

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

December 22, 2020

The special meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on December 22, 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, and 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 December 10, 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 (Check No. 16061 – 16116) in the amount of \$785,115.88; Revolving Fund Checks (Check No. 7522 – 7535) in the amount of \$46,047.65, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$42,526.43
Water Capital Improvement	1952.95
Sewer Maintenance	675,760.54
Sewer Capital Improvement	64,875.96
Revolving Check Fund	46,047.65
Total	\$831,163.53

b.) Staff Report – 2021 Fiscal Plan and Utility Rate Forecast

Mr. Nelson provided a verbal summary to the Board of Commissioners on a Staff report regarding the 2021 Fiscal Plan and Utility Rate Forecast.

District staff provides the Board of Commissioners with Annual Fiscal Planning Reports related to labor, contract water and sewer rates, equipment replacement needs, and associated costs. The compilation of these reports approved by the Board of Commissioners are then used to prepare Utility Rate Forecast. The 2021 Utility Rate Forecast was provided as an attachment. Staff highlighted the following:

- The District hired Katy Isaksen and Associates to perform the 2020 Utility Rate Study, which has been delayed due to the COVID-19 pandemic. In December, the Board of Commissioners adopted Resolution No. 802 which increased GFCs as the first part of the 2020 Utility Rate Study. The Board of Commissioners will address monthly water and sewer rates during the first quarter of 2021.
- The 2020 Utility Rate Forecast assumes 193 new water connections, 284 new sewer connections, 355 multifamily dwelling units that will be connected for both water and sewer service, and 125 sewer connections in the Cross-Valley Water District. Staff would note that The Farms development is working to get their project accepted prior to December 31, 2020. If this happens, their GFC revenues would be reported in 2020 rather than 2021 with an effect about \$2.6M. The total forecasted General Facility Fee revenues are \$5,680,305. Bills of Sales are forecast at \$1,398,000, as large tracts of developable land becomes scarcer and current agreements are smaller in scale.
- The District's interest income decreased significantly as the Federal Reserve Bank lowered interest rates due to the pandemic and a smaller balance of cash reserves to invest. Staff anticipates interest income of \$250,000 for 2021, which is a reduction of almost \$900,000 from 2019's earnings.

Staff anticipates a Pass-through Water Rate increase of \$.10 per water unit, a \$8.15 per ERU pass-through for customers in the Everett Sewer Basin, and a \$2.35 per ERU pass-through for customers in the AWWD Sewer Basin. The 2021 Pass-through Rate increase includes the 2020 Deferred Pass-through Rate increase. In addition, staff is forecasted the need for the District to increase water and sewer rates to address the decreased revenues and increased costs. A Table that was included provided an outline of the forecasted rates for 2021. It is important to note that these rates are forecasted rates and the Board of Commissioners will be discussing and directing any future rate increases with the 2020 Utility Rate Study in the first quarter of 2021.

Staff included a Table of the District's Peer Agency Rates for 2021, if adopted or recommended by the agency, as an attachment.

Based on these assumptions, the District's 2021 Forecasted Operating Statement is forecast to provide \$32,419,490 of total revenues, with \$22,019,140 of operating expenses, and \$3,600,000 in depreciation. Staff estimates the District's New Connection Revenues at \$5,680,305 for 2021, depending on the year the Farm development pays for connection fees.

The Silver Lake Water and Sewer District (District) provides water and sewer service to approximately 18,450 water customers and 17,186 sewer customers. A vast majority of customers receive both water and sewer service from the District. The 2021 Water and Sewer Revenue Forecast reviews the District's historic financial information, customer usage, other data, and forecasts this information into the future.

Water Service Revenues

The District is currently working on the 2020 Utility Rate Study which most likely will present the Board of Commissioners with a variety of methodology, customer classes, and water rate options. Decisions of the Board on these options will have an effect on customer water rates. The 2021 Water Rate Forecast Table, presented on the following page, provides a forecast for water service revenues across customer classes with a pass-through rate increase of \$.10 per unit to both the summer and winter consumption rate and a District portion rate increase of \$.40 per water unit and \$12.00 per month to the base monthly rate.

The total Water Service Revenues for 2021 are forecasted to be \$7,766,998. Of these revenues, \$2,792,342 comes from the base meter charge, and \$4,974,656 comes from the consumption (per unit) charge of water. The water consumption forecast is very conservative and is based on 2019 - 2020 consumption patterns. A Table was provided that outlined customer connections per customer classification, consumption, and water service rates.

The 2021 Forecast estimates 193 new water connections, including 355 multi-family dwelling units. The 2021 new customer connection revenues are based on six months of service, using their class's average consumption. New customers are forecast to provide \$112,053 of new water service revenues in 2021. New or upsized customer connections also require payment of General Facility Charges, which are typically based on meter size. The 193 new water connections are forecast to provide \$1,805,190 in Water General Facility Charges. Staff noted that at the time of writing this report, the Farm, a commercial/multifamily development, is working to be approved for connection by December 31, 2021. Currently, these connections are included within the 2021 estimate.

Sewer Service Revenues

As with water rates, the 2020 Utility Rate Study will present the Board of Commissioners with a variety of methodology, customer classes, and sewer rate options. Decisions of the Board on these options will have an effect on customer sewer rates.

The 2021 Sewer Rate Forecast Table was presented and provided a forecast for sewer service revenues across customer classes for 2021. The District expects to collect \$16,749,032 in 2021. Of these revenues, \$15,933,668 comes from the Base Meter Charge and \$815,363 comes from the Consumption (per-water-unit) Charge for sewer. Residential customers are billed a base rate for each dwelling unit. Commercial, schools, and industrial customers are billed a Base Rate and a Consumption Charge.

Staff is forecasting a Sewer Pass-through Rate increase of \$8.15 per ERU for the Everett Sewer Basin and \$2.35 per ERU for the AWWD Sewer Basin. In addition, the Forecast includes a District portion rate increase of \$6.00 per to the base monthly rate. The Forecast also estimates 284 new sewer connections with 125 new connection Cross Valley Connections. The 2021 New Customer Connection Revenues are based on six months of service, using their class's average consumption. New customers are forecast to provide \$291,360 of new sewer service revenue in 2021. A Table was provided that outlines the customer connections per customer classification, consumption, and sewer service rates.

The 2021 Forecast estimates 153 new sewer connections. The 2021 new customer connection revenues are based on six months of service, using their class's average consumption. New customers are forecast to provide \$244,008 of new sewer service revenues in 2021. New or upsized customer sewer connections also require payment of General Facility Charges, which are typically based on meter size or equivalent unit. The 284 new sewer connections are forecast to provide \$3,875,115 in Sewer General Facility Charges.

Based on current assumptions, the District's 2021 Forecasted Operating Statement is forecast to provide \$32,419,490 of total revenues, with \$22,019,140 of operating expenses, and \$3,600,000 in depreciation. Staff anticipates the District's New Connection Revenues to increase by \$4,634,480, depending on the year the Farm development pays for connection fees.

Overall, 2021 Net Income before Depreciation would be estimated to be around \$6,800,350. If the District had outstanding revenue bonds, the operating revenues would be sufficient to meet a typical bond coverage requirement.

The District's 2020 expected financial results were significantly impacted by the COVID-19 pandemic, as interest income and commercial consumption patterns decreased. In addition, the Board elected to defer the 2020 Pass-through Rate increase, due to the economic impact on customers. At the same time, the District's service providers increased water and sewer treatment costs and the District faced other increased costs related to the pandemic.

Following the presentation by Staff, the Commissioners discussed the forecasted sewer rate increase by the City of Everett. The concept of commissioning an independent audit of Everett's calculation of the rate was discussed.

5.) DEVELOPMENT PROJECTS

a.) Staff Report – 4th Quarter Bills of Sale

Mr. Smith presented a verbal summary to the Board of Commissioners of a Staff report listing the accepted 4th Quarter Bills of Sale for Developer Extension, representing \$1,403,952.97 of utility infrastructure added to the District by Developer contribution, for their review. Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners acknowledged acceptance of the Bills of Sale for:

PROJECT NAME	WATER	SEWER
4th Quarter		
Glacier View Estates, Ph. 1	\$68,146.80	\$63,225.45
1123 129 th St. SE Duplex		\$12,133.07
Antiabong SP Duplex		\$19,819.18
Gutierrez PRD	\$54,058.92	\$70,694.53
Crestview 2	\$112,718.19	\$136,173.79
Puget Park Townhomes	\$87,995.70	\$55,840.70
The Farm at Mill Creek	\$588,481.56	\$134,665.25
Total Value	\$911,401.17	\$492,551.97

The value of the developer contributed facilities received by the District in the 4th Quarter 2020 is \$1,403,953.14, with the total for 2020 in the amount of \$1,985,932.78.

6.) CAPITAL IMPROVEMENT PROJECTS

a.) Staff Report – Risk & Resiliency Assessment Update

Mr. Smith presented a Staff report on the Risk & Resiliency Assessment update.

In 2018, the United States Environmental Protection Agency (EPA) passed the America’s Water Infrastructure Act (AWIA). As part of the AWIA, drinking water providers are required to update their Risk and Resiliency Assessment (RRA) and Emergency Response Plan (ERP) every five years. The deadlines for the current updates for the District are December 31, 2020 for the RRA and June 30, 2021 for the ERP.

On June 11, 2020, the Board awarded a consultant contract to the firm of Varius, Inc. to complete the RRA and ERP updates for the District, and Gray & Osborne was included as subconsultant. Work has been progressing steadily over the past six months, including several group review meetings with staff to discuss facility priority rankings, response procedures, and overall format of the end product. The most recent meeting was held on December 15, 2020, with a focus on finalizing the RRA.

The final RRA document will be ready for certification to the EPA via their website during the week December 28, 2020. The certification is an online submission that requires no action by the Board and will be completed by staff. The RRA process has also resulted in a significant project list of work items that need to be addressed, primarily in the cybersecurity area. The RRA and project recommendations will likely be brought to the Board in January.

The ERP document and associated phone app will be completed in February, with an update and demonstration for the Board afterwards.

7.) INTERAGENCY REPORTS

a.) Staff Report – CWSA Meeting

Mr. Brees provided a report to the Board regarding the CWSA Meeting.

General Manager Curt Brees and Commissioner John Warner attended the Clearview Water Supply Agency (CWSA) Meeting held on December 16, 2020. The meeting was held in a video/teleconference format. The meeting agenda included a review of Maintenance and Operations Reports, review of the Financial Reports, and approval of the Budget for 2021.

There were two after-hours callouts during the month of November. Minor maintenance items have been completed at the pump station including, grounds maintenance, inspections, and generator maintenance. The generator block heaters were replaced with units that qualify for a Snohomish PUD rebate. One thousand gallons of fuel was delivered to the site in preparation for winter weather. It was reported that the generator burns approximately 48 gallons an hour when operating.

There were no major items to report with respect to finances for the month of November. Monetary Assets for CWSA, as of November 30, 2020, totaled \$1,278,600.49. The vouchers approved at the meeting totaled \$385,487.25. The District's utilization was 32% of the total volume delivered by CWSA during November.

In other business, the operational budget for 2021 was reviewed and approved. There are no major changes to the operational budget, and a copy of the approved budget with prior year information was attached to the Staff report for review. A larger capital project to repair and replace components of the electrical system at the pump station is anticipated in 2021. The District is responsible for 26.87% of costs associated with the pump station. This capital project was not yet ready for review by the Clearview Board at the meeting.

The next meeting of the CWSA is scheduled for Wednesday, January 20, 2021. The meeting will be held at 3:00 p.m. The meeting will be held virtually utilizing Teams.

b.) Staff Report – EWUC Meeting

Mr. Brees provided a report to the Board regarding the EWUC Meeting.

General Manager Curt Brees and District Engineer Scott Smith attended the Everett Water Utility Committee (EWUC) Meeting and Wholesale Sewer Customer Meetings held on December 17, 2020. These meetings were held virtually, due to COVID-19. The EWUC Meeting topics included: updates from the Department of Health, status of the Water Conservation Program, an overview of the Water Supply Situation, updates on Everett Capital Improvement Projects, an open discussion on the Covid Emergency, and recognition of retiring staff. Following the EWUC Meeting, a Wholesale Sewer Customer Meeting was held to discuss updates on sewer capital projects.

Ms. Erica Lindsey with the Department of Health (DOH), reported on staff changes related to new hires, retirements, and reassignments within the DOH. Ms. Lindsey responded to a question regarding prioritization of water/wastewater workers for the Covid vaccine. She stated that the Department is advocating for priority, but she was not aware of any determination at this point.

Ms. Apryl Hynes, City of Everett, provided a report on the Regional Water Conservation Program. The classroom component of the educational program has been adapted into an online format to be used in schools this year. Through November, the program had reached over 2,000 students. Ms. Hynes also reported that water conservation kits are available. It is anticipated that few will be ordered for 2021, as very few were distributed in 2020 and many are still available.

Mr. Jim Miller, City of Everett, provided a report on the water supply. The Reservoirs are normal for this time of year. There is already about 3' of snow at the 3,000' level in the watershed, rainfall has also already been significant. The Water Situation Fact Sheet and a Water Storage Elevation Graph showing storage levels in the reservoir were provided as attachments. Following the report on reservoir levels Mr. Miller shared that the water production in the month of November at the filtration plant was very low, reflecting low demand.

City of Everett staff provided updates on several CIP projects including transmission pipeline modifications related to the construction of the new Costco in Lake Stevens, rehabilitation to Everett's Reservoir No. 2 and 3, Emergency Generator Replacements at the Water Filtration Plant, and replacement of the East Clearwell roof. Updates and tentative dates (February 2021) for the transmission line relocation were provided (impact of the Lake Stevens Costco construction). The customers served by this pipeline corridor should have access to at least one pipeline at all times. This work will not directly impact Pipeline No. 5 which feeds the Clearview Pump Station and the District. Work at Reservoir No. 2 is planned for 2021/2022. It was reported that the work at Everett's Reservoir No. 3 is scheduled for fall of 2021. Generator replacement at the Water Filtration Plant is ongoing and will occur in phases throughout 2021. The first generator replacement is now scheduled for the summer of 2021. Work is currently underway to replace the East Clearwell roof, but slightly delayed. Several new projects at the Filtration plant that are in early design were mentioned.

Matt Welborn provided an update on a new water rate ordinance that has been presented to the City Council. If approved, it is anticipated that the proposed rates would take effect in the spring of 2021. The proposed rate is primarily an adjustment to the water filtration rate to fund projects at the filtration plant. The overall effect of this change would be six cents per CCF. The charge would be applicable to the Everett rates, not directly applicable to the AWWD or CWSA rates where the District purchases most of its wholesale water.

There was a short discussion by the participants on how the different agencies have adapted their operations and the status of customer delinquencies as a result of the COVID-19 emergency. One operational topic that was discussed was based on the current experience to what degree will agencies allow telework in the future.

At the end of the EWUC Meeting, participants recognized Jim Miller and Mark Sadler who will both be retiring after many years of service to the City of Everett, either before the end of the year or early in 2021.

Following the EWUC Meeting, the Wholesale Sewer Customers (the District, Alderwood Water & Wastewater District, and Mukilteo Water and Wastewater District) met with City of Everett staff to discuss the status of CIP Projects. The projects currently underway (dike reconstruction, Chlorine Building Replacement) are nearing completion. The first round of expenses related to Trickling Filter replacements are expected in the first quarter of 2021.

Participants discussed the Ecology rule making process pertaining to Nutrient discharge from Wastewater plants to Puget Sound. At the conclusion of the Sewer meeting, General Manager Brees expressed some concern to the City staff about the forecasted sewer rate for 2021. Mr. Brees indicated that the forecast is very high, and we will need to closely review the calculation.

8.) STAFF REPORTS:

a.) District Engineer:

Mr. Smith provided an update and photos regarding the Waldenwood Lift Station project.

b.) Finance Manager:

Mr. Nelson presented a summary report with graphics showing the status of long-term delinquencies of customer accounts. There are 182 accounts that are currently more than three bill periods past due. The number of accounts that are significantly behind is relatively stable, but the amount owed is growing as new charges are incurred.

c.) O & M Manager:

Mr. Berger was on a project site supervising some unanticipated repairs to an existing water main discovered adjacent to a development project.

d.) Technical Services Manager:

Mr. Busch shared with the Board of Commissioners, photos showing the progress that he and his team have made, organizing and rewiring the Server Room at the District's Headquarters.

e.) Attorney:

Mr. Linton provided an update regarding the latest extensions of proclamations by the Governor pertaining to the preservation of essential utility services and the open public meetings act. Mr. Linton detailed how these items were recently summarized in an email by sent out by WASWD.

f.) General Manager:

Mr. Brees detailed the District office schedule for the upcoming two weeks in observation of Christmas and New Year's. Mr. Brees also summarized that the pending federal relief legislation is said to include provisions that may provide some support to individuals that are struggling to pay rent or utilities. This may be in the form of reallocation of funds from the first relief bill or a new program. Staff will be monitoring these programs to see if they will be applicable to the District's customers.

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

This ends the Minutes of the December 22, 2020 special 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 December 22, 2020 special 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 January 14, 2021 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 th 14 day of January 2021.

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



Shauna Willner, Secretary