

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

September 10, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on September 10, 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, Technical Services Manager James Busch, Finance Manager Brad Nelson; 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 meeting of August 27, 2020 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

There were no public comments.

4.) FINANCIAL MATTERS:

a.) Payroll, Vouchers, and Revolving Fund Check(s) Approval

Following discussion of various matters, Payroll; Vouchers (Check No. 15605 - 15655) in the amount of \$735,140.79; Revolving Fund Checks (Check No. 7283 - 7310) in the amount of \$144,267.90, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$100,098.68
Water Capital Improvement	8,608.48
Sewer Maintenance	22,395.98
Sewer Capital Improvement	604,037.65
Revolving Check Fund	144,267.90
Total	\$879,408.69

b.) Staff Report – Federal Payroll Tax Deferrals

Mr. Nelson provided a Staff report with attached IRS Guidance to the Board of Commissioners regarding Federal Payroll Tax Deferrals.

On August 8, 2020, President Trump issued a Presidential Memorandum instructing the Secretary of the Treasury to defer the employee portion of social security tax, generally referred to as FICA, for employees whose bi-weekly wages are less than \$4,000.00, from September 1, 2020 to December 31, 2020. The current FICA Tax Rate is 6.2% of employee

wages. In addition, the President directed the Secretary of the Treasury to “explore” options, including legislative action, to make the deferrals a four-month tax forgiveness. If the taxes are not forgiven, then employee portions would be paid by May 1, 2021, and the employer would face penalties.

Currently, an employee that earns gross monthly wages of \$5,000.00 would have a FICA withholding of \$310.00 (6.2%). Under the Deferral Program, this amount would not be withheld, and the employee’s net check would increase by \$310.00. This deferral would continue until December 31, 2020 and in the case of an employee with a gross monthly wage of \$5,000, would total \$1,240.00 by year’s end. However, beginning in January of 2021, the employee would have \$620.00 withheld from their January through April checks.

On August 28, 2020, the Internal Revenue Service issued their guidance for the tax deferral directive. The IRS guidance, unlike most IRS directives, is regrettably unclear and does not address several significant issues; such as, W-2 reporting for 2020 (deferral year) and 2021 (repayment year) and who initiates the Deferral Program, the employer or the employee. Staff has been in communications with the District’s payroll service provider PayNW, HMS as a payroll provider, and other Districts. Since the IRS Guidance is unclear, there are two main beliefs on implementation. The first is that employers decide to participate and then either all employees must participate, or individual employees elect to participate. The second is that all employers must participate, and then individual employees elect to participate.

Currently, based on salary alone, five full-time employees would not be able to participate, 27 full-time and all part-time and seasonal employees would be able to participate (however, some might not be able to participate if their on-call and overtime pay exceeded their income). It is unclear if Commissioners with second incomes, that in total, exceeds the \$4,000, would be able to participate. Based on salary alone, the District’s total potential deferral is just under \$50,000. These deferrals would then start being paid back starting January 2021.

If the Board elects to participate or if the District is required to provide the FICA deferrals, another challenge could be if an employee leaves service of the District with deferred FICA amounts. Since the District is still required to pay this amount, staff believes that Washington State law requires it be collected from the final paycheck (gift of public funds); however, without an agreement, the amount of withholdings from a final check are limited. As such, staff would explore a FICA Deferral Authorization Agreement that would also outline that the deferral amount would be repaid from the final check of an employee leaving the District.

The District’s payroll processor has not been able update this product to provide for the employee FICA deferral. In addition, the largest payroll services provider, ADP, wrote that changes such as these typically take six months or more to program, train, and implement. When staff brought up the issues with end-of-year W-2 reporting, it was reported that this issue has not even been addressed by either the IRS or PayNW.

Due to the lack of clarity, staff recommended the Board take affirmative action declining to participate in the program. Staff will continue to monitor this issue as we move to September's payroll and will report back to the Board if there are changes or new IRS guidance that requires the District's participation, or there are changes in the FICA deferral to become a FICA Forgiveness Program.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved staff's recommendation to decline participation in the deferral of employee FICA tax withholdings.

c.) Staff Report – Allocation of Dental Insurance Credit

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the allocation of Dental Insurance Credit.

The District provides each Commissioner and full-time employee a monthly benefit stipend of \$2,215 which employees can use to purchase medical, dental, and vision coverage with 75% of any remaining funds being deposited to the Commissioner or employee's Health Retirement Account (HRA). Starting in June, Delta Dental began providing a credit of \$769.95 per month for employee dental coverage, due to closures of dental offices as a result of Covid-19 limitations. Delta Dental acknowledged that less claims were being made during the closure of dental offices and extended a credit to the District. At that time, Delta Dental was non-committal as to the duration and amount of the credit. Rather than making continued changes in the payroll system, staff elected to retain the existing dental premium and HRA deposit amounts until the end of the dental credit period and then make a one-time adjustment.

Staff believes September payroll will be the last pay period for the dental coverage credit. In total, the District has been provided \$2,309.85 in dental credits. If September is the last month of credit, this amount would increase to more than \$3,079.80. Staff would then apply the dental credit through the District's existing HRA rules, which would provide 75% of the adjusted premium to employee HRA accounts. The remaining 25% would be posted as a credit to the District's dental expenses. Twenty-six staff and the District's Commissioners have dental coverage and would receive the HRA deposit, based on their specific coverage levels. Opt outs would not be affected, since they do not have dental coverage. Even at the highest coverage levels (Full Family), staff does not believe any employee would receive an HRA deposit of more than \$125.00.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized staff to apply the Delta Dental Coverage Credit to employee HRA accounts, under the District's current HRA rules.

d.) Update - Invoice Cloud Payment Portal Deployment

Mr. Nelson provided a verbal update regarding Invoice Cloud Payment Portal Deployment. Mr. Nelson displayed the project dashboard which is being used by Invoice Cloud and the District's project team to track the progress for the deployment. The project dashboard is also used to access training videos. The Commissioners and staff that will be working with the portal have been provided access to the dashboard and training resources.

5.) DEVELOPMENT PROJECTS

a.) Staff Report – 1216-129th Street SE Sewer Extension

Mr. Smith provided a Staff report, Vicinity Map, Utility Map, and Preliminary Plan Sheet, for the 1216-129th Street SE Sewer Extension.

The proposed project is for a 195-foot sewer extension in 129th Street SE to convert an existing single-family residence (SFR) from septic to sewer. The SFR is an existing water customer.

The scope of the District's extension work would be to extend a new sewer main from an existing manhole in 129th Street SE westerly from 12th Drive SE to the western property line.

The developer may be able to request a Reimbursement (latecomer's) Agreement Fee from the existing SFR's at 1211 and 1225-129th Street SE depending on how and when those properties connect to sewer.

The Commissioners discussed with Mr. Smith as to whether the developer should be required to install side sewer stubs for the properties that may benefit from the extension that are not currently served. It was agreed that a standard should be developed at a future date.

Staff requested the Board of Commissioners accept the Developer Extension Agreement Application for the 1216-129th Street SE Sewer Extension project.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement application for the 1216-129th Street SE Sewer Extension project.

6.) CAPITAL IMPROVEMENT PROJECTS

a.) Staff Report – Waldenwood Lift Station

Mr. Smith provided a Staff report, Gray & Osborne's Pay Estimate No. 12, and photos to the Board of Commissioners regarding Waldenwood Lift Station.

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.

Work continues in the interior of the new lift station building, including the electrical, mechanical, and piping systems, as well as installing the metal roofing and soffits. Photos showing the progress of these tasks were reviewed by the Commissioners.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Monthly Payment Estimate No. 12 for work completed in August, in the amount of \$483,202.22. Major work included in this pay estimate consisted of another 11.96% of the lift station replacement lump sum, 30% of the traffic control,

and 25% of the trench safety items, dewatering, and a few items that were part of the approved Change Order No. 1.

7.) MAINTENANCE & OPERATIONS:

a.) Update – Fir Grove Cross Bore – 2219-105th Place SE

Mr. Berger provided an update and presented photos of a Cross Bore of a customer's side sewer by a telecommunications conduit located at 2219-105th Place SE, in the Fir Grove neighborhood. This cross bore was discovered by Snohomish County Public Works personnel who had been investigating a sinkhole that had formed as a result of the damaged sewer pipe. Zippy, the successor to Frontier Communications will be sent a claim for the damages to the District facilities.

b.) Staff Report – Cross Connection Control Software Purchase

Mr. Busch provided a Staff report regarding a Cross Connection Control Software Purchase.

To protect drinking water from cross contamination, the Department of Health Drinking Water Regulations require all public water systems to develop and implement Cross Connection Control (CCC) programs. The District's Program rules are documented in Article 5 of the District's Specifications and Chapter 6.20.550 of the District Code. One of the principal program requirements is to ensure that the backflow prevention devices installed on customer services, that have a higher risk for cross contamination, are tested annually to verify that they work as designed and prevent backflows.

The District purchased a software product called Tokay Navigator in 1999 to inventory and monitor backflow prevention assemblies deployed throughout the District's service area, as part of the District's Cross Connection Control Program. Among other things, Tokay is used to efficiently track and secure the District's backflow prevention assembly information. The software provides many functions, including: the ability to store historical test results for each assembly and a history of assemblies for each hazard; maintain a current list of approved assemblies specific to Washington State so only approved assemblies are approved by the District; a means to track backflow assembly tester certifications and their corresponding test kit calibrations; and verification tools to ensure test report accuracy. The District also utilizes the software to format custom letters and run custom reports on data stored in practically any field in the system. Tokay Navigator has been a reliable program, as the District's Cross Connection Program has grown from tracking less than 100 assemblies in 1999 to over 2,700 today, along with achieving 98% backflow assembly testing compliance.

However, Tokay Navigator is due for an upgrade as it utilizes an outdated database technology and has not received substantial updates from the manufacturer in several years. One weakness is that a separate address database is maintained from the District's billing database. Additionally, test reports are currently submitted manually from the testers via snail mail, in-person, fax, or email attachments, and then are entered into Tokay Navigator individually by District personnel, which is a time-consuming process.

Staff have been researching options to upgrade the District's aging cross connection control/backflow prevention software and at the same time looking for ways to increase efficiency of administering the program related to addressing and with Backflow Assembly Test Report submittals.

As customized software is a purchased service that is exempt from competitive bidding, staff evaluated four different software programs that have been developed for CCC Program administration in Washington State:

- TokaySQL with WebTest
- Backflow Solutions, Inc. (BSI Online)
- Aqua Backflow
- Backflow Management, Inc.

Based upon the evaluation, staff recommended TokaySQL with WebTest as the best option for the District. This is an upgrade of the District's existing software that will add functionality and enable the ability for online backflow assembly test reports submitted by backflow assembly testers, which will then be synced nightly with the District's local systems. The test reports will be reviewed by District staff for accuracy before being accepted. The upgraded system will allow an integration with our billing software, HMS, for the addressing of correspondence to further reduce the amount of data review and entry required by District staff. Another feature the upgraded software will allow, is the ability to send out backflow assembly test reminder notices to customers via email instead of printing and mailing letters, which will save on mailing costs and District staff time.

With online test report submission comes the ability to easily charge a small fee to the backflow assembly tester at the time of the submission. This will allow the District to recoup costs related to administering the Cross Connection Control Program such as software, mailings, and staff time. After consideration of these costs, a recommendation for this fee will be brought to the Board's approval at a future date; but plan for it to be minimal.

The cost to implement TokaySQL with WebTest is \$8,085, which includes:

- Data migration
- DataLink integration between TokaySQL and HMS
- End-user Training
- WebTest Implementation (Web portal for backflow assembly testers to submit test reports online)
- Ongoing annual software maintenance fees on TokaySQL with WebTest are \$1600

It is anticipated that there will be some additional fees paid to HMS under the District's Support Agreement to assist with the integration.

The other products evaluated had several deficiencies staff were not satisfied with:

- Did not allow for integration with the District's billing software (HMS)

- Required minimum test fees (paid to the vendor) that were higher than staff wanted to charge backflow assembly testers, as this charge will most likely be passed on to District customers
- Lacked basic features that the District's existing software provides
- They were not nearly as familiar with the backflow assembly testing requirements of Washington State and would have required significant customization to meet District and State requirements

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the purchase of TokaySQL with WebTest from Aquatic Informatics, at a cost of \$8,085.

8.) STAFF REPORTS:

a.) District Engineer:

No further report.

b.) Finance Manager:

Mr. Nelson reported that the District's customer service team is responding to a high volume of service requests related to escrow requests, final bills, and move-in/move-outs. Additionally, there has been a noticeable response by customers that were past due and have made payment on delinquent accounts following the special mail notices sent out last month.

Mr. Nelson also reported on a meeting that was held with AJG that administers the District's HRA VEBA, noting that administration of the Districts accounts has improved and that they have successfully transferred an account to beneficiaries.

c.) O&M Manager:

No further report.

d.) Technical Services Manager:

No further report.

e.) Attorney:

Mr. Linton reported on a recent OPMA case related to the City of Seattle and their decision to repeal a business tax that appeared to be made outside an Open Public Meeting.

f.) General Manager:

Mr. Brees reported that the Health Care Authority has released the 2021 rates for the PEBB Health Plans that the District participates in. The changes are very modest and will not result in any significant change in the District's employee benefits expense. Mr. Brees noted that it has been five years since the District's stipend for employee benefits have been adjusted and it may be time to make minor adjustment dependent on the renewal quotes for Dental benefits.

This ends the Minutes of the September 10, 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 September 10, 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 September 24, 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 24th day of September, 2020.

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



Shauna Willner, Secretary