

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

May 28, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on May 28, 2020, beginning at 5:30 p.m. Attending by video conference were Commissioners Anne Backstrom, John Warner, and Shauna Willner; 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., David Hoagland, with Clifton Larson Allen, LLP, and Katy Isaksen with Katy Isaksen and Associates who 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 May 14, 2020 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

No members of the public participated in the teleconference.

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 | .05-046-.05-082 | \$160,809.47 |
| Sewer Maintenance | 743 5418666 | .05-015-.05-020 | 160,271.33 |
| Water Capital Improve. | 743 5468666 | .05-001-.05-003 | 71,071.32 |
| Revolving Check Fund | | 7096 - 7117 | 49,139.45 |
| Total Warrants | | | \$441,291.57 |

b.) Staff Report – Rate Study, General Facility Charges

Mr. Nelson provided a Staff report to the Board of Commissioners regarding Utility Rate and General Facility Fee Studies.

The District has contracted with Katy Isaksen and Associates to conduct a Utility Rate study and General Facility Fee (GFC) study. The last Utility Rate and General Facility Studies were completed in 2011, following the adoption of the 2010 Water and Sewer Comprehensive Plans. One of the major components of a General Facility Fee are future

capital project costs, which is one of the underlining reasons General Facility Studies typically follow Comprehensive System Plans.

A Utility Rate Study reviews operating revenue and expenses of the District to determine the best method to allocate respective costs to different customer classes for their monthly water and sewer rates. Water and sewer rates recommended by a Utility Rate Study are to generate the revenues needed to pay for current expenses plus a portion for system replacement (Capital Projects/Depreciation). A General Facility Fee Study reviews customers' "paid in capital" and future growth needs (Capital Projects) to determine how much a new connecting customer needs to pay for the existing system plus future growth. General Facility Fee revenues solely are used to fund capital projects or debt service for capital projects. One intersection between the two studies are customer classes both in how they are defined and how costs are allocated to their class.

The Board asked staff to continue work on both the Utility Rate and General Facility Studies, but in light of the current emergency has directed staff to defer action until the end of the Governor's lock down order so customers will have the opportunity to attend a Public Hearing before any new fees are adopted. Presented with this report was the consultant's draft report pertaining to the General Fee Study.

The District's General Facility Fees were last adjusted in 2011, reflecting the capital improvements included in the Comprehensive plans that were completed in 2010. The current study includes the projects identified in the District's 2017 Water System Plan and 2018 Wastewater Comprehensive Plan. Overall, the recommended water GFC would increase from \$3,540 to \$4,028 per Equivalent Residential Unit (ERU). The recommended sewer GFC in the Everett Basin would increase from \$4,595 to \$9,135 per ERU. The District's sewer GFC in the AWWD Basin would increase from \$2,190 to \$3,505 per ERU. It is important to be aware that new sewer connections in the AWWD Basin are also assessed the King County Capacity Charge, which is currently \$11,943. This charge is billed at \$66.35 per month for 180 months (15 years) to the property owner.

The current report is preliminary, staff and the consultant are still working on several customer class issues including: Duplex/Additional Dwelling Units, Adult Family Homes, flow-through fire meters, duplexes built more like single family homes, and mixed use developments.

Katy Isaksen with Katy Isaksen & Associates, the District's consultant in this rate setting effort, reviewed the draft report pertaining to the recommended General Facility Fees with the Board of Commissioners. Ms. Isaksen detailed the methodology that was used to calculate the utility and basin specific charges that are recommended. The report recommended three specific fees; the water utility GFC, which is applicable to all new or upsized connections to the District's water system, and two sewer utility GFCs. These fees are defined per Equivalent Residential Unit (ERU) which is a means to benchmark all customer classifications in terms of impact or demand on the utility system against a typical residential dwelling unit. The sewer utility has a basin specific to the Everett Wastewater Treatment Plant (Everett Basin) and the Alderwood Basin where sewer flows to King

County treatment plants after being conveyed through a portion of the Alderwood Water & Wastewater District's collection system.

The recommended change in the Water utility's GFC is a 14% increase per Equivalent Residential Unit (ERU), where the current fee is \$3,540, and the recommended new fee would be \$4,028. This is not a significant change given that it's lower than the rate of inflation for the period that the rate has been in effect. Ms. Isaksen's report included a table that shows that if the District were to implement the recommended fee, the District's GFC would still be one of the lowest amongst peer agencies to the District.

The recommended change in the Sewer utility's GFC is significant, nearly doubling from \$4,540 per ERU to \$9,135 per ERU. Ms. Isaksen reviewed the calculation of this increase with the Board of Commissioners noting that most of the capital projects included in the Comprehensive System Plan are in this basin with major projects planned at the Everett Treatment Plant and the District's collection system. Additionally, there is a much higher cost basis for the existing plant in service in this basin that new customers should pay in order to for there to equity with the existing customers.

The rates for the Alderwood Basin were similarly reviewed. Following the review of the rate calculation, the Board of Commissioners provided guidance to staff that when adopting the new rate that they would like to consider options for the phasing in of the new rate to permit notice to projects currently under construction. Waiting to implement the rate increase until January of 2021 was discussed and there was general agreement that this would provide reasonable notice prior to implementation.

c.) Staff Report – 2019 Financial Statements

Mr. Nelson provided a report to the Board of Commissioners regarding the 2019 Financial Statements that were provided for their review.

The statements are required to be submitted to the State Auditor's Office by May 31, 2020. Currently, the District is on a two-year audit schedule, so the State Auditor is not scheduled to review these statement until the fall of 2021.

The District's Net Contribution to Assets (Net Income) of \$4,179,773, which was higher than 2018's but less than previous year's. Net Operating Income for 2019 was \$96,275, which was impacted by the District's change in accounting policies related water services and meters. The District's Cash and Investments totaled \$45,500,869, which included \$1,905,012 in Rate Stabilization Reserves. Contributed Capital, which is comprised of New Connection Fees and Developer's Bills of Sale, increased by \$557,043 from 2018, with \$3,070,045 being received for 2019.

Mr. David Hoagland, with Clifton Larson Allen, provided the Board of Commissioners with his report on the 2019 Financial Statements, reviewing many of the key indicators and explaining in detail the significance of various elements of the report and variances in the 2019 report compared to prior years.

The Board reviewed the 2019 Annual Financial Report with Mr. Hoagland and discussed contracting with Clifton Larson Allen to perform the Financial Statement audit, rather than the State Auditor. Mr. Hoagland will prepare a proposal for future Board consideration.

5.) DEVELOPMENT PROJECTS:

a.) Staff Report – DE Agreement, Tanison Trails (SFR)

Mr. Smith presented a Staff report, Vicinity Map, and Preliminary Plan Sheet to the Board of Commissioners regarding the proposed Developer Extension Agreement for Tanison Trails (SFR), located at 11925 35th Avenue SE.

The proposed project is for one single family residential (SFR) structure on a vacant parcel with a reasonable use variance from Snohomish County. Development on most of the parcel is limited, due to an onsite wetland.

There was a District project to install the 18-inch sewer main in 35th Avenue SE in 1999, which also installed laterals to most existing lots along the route. However, this parcel did not receive a sewer lateral, likely because of the anticipated development challenges on site.

The developer (AMA Ventures, LLC – Pavel Andreyanov) proposed to install a sewer lateral for the new house in the 35th Avenue SE right-of-way, which will impact three lanes of traffic on a busy arterial road. A new water service is also needed, which will be coordinated with the sewer installation work.

Commissioner Warner discussed some of the challenges that might be anticipated with a sewer connection of this type. Mr. Smith agreed and indicated that the issues anticipated in making the connection would be addressed prior to approval of the construction plans.

Staff recommended that the Board of Commissioners approve the Developer Extension Agreement Application for the Tanison Trails SFR.

Following discussion, by motion made, seconded, and carried unanimously, the Board approved the Developer Extension Agreement for the Tanison Trails SFR.

6.) CAPITAL IMPROVEMENT PROJECTS

a.) Staff Report – 131st Street SE Water Main Replacement

Mr. Smith provided a Staff report regarding the 131st Street Water Main Replacement project.

The District awarded the 131st 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 131st Street SE between 10th Drive SE and 12th Drive SE.

Pay Estimate No. 1 was approved by the Board on December 12, 2019, and Pay Estimate No. 2 was approved on April 9, 2020.

All project paperwork items were completed by the contractor on April 9, 2020. Staff filed the required Notice of Completion form with the State on April 10, 2020. Release letters have been received from the State Departments of Revenue, Employment Security, and Labor & Industries. The project can now be deemed complete and accepted, and the contractor's retainage released with Pay Estimate No. 3.

Staff requested the Board of Commissioners approve Pay Estimate No. 3 in the amount of \$10,488.16, for all final project acceptance.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 3 in the amount of \$10,488.16, for the final project acceptance.

b.) Staff Report – Asphalt Paving Unit Price Contract, Professional Services Agreement with Perteet

Mr. Smith provided a Staff report regarding Asphalt Paving Unit Price Contract, Professional Services Agreement with Perteet.

On March 12, 2020, the Board of Commissioners approved the proposed work plan for 2020 Capital Improvement Projects. Included in the list of approved Capital Projects is an ongoing project for utility (i.e. valve and manhole) adjustments, which would be incorporated as part of an annual small-scale paving contract. The preliminary cost estimate for this work, included in the approved 2020 Financial Plan, was \$125,000 for water and sewer facilities, although that was intended for construction only and not based on a specific scope of work. There is also an outstanding requirement by Snohomish County to overlay 131st Street SE as part of the 2019 Water Main project.

One proposed change from past District practice was to solicit a competitive Request for Qualifications (RFQ) for the design of some projects, including the creation of a new Job Order Contract (JOC) for the annual paving project. The JOC format is relatively new and would allow the District to essentially have an on-call contractor to perform paving work, with defined work orders at known bid prices.

District staff solicited an RFQ for the engineering design work needed for the annual JOC paving project on March 17, 2020, to engineering firms listed on the MRSC roster. Eleven responses were received, which were evaluated to create a short list of four firms that were interviewed during the week of April 27, 2020. The engineering firm of Perteet, based in Everett, was selected by the review committee as the most qualified consultant for the JOC Paving project. Perteet has direct experience with using the JOC format, and has done numerous small scale paving projects for local public agencies.

The proposed consultant contract with Perteet is structured in a different format than previously used at the District. The overall scope of work is covered by the General Scope of Services in Exhibit "A" that consists of the categories of work that could be performed, with a maximum not-to-exceed amount of \$150,000 over the time period of the contract, which could be up to the end of 2022.

Individual Task Orders, with detailed work elements and costs, would be negotiated for each project element and approved administratively by staff. For example, the first three Task Orders for the JOC Paving Project are: (1) Program planning to define the initial and ongoing annual paving needs of the District, (2) Creation of the JOC paving contract and bid documents, which will be a one-time effort, and (3) Design plans for the 131st Street overlay. Note that estimated costs for each Task Order will be paid on time actually spent, not a lump sum payment, and some efforts are disproportionately high for the initial creation of the JOC format.

Following discussion, and a clarification that the contract is for Engineering Services and not the actual unit price contract for public work, a motion was made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute the Consultant Services Agreement with Perteet for the Annual Job Order Contract Paving Project on behalf of the District.

7.) INTERAGENCY REPORTS:

a.) Staff Report – Clearview Water Supply Agency

Mr. Brees provided a Staff report regarding the Clearview Water Supply Agency (CWSA).

General Manager Curt Brees and Commissioner Warner participated in the Clearview Water Supply Agency (CWSA) Meeting held on May 20, 2020. The meeting was held in a video/teleconference format. The meeting agenda included: a review of Maintenance and Operations Reports and Financial Reports.

There was one emergency call-out during the month of March related to a temporary power outage. A list of maintenance items completed at the pump station was reviewed including temporary repair to a very large circuit breaker, trouble shooting of fuel tank leak alarm, and other general maintenance. Alderwood Water & Wastewater District crews are still operating with reduced staffing levels but are starting to return to more normal operations. The large circuit breaker may require replacement or more intensive repair at a later date and that repair may require the station to be shut down.

There were no major items to report with respect to finances for the month of April. It was reported that interest rates are down to 0.81% due to the current economic conditions. Monetary Assets for CWSA, as of April 30, 2020, totaled \$1,046,619.63. The Vouchers approved at the meeting totaled \$360,787.64, with water and power constituting approximately \$324,800.00 of the total expenditures. The District's utilization was 31.8% of the total volume delivered by CWSA during April; currently the station is averaging 10 MGD.

The next meeting of the CWSA is scheduled for Wednesday, June 17, 2020. Typically in June, the Annual Meeting is held at one of the member district's office, in the evening. However, it is anticipated that this year's June meeting will held virtually in the afternoon, due to COVID-19. The meeting will either include all Commissioners from all of the agencies or be a regular meeting with the Annual Meeting held at a later date.

8.) **STAFF REPORTS:**

a.) **District Engineer:**

Mr. Smith reviewed photos documenting the current progress on the Waldenwood Lift Station Replacement project. Masons are currently onsite constructing the stations above grade walls.

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

Mr. Berger provided a preliminary report of a sewer backup that resulted in flooding of a customer's finished basement space. The District was notified of the backup over the past weekend and has worked over the course of this week; first evaluated and then repaired the line. It appears that the main issue may be roots that have penetrated the joints of the concrete sewer pipe in the right-of-way. A claims adjuster and property restoration crew contracted by WCIA (the District's Insurance Provider) are working in coordination with the customer on cleanup and repairs.

c.) **Finance Manager:**

No further reports.

d.) **Attorney:**

Mr. Linton reviewed the status of the Open Public Meetings Act suspension in response to the COVID-19 emergency. Mr. Linton discussed the date of the current orders expiration and extensions of the order that are being discussed.

e.) **General Manager:**

Mr. Brees reported that the 2020 Spring/Summer Newsletter will be sent out to all of the District's customers soon. Additionally, the Consumer Confidence Report (CCR) detailing water quality sampling in 2019 has been completed and will be posted to the District website. Mr. Brees credited the staff that have been preparing these very professional looking publications.

Mr. Brees reviewed planning that District staff is undertaking to safely hold in-person public meetings and for the reopening of the office to the public.

In conclusion, Mr. Brees provided a reminder for the webinars hosted by WASWD in place of the Spring Conference that will be held next week. There is a small fee for these sessions but there are several good speakers and topics planned for the sessions.

There being no further business before the Board, the meeting was adjourned.

This ends the Minutes of the May 28, 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 May 28, 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 June 11, 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 11th day of June, 2020.

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



Shauna Willner, Secretary