

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

July 23, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on July 23, 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, Finance Manager Brad Nelson, O&M Manager Ron Berger, Technical Services Manager James Busch, William Linton with Inslee, Best, Doezie, and Ryder P.S., Attorney for the District; and Eric Delfel with Gray & Osborne, Inc. 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 regular meeting of July 9, 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

Commissioner Warner requested additional information from staff regarding two items included in the voucher packet, a payment to a contractor and a vehicle purchase. 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	.07-042-.07-079	\$88,228.34
Sewer Maintenance	743 5418666	.07-013-.07-023	210,231.54
Sewer Capital Improve.	743 5448666	.07-004-.07-007	30,840.87
Water Capital Improve.	743 5468666	.07-002-.07-007	86,022.38
Revolving Check Fund		7188 - 7219	9,989.87
Total Warrants			\$425,313.00

b.) Staff Report – Second Quarter Financial Report

Mr. Nelson provided a verbal report to the Board of Commissioners regarding the Second Quarter Financial Report.

The Board of Commissioners are provided a Quarterly Financial Report that outlines the District’s financial information for the quarter and the year to date. The financial

information contained within the report are considered Pre-closing reports, which means the financial information does not include accrued information for revenues and expenses.

The District's Second Quarter Pre-closing Total Revenues from all sources are \$12,141,890. This was a decrease of \$146,949, compared to the Second Quarter of 2019. The main reason for the lower revenues is a reduction of \$307,175 in interest income as the Federal Reserve Board lowered interest rates to address the economic impact of COVID-19. The Federal Reserve Board's policy reduced the Washington State Treasurer's LGIP rates from 2.49% (Jan 2019) to .37% (Jun 2020). In addition, the District was required to discontinue service disconnections and late penalties, which had reduced Miscellaneous Service Fees by \$29,013 since March. A Table was presented to the Board showing the 2019 – 2020 changes in these revenues.

Charges for Service Revenues increased by \$289,530.54. Bills of Sale and New Connection Fees decreased \$158,668 from 2019's Second Quarter. However, the other revenue sources category decreased \$41,323, due to interest income decreasing by \$92,461.

The District's total expenses were \$9,765,228 through June 30, 2020. This was an increase of \$587,200 from June 2019. The largest operating costs are purchased water and sewer treatment services with the City of Everett getting caught up with their monthly wholesale water and sewer bills. In addition, May is the first month of increased sewer rates from the City of Everett. The District has deferred the 2020 Pass-through Rate Increase due to the COVID-19 Emergency, Stay-at-home Order, and suspension of the Open Public Meetings Act.

The District's Net Income through June 30, 2020 is \$2,376,662, which is a decrease of \$734,150 from 2019. The major reason for the change in Net Income is the decrease in revenues coupled with increased expenses.

The District's cash and investments totaled \$45,509,094, which was an increase of \$1,975,298 from June 30, 2019. From December 31, 2020, cash and investments have increased \$8,226.

Included with the Financial Statements are the Capital Project Summary Reports for the District's various major Capital projects:

- **Reservoir No. 3 Improvement Project** - The project is physically complete and the final settlement for the project of \$4,620 has been received. With this final settlement, the District will send the last invoice to the City of Everett for \$25,812.46, for their share of the costs. With receipt of the final settlement and City of Everett payments, the project's total costs would be \$3,539,498.24. The project's costs and change order summary was provided as an attachment.
- **131st Street Water Main** – The water main work is physically complete. Change Order No. 1 was approved by the Board. Staff has notified the State of Washington for sales tax, employment securities, and prevailing wage releases. Staff also

recommended using the project's contingency for pavement restoration, which was not included in the projects scope but is being required by Snohomish County. The Board of Commissioners approved Change Order No. 1 on April 9, 2020, which is reflected in the financial information.

- **Windsong Lift Station** - The Board approved this project for \$613,648 and design is ongoing.
- **Waldenwood Lift Station** - The Board accepted the bid from McClure and Sons for \$4,160,436.26, with a total project budget of \$5,048,365. Work continues on the project. The Board of Commissioners approved Change Order No. 1, on April 9, 2020, which is reflected in the financial information.

The Board was provided a listing of the District's past due accounts separated into two groups. Account data was prepared as of July 15, 2020. The first Table provided outlined the customers that have become past due since the Governor's Stay-at-home Order. For this Table, accounts were grouped by billing cycle and number of bill periods behind. Overall, we have 668 accounts that are past due, one or more bill periods, for a total of \$159,431.75.

Contained within these 668 accounts are 126 accounts that the property owner sends a bill copy to another party, mainly rental properties. We bring these accounts to the attention separately, since the District's charges are encumbrances to the real property (property owner) while the tenants are paying the bill based on their rental agreement with the property owner. The District has made changes to our process to ensure when a tenant moves out, past due charges are paid before bill copies are sent to the new tenant. Staff recommended continuing this process when installment plans are created.

While the District has discontinued service disconnection and late penalties, we have continued to mail customers Past Due Notices and set up extended payments. Staff believes the continued contact has assisted customer and facilitated account payments. As of July 15, 2020, the District processed \$1,119,708 in total customer payments.

c.) Staff Report – Collection Processes and Customer Assistance

Mr. Nelson provided a report to the Board of Commissioners regarding Collection Processes and Customer Assistance.

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. On March 12, 2020, the Board of Commissioners also declared an emergency and directed staff to develop policies to ensure customers continue to receive essential services regardless of payment status. Staff recommended, and the Board approved, that the District defer service disconnection and late penalty assessments but continue to mail customers the applicable notices (deferred Payment Reminder Notices, deferred Shut-off Notices, deferred Payment Arrangement Confirmation Letters) during the Governor's Stay-at home Order. The Board also directed staff to develop a Customer Installment Repayment Program to assist customers facing both economic and health

hardships, as a result of the COVID-19 crisis. Shortly after the District's action, Governor Inslee issued Proclamation 20-23, directing all utilities to suspend service disconnections and assessment of penalties for non-payment.

Governor Inslee re-issued and amended Proclamation 20-23 several times. The current Proclamation extends the deferral of service disconnections to August 1, 2020, and clarified guidance on COVID-19 Customer Support Programs that are required by the Proclamation. The Board was given a copy of the Governor's COVID-19 Customer Support Programs Guidance.

Since the Board of Commissioner's action at their March 12, 2020 meeting, the District has deferred water and sewer service disconnections for non-payment, and stopped the assessment of the \$65.00 Administrative Fee for service disconnection. The District also notified all customers by mail, either by a bill insert or direct mailing, of the District's changes in collection policies, operations, and closure of the office for in-person customer service.

During this time, District staff continued to ensure water and sewer services are provided to customers, both in the field and in the office. District staff worked with customers on the collection of billed amounts, including past due balances when a change of renters occurs.

As of July 15, 2020, the District had 668 past due accounts, with balances owed totaling \$159,431.75, that have become past due since the Governor's initial order in March. Of these 668 accounts, there are 126 accounts with balances totaling \$35,270.74, where the District is sending a bill copy to a renter or other party. With these accounts, in most cases, are rentals, where the rental agreement between the property owner and tenant require the tenant to pay the charges, and if uncollected, the District would collect against the property (owner). In addition, there are another 25 accounts with balances totaling \$71,000.33 that have delinquencies that include charges prior to March. Staff included the past due account tables as a reference.

The Governor's Guidance for Water Utilities directs the Board of Commissioners to establish programs that will ensure customers impacted by hardships due to COVID-19 maintain access to essential service either with, "Bill arrearage forgiveness" (Direct Bill Credits) or payment plans where shut-offs do not occur if the customer consistently pays the agreed to amounts of their arrearages or a combination of the two. The Board of Commissioner's previous direction has been to prepare for installment plans. In addition, the Governor's Guidance for All Utilities encourages expanded discount programs for those facing hardships; however, no State or Federal funding is provided to support the suggested programs. The challenges facing the District and our customers is ongoing, so any program created by the Board will need to be dynamic in nature.

The Governor's Guidance now provides public utility service providers with the authority to provide customers with direct credits on charges. Historically, these credits would have been frowned upon by both the Attorney General's Office and the State Auditor's Office (SAO) as a gift of public funds, especially since the utility service has already been

provided and billed. Communication with SAO indicates that direct customer credits would be allowable now with a clear policy action by the Board of Commissioners, defined rules on who would be eligible for the credit, and documentation of the customer's eligibility under the program rules. Staff has not recommended direct customer credits in the past since there was a question on their legality, and as the District receives all of its revenues from charges for services, the burden would be shifted to the other customers that maybe facing similar hardships. If the Board would like to develop a Direct Credit Program, staff would recommend a simple process of crediting single family residential customers a set amount. For example, a onetime credit of up to \$175.00, approximately one bill period for a typical customer. If applied to all 668 delinquent accounts, the estimated cost to the District is just under \$100,000. It is important to note that there would be a significant commitment of staff resources to administrate a program such as this, and any effort to qualify the individual need of a customer would add to the complexity.

The Board of Commissioners discussed the merits and downsides of a Bill Forgiveness Program. Following this discussion, the Commissioners agreed with staff that a Bill Forgiveness Program would be difficult to administer and would create inequities between rates payers that would be difficult justify. Additionally, this would reduce revenue to the District for services already provided when the need for a future rate increase has already been forecasted.

Based upon the previous guidance received from the Board, the District has been developing installment plans and are prepared to create installment plans as of August 1, 2020. Under the current framework, all past due customers would have their past due balance rolled up into the installment plan automatically. The roll up process would determine the amount outstanding, the number of bill periods past due and determine the number of installment periods with the default number of installment periods being twice the number of bill periods behind (basically adding one/half a regular bi-monthly bill to the customer's current amount due). No installment plan would be extended past twelve months. Both renters and property owners would be mailed notices of the installment plan creation in early August.

The first installment plan charges would be charged on August 31, 2020, with the first planned shut-off date being October 27, 2020, for customers that fail to pay the current charge and installment due. A change in renters or the sale of the property would require the repayment of the entire installment plan balance.

In addition, staff saw the need to address new economic or health impacts related to COVID-19 for our customers as the pandemic continues into 2021. Specifically related to installment plans, we expect different customers needing the ability to extend payments on account balances, ultimately leading to the creation of additional installment plans developed under the above guidelines. For example, a customer who is currently current on their account today may either be laid off or have to quarantine for an extended period sometime in the future, and the District will need to ensure the flexibility in our collection process to meet their new challenging situation.

The Board of Commissioners discussed the installment plan process and agreed with staff recommendations. All customer delinquencies that were incurred during the emergency will be included in an installment plan. Provided that they pay the current charges and the applicable installment by the required dates they will not be penalized in anyway.

The District currently has a Low Income Senior/Disabled Person Discount Program that provides an approximate discount of 25% of the base water and sewer bill. The program is static nature as the customers are either low income seniors or seniors that are disabled. Basically, once someone qualifies for the program, it is unlikely that their situation will change to the extent it would unqualify them for the program. For customers that are effected by the COVID-19 crisis, whether by health or economic reason, it is anticipated that their situation will change at an unknown date; as such, the existing program does not fit their needs well, and it would require a large commitment by staff to monitor the status of these accounts. If the Board would like to provide a COVID-19 related discount like the Senior Low Income rate, for future charges, staff would recommend a fixed amount that could be applied much like a direct bill credit rather than a change in the rate code. One scenario would be to provide three months of low income discount, and then return the customer to their normal rate automatically. A Table was provided to the Board that outlined how the CODID-19 discount could be calculated and applied, using a discount of \$55.00 for single family or duplex customers as an example of a water and sewer customer.

The Board of Commissioners discussed a discount program and elected not to enact additional discounted rates at this time.

The District has deferred the collection of the \$65.00 Administrative Fee for delinquency, which was normally charged the morning of a scheduled shut-off. The fee is the only penalty for late payment and is based on the estimated costs of collection, to the point of service disconnection; and includes the Payment Reminder Notice, the Shut-off Notice, and the staff time related to notices and shut-offs, both in the office and in the field. It's important to note that the Administrative Fee for delinquency is not charged for actually physically shutting off the meter, but rather charged to the account the morning of shut-off. This allows the District to avoid the customer conflicts for whether the water meter was actually shut-off prior to the customer's payment.

Staff developed four options regarding the fee for the Board to consider:

- 1.) Re-establish the fee to cover the cost of the collection activities;
- 2.) Charge a lower fee, ranging between \$25.00 - \$45.00, balancing the cost of the service and encouraging the customer to pay by economic means;
- 3.) Not collect the fee until a certain date;
- 4.) Allow staff to waive more than one fee every two years.

Of these options, staff recommended either not charging the fee until Mach 31, 2021, or allowing staff to provide more fee waivers due to economic hardship. The goal for both of these recommendations is to collect past due balances related to the installment plan assessment, but not penalize the customer that may be in a difficult economic position. The

downside to both of these recommendations is that it has the potential to increase the number of disconnections per month.

The Board of Commissioners reviewed the District's process to assess the Administrative Fee for delinquency and determined not to take any action at this time, but to review the status of customer accounts in September or October as the fee will not be assessed for any customers until mid-October, with the implementation of installment contracts.

In general, the District has not been filing property liens for past due accounts since the Stay-at-home Order. With the creation of installment plans and service disconnections, staff would be recommending filing property liens within existing policies. Basically, accounts that fail to make a current payment plus the installment amount, would be shut off and then 60-90 days after the disconnection, the lien filing process would start, with a Notice of Intent to file a lien. The timing of this would not occur until early in 2021. Staff also requested the authority to start the lien filing process sooner, should the account's balance, status and potential sale, warrant the additional recording to protect the District's interests.

Following discussion, by motion made, seconded, and carried unanimously, the Board approved the outlined installment plan process and provided staff with a date to begin the installment plans. District staff will draft the required customer notices and correspondence.

5.) DEVELOPMENT PROJECTS

a.) Staff Report – Developer Extension Agreement Process

Mr. Smith provided a Staff report regarding Developer Extension Agreement Process.

During the February 27, 2020 Board meeting, staff presented a status update of ongoing Developer Extension (DE) projects, and discussed the current DE process.

A DE Agreement is required for every new extension of the District's water and/or sewer system, including sewer laterals within the public Right-of-Way (ROW). It should be noted that a DE Agreement is not an environmental review, land use permit or authorization, which is the jurisdiction of the land use agency (i.e. City of Mill Creek or Snohomish County).

A DE Agreement is a contract between the District and the Developer per RCW 57.22.010, and the purpose is to provide requested water and sewer services that meet the adopted construction standards of the District. A DE Agreement is not subject to a public hearing or review by an outside party, although public comments are always welcome at any Board meeting.

Staff have been working to update the current DE Agreement form and associated District Code sections, which will require the opportunity for public/developer input. Consequently, this has been delayed to the ongoing COVID-19 pandemic. Proposed major updates to the DE Agreement form and Code include:

- DE fees and charges
- Better defined DE thresholds in Code Section 6.15
- Update Code Section 6.20, Article 1, to consolidate duplicated administrative requirements
- New DE Application form with more developer/project information
- Address “major permit” work outside current DE threshold (i.e. sewer lateral outside ROW)
- Update insurance and indemnity sections
- Update performance bonding and public agency requirements (will require Board policy input)
- Housekeeping changes to reflect current review and construction processes

6.) **CAPITAL IMPROVEMENT PROJECTS**

a.) **Staff Report – Engineering Consultant Contract for Lift Station Improvement Projects**

Mr. Smith provided a report to the Board of Commissioners regarding Engineering Consultant Contracts for Lift Station Improvement Projects.

On March 12, 2020, the Board approved the proposed work plan for 2020 Capital Improvement Projects. Included in the list of approved Capital Projects and Wastewater Comprehensive Plan, are three lift station improvement projects: Pioneer Trails (LS 3), Thomas Lake (LS 4), and the generator on Lift Station 4 (LS 9). One proposed change from past District practice was to solicit a competitive Request for Qualifications (RFQ) for the design of these projects, and the original concept was to combine all three projects for efficiency.

District staff solicited an RFQ for the engineering design work needed for the lift station improvement projects on April 24, 2020, to engineering firms listed on the MRSC roster. Nine responses were received, which were evaluated by staff to create a short list of four firms: Gray & Osborne (G&O), Murraysmith, BHC Consultants, and PACE Engineers. These final four consultants were given a tour of the three lift station sites on June 5, 2020, and interviewed during the week of June 15, 2020.

All four firms did an outstanding job during the interview process and brought up several good ideas for consideration. This made the final decision quite difficult for staff, who were also reluctant to fully commit three major projects to a new and unfamiliar consultant. Consequently, the General Manager decided to divide the workload and use three different consultants for the three projects.

With the issues and ideas that were brought up during the interviews, the decision was also made to initially proceed with a pre-design (up to 30%) contract before starting the final design. There are several potential issues and unknowns with each project that could influence the final site layout and design, such as small sites constrained by wetland buffers and geotechnical/soil conditions. District staff would also like to be more proactively engaged in the project design and alternative analysis than in the past.

The Pioneer Trails Lift Station Replacement Project is proposed to be awarded to Murraysmith. The recent development activity in the Pioneer Trails service area needs to be evaluated for future capacity upsizing, and the scope would also include an analysis of the existing discharge force main in 35th Avenue SE. The cost of the initial pre-design contract with Murraysmith is \$138,860, and would be completed within six months.

The Thomas Lake Lift Station Replacement project is proposed to be awarded to G&O. The service area is essentially built out so future capacity is not as much of an issue, but it is still a tight site for construction. Thomas Lake is also within the Mill Creek City limits instead of unincorporated Snohomish County. The cost of the initial pre-design contract with G&O is \$96,000, and would be completed by the end of 2020.

The Lift Station 4 Generator Upgrade Project is proposed to be awarded to BHC Consultants, who brought up the idea of potentially downsizing the generator and associated replacement cost by analyzing different options and upgrades for the pump motors and control panels. The cost of the initial pre-design contract with BHC Consultants is \$15,650, and would be completed by the end of October.

It should also be noted that the fourth finalist in the consultant interviews, PACE Engineers, is already designing two new developer lift stations, Bakerview and Brasswood. Overall, this will allow the District to gain some experience and diversity in engineering resources with some fresh outside perspectives, while also mitigating the risk of working with a new firm.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute a standard Consultant Services Agreement with Murraysmith for the Pioneer Trails Lift Station Replacement Project.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the proposed Scope and Fee from G&O under the existing On-call Engineering Contract for the Thomas Lake Lift Station Replacement Project.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute a standard Consultant Services Agreement with BHC Consultants for the Lift Station 4 Generator Upgrade Project.

7.) **INTERAGENCY REPORTS**

a.) **Staff Report – Clearview Water Supply Agency**

Mr. Brees provided a Staff report regarding the Clearview Water Supply Agency Meeting.

General Manager Curt Brees and Commissioner John Warner attended the Clearview Water Supply Agency (CWSA) Meeting held on July 15, 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 May, related to a temporary power outage. This outage also led to a temporary loss of SCADA communications to the site. Minor maintenance items have been completed at the pump station. Water use was down for the month compared to prior years, the pump station ran at a flow rate that varied between 8.5 and 11 MGD. Year-to-date the total flow is about average, with spring usage exceeding normal consumption, offset by early summer consumption that is a little below normal.

There were no major items to report with respect to finances for the month of June. It was reported that interest rates are down further, due to the current economic conditions. Monetary Assets for CWSA, as of June 30, 2020, totaled \$656,100.89. The Vouchers approved at the meeting totaled \$416,990.65, with water and power invoices constituting approximately \$365,700.00 of the total expenditures. The District's utilization was 35.5% of the total volume delivered by CWSA during June.

The next meeting of the CWSA is scheduled for Wednesday, August 19, 2020. The Annual Meeting typically held in June will be held in September, it is anticipated that the meeting format will be virtual.

8.) STAFF REPORTS:

a.) District Engineer:

Mr. Smith reported on the status of the Waldenwood Lift Station Replacement Project. Since the last update, the roof has been completed and the contractor is now working on interior building elements including painting, electrical equipment, and mechanical equipment installation.

b.) Finance Manager:

Mr. Nelson, reported that a project kickoff meeting was recently held with Invoice Cloud. Invoice Cloud will provide electronic statements to customers that request them and will provide electronic payment processing. The anticipated "go live" date is October 1, 2020.

c.) O & M Manager:

Mr. Berger reported on the status of the CCTV Inspection Contract of the District's sewer system. So far, the District's contractor (ProVac) has completed inspection of approximately 25,000 feet of sewer and 50 manholes. This is about 50% of the work planned for this year.

d.) Technical Services Manager:

Mr. Busch also reported on the CCTV Inspection Contract, sharing that the data provided by the contractor is being reviewed by the District's GIS Analyst and indexed in the Asset Management System.

e.) Attorney:

Mr. Linton reported that the District is not a party to any current litigation, which is always a good thing.

f.) **General Manager:**

Mr. Brees reported that an Administrative Hearing had been held regarding an appeal by the District of an unemployment claim by a former employee from December of 2019. The Employment Security Department (ESD) had sent all notifications concerning the claim to the District's property at 2210 132nd Street SE in Mill Creek. The District has not used this location as a mailing address since 2007, and it is likely that the correspondence was returned to the ESD as undeliverable. In the absence of a response by the District, ESD approved the claim and paid benefits that were later billed (May 2020) to the District. The District became aware of the claim in April when ESD sent correspondence regarding other matters to the District's correct mailing address.

The appeal was denied by the Administrative Hearing Judge, which determined that it is the District's responsibly to ensure that ESD sends correspondence to the correct address and to promptly respond. In the Hearing, District staff presented information to show that it was sending ESD the correct mailing address with its Quarterly Reports and that ESD was using the correct address for some of its correspondence to the District. Regardless of these facts, the appeal was denied. The cost to the District is approximately \$7,000 and the cost to appeal the matter further would likely be greater. The former employee is no longer collecting unemployment.

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

This ends the Minutes of the July 23, 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 July 23, 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 August 13, 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 13th day of August, 2020.

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


Shauna Willner, Secretary