewed photos of the break, repair, and restoration of the site by District personnel.

On Wednesday, April 1, 2020, a customer called the District and stated that there was a lot of water coming up on their street located at 10725 24<sup>th</sup> Drive SE, Everett. The District's Operations Lead assembled a crew that met onsite and prepared for a water main shutdown, after determining that the large amount of water coming up to the surface was a water main issue.

Set up was challenging, due to a large shrub and a parked truck at a customer's home with nobody available to move it out of the way. Crews used plywood to shield the truck, and performed the excavation using a Vactor truck. The water line was 4" Cast Iron that was installed in 1974. The leak was on the end of the main located on the 2" Galvanized pipe between the end cap and the valve, and was totally encapsulated in concrete.

Crews removed the concrete block, along with the end cap and valve assembly. A new Tee and 4" Valve were installed as per the District's current standards. The line was placed back into service, flushed, and customer service restored by 4:00 pm. No property damage occurred during this leak event.

**b.) Staff Report – Reservoir No. 4 Maintenance**

Mr. Berger provided a Staff report regarding Reservoir No. 4 Maintenance. His report summarized the work taking place at Reservoir No. 4 over the past two weeks and photos of the work by District crews were presented for review.

**Some of the work items include:**

- Crews completed interior work on the floor and up to the first weld ring inside of the tank. The floor pitting was puddle welded (filling the holes) and painted, while the more shallow pitting areas were filled using an NSF product from Belzona Company that specializes in industrial finishes and products. The weld rings and other areas with rust or paint peel were prepped using mechanical means including grinders and a tool called a "Bristol Blaster" to prepare the surface for TNEMEC paint.
- The top roof vent was lifted back up and was re-installed on the roof. The inside of the vent and flange were also completely stripped, primed, and painted. New Stainless Steel #24 Mesh was installed on the vent.
- NW Corrosion worked with District crews drilling 18-5" holes into the roof to hang the new Cathodic Protection Anodes. The rectifier and anodes are ordered for the system and are about 6-weeks out until delivery. Activation and testing of the system will occur after the rectifier is installed and water is in the tank.

Final interior cleaning will occur this week. Staff estimates that the filling of the tank will begin on Monday, April 13, 2020. Bacteriological and VOC samples will be taken prior to any water being pumped into the distribution system.

**8.) INTERAGENCY REPORTS:**

**a.) Update – City of Everett (Wholesale Sewer)**

Mr. Brees and Mr. Nelson provided an update on the City of Everett (wholesale sewer) rate notice and a Draft Tolling Agreement related to the City of Everett's purchase of a property for bio-solids disposal that is in dispute.

Mr. Nelson reported that the District has received notice from the City regarding their calculation of the 2020 Wholesale Sewer Rate according to the terms of the agreement between the District and the City. Mr. Nelson maintains a template to calculate the rate according to the agreement and the data provided by the City. Mr. Nelson reported that the rate was higher than anticipated and that in his preliminary review, it would appear that there are errors and that costs included by the City in the calculation that may not be consistent with the agreement. It is anticipated that the final rate adjustment will be revised downward.



Mr. Brees reviewed the final draft of a Tolling Agreement between the City of Everett, the District, the Alderwood Water & Wastewater District, and the Mukilteo Water and Wastewater District. In 2019, the City transferred a property from its general government to its sewer utility on the basis that the property had been used for bio-solids disposal on a few occasions, and that it would be beneficial to maintain the site as an option for future bio-solids disposal. The City then billed a portion of the cost associated with the purchase to the District, pointing to cost sharing included in the agreement for Capital projects at the Wastewater Treatment Plant. The Districts have disputed that this cost is attributable to the Districts under the terms of the respective Interlocal Agreements. The amount billed to the District for this property transfer between funds of the City of Everett was \$202,506. The Tolling Agreement; however, will be beneficial to the District in that it will provide a means of alternative dispute resolution through arbitration that is not included as a means of dispute resolution in the Interlocal Agreement with the City. Mr. Linton reported that he has also reviewed the draft Tolling Agreement and is familiar with the dispute between the Districts and the City regarding the purchase of the property.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute the Tolling Agreement with the City of Everett on behalf of the District.

9.) **EMERGENCY RESPONSE TO COVID-19**

a.) **Update on District's Emergency Response Activities**

Mr. Brees, Mr. Berger, and Mr. Nelson provided updates on Emergency Response Activities, including the schedules, work locations and activities currently being undertaken by the District's employees. In summary the District is continuing to practice social distancing, enhanced hygiene and work from home where ever possible. The biggest factor impacting District employees with respect to availability to work is the closure of schools and childcare facilities.

10.) **STAFF REPORTS:**

a.) **District Engineer:**

No further reports.

b.) **Technical Services Manager:**

Mr. Busch recognized Brian Malen for the efforts he had undertaken in response to the emergency including facilitating the relocation of staff for social distancing and deployment of software, hardware, and training, to allow remote work by District staff.

c.) **Finance Manager:**

Mr. Nelson provided brief updates to the Board regarding coordination with a new vendor to update the District's online payment portal and potential changes to the way customer service staff answers inbound calls from customers. Mr. Nelson reiterated the recognition of Brian Malen for his efforts to support the changes in workspaces and remote work by the Finance staff. Additionally, Mr. Nelson reported that he had cards available to the Commissioners addressed to the Family of Bill Anderson, for anyone that was interested.

d.) **O&M Manager:**

No further reports.

e.) **Attorney:**

Mr. Linton reported that he had been working with other Districts on how to conduct public meetings and remain in compliance with the Governor's latest proclamation regarding the Open Public Meetings Act. Mr. Linton reported the way in which the District is conducting meetings (video/teleconference with a public access via telephone) is how he is advising others to proceed. Mr. Linton also reported that his office is busy responding to potential claims from contractors as a result of the emergency, and he is advising employers on personnel matters that are rapidly changing also in response to the emergency.

f.) **General Manager:**

Mr. Brees provided brief updates on items discussed at the last meeting including donation of Personal Protective Equipment (PPE) and the recruitment of a new position for building and grounds maintenance. With respect to PPE, usage of this equipment in stock has been greater than anticipated for the work on Reservoir No. 4 and the CDC has changed its guidance on wearing face masks in public. As a result, it is anticipated that the District will need to retain the equipment on hand. With respect to the building and grounds position, action has been delayed. It is anticipated that multiple maintenance workers many need to request schedule changes due to childcare, building and grounds work could be assigned to those employees as it may be performed independently during off hours.

**This ends the Minutes of the April 9, 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 April 9, 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 April 23, 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 23<sup>rd</sup> day of April, 2020.

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



**Shauna Willner, Secretary**