

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

March 11, 2021

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on March 11, 2021, 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, and Finance Manager Brad Nelson; William Linton with Inslee, Best, Doezie, and Ryder P.S., Attorney for the District; Eric Delfel with Gray & Osborne, Inc.; Katy Isaksen (Katy Isaksen & Associates). 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. Commissioner Backstrom, Commissioner Warner, and General Manager Brees, participated by video conference from the Board of Commissioner's Meeting Room, testing the teleconference equipment and a room configuration for future meetings, where a portion of the participants can be present in person while still allowing for remote participation.

2.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of February 25, 2021 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

No members of the public participated in the teleconference.

4.) FINANCIAL MATTERS

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

Following discussion of various matters, including the vouchers paid by the District, to the District, for utility services at District facilities, Payroll; Vouchers (Check No. 16368 - 16432) in the amount of \$941,585.17; Revolving Fund Checks (Check No. 7637 - 7650) in the amount of \$143,603.42, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$175,640.88
Water Capital Improvement	11,500.73
Sewer Maintenance	678,248.27
Sewer Capital Improvement	76,195.29
Revolving Check Fund	143,603.42
Total	\$1,085,188.59

b.) Staff Report – Rate Study Presentation

Mr. Nelson provided a summary to the Board of Commissioners on a Staff report with attached Water & Sewer Rate Study Summary (March draft) provided by Katy Isaksen & Associates.

In 2019, the District contracted with Katy Isaksen and Associates to perform a study of General Facility Charges and the basic monthly water and sewer rates. The General Facility Study focused solely on the new customer connection charges which are the charges that new customers pay to reimburse existing customers for the capital investment they made to the system. The Board of Commissioners received the consultants 2020 General Facility Charge Study and adopted new General Facility Charges in December 2020.

The Utility Rate Study focuses on the basic monthly water and sewer rates to ensure they are meeting current expenditure needs, such as operating expenses, debt repayments, and capital costs. Mr. Nelson detailed some of the differences between a rate study that looks at revenue requirements and the District’s Utility Rate Forecast Report and Annual Financial Statements.

In addition, the Rate Study that is underway reviews customer classes and cost allocations and makes recommendations to ensure customer classes are being allocated their costs appropriately. The goal is that there is a strong tie between the customer classes defined for General Facility Charges and basic monthly utility rates. Consistent with this approach, the new rate resolution will closely follow the customer class definitions provided in the General Facility Fee resolution.

On an annual basis, the Board of Commissioners receive a report called the Utility Rate Forecast. This report is provided to outline the expected costs and rates over the next five years. This report has a slightly different methodology and is prepared to present revenue and expense information based on Generally Accepted Accounting Standards, rather than solely the revenue needs of the District. Staff prepared a Table that compares the 2021 Utility Rate Forecast and the 2020 Utility Rate Study – Option “A”. Option “A” is based on the same 2021 rate increase as presented in the 2021 Utility Rate Forecast but there are minor variations in the number.

Historically, the District has followed some basic policies when adjusting rates:

- Rate increases are defined as either “Pass-through” or “District Portion”.
- The “Pass-through” component is solely comprised of the commodity price increase for water or the per residential unit price increase for sewer treatment provided by the respective wholesale agency. The Pass-through Rate Increase is enacted annually and is set to equalize revenues to increased wholesale expenses. It is important to adjust for changes in these costs annually as they represent about 50% of every dollar spent by the District.
- The “District Portion” component is comprised of all other cost increases other than the commodity price of water and sewer treatment. Since 2008, the District has enacted two District portion increases. In 2008, to address lost revenues related to the economic recession, the District did a 9% increase to both water and sewer over

three years. This rate increase was later confirmed by the 2010 Utility Rate Study provided by FCS Group. In 2015, the District created a new internal program for GIS and increased water and sewer base rates by \$.30 per unit to fund the expenses.

- The District performs one rate increase per year, once all the contracted rates are known and is effective May 1st.
- The District “rolls” rate increases into effect based on billing cycles, so customers effectively see a rate increase for a whole billing cycle.
- District portion rate increases are tied to their respective costs for both water and sewer. For water, the required increase in revenues have been raised by increases to the base rate and the per unit costs. For sewer, both basin’s sewer base rate is increased equally.
- Customers are mailed notices of the rates increases with their bill that outlines the need for the rate increase and the Table that allocated the rate increase between the “Pass-through” and “District Portion”.
- The 2020 Pass Through Rate increase was deferred due to the Covid-19 pandemic.
- The District incurred increased wholesale costs without raising rates impacting overall financial performance.

Mr. Nelson introduced Katy Isaksen (Katy Isaksen & Associates). Included in the packet was a draft report. Updated copies were distributed or presented via the video conference. First, Ms. Isaksen reviewed how the rate study defines a revenue requirement to fund District operations. This revenue requirement totalizes expenses and includes depreciation. The general assumption is expenses are to be fully funded on an annual basis and the combination of depreciation, new connection revenue, and use of fund balances will be sufficient to fund capital spending. Revenue requirements are defined separately for the water and sewer utility, and within the sewer utility there is a separate component for the Alderwood Water & Wastewater Basin (AWWD) and City of Everett Basin (Everett) reflecting the respective treatment expenses.

For the water utility, Ms. Isaksen reviewed how the existing rate structure is not meeting expenses and thereby not fully funding depreciation. In 2019, the deficit was approximately \$860,000 and in 2020, it was approximately \$1,525,000. The deficit is expected to grow moving forward in the absence of a rate increase. The result of this deficit is that there are insufficient funds to implement the District’s capital program for the water utility and that the larger projects have been deferred for 2021. Capital projects completed in recent years have depleted reserves for the water utility.

For the sewer utility, the existing rate structure has been sufficient through 2020; however, following the wholesale increases in 2020 and without a pass-through increase, the margin was very small (approximately \$90,000). Moving forward in the absence of rate increases, the rates will not be sufficient to fund depreciation and the construction of capital projects would require significant use of reserves.

Ms. Isaksen reviewed three charts included in the presentation with the Board of Commissioners. These were the Cash and Investments held by each utility at the end of 2020 and Program Outlooks for the water and sewer utilities. The Program Outlooks show expenses for 2019/2020 and projections for 2021-2025. The projections were shown as bar

graphs, color coded for expenditure type. Ms. Isaksen reviewed how the most significant expenditure is the Districts wholesale costs.

Next Ms. Isaksen presented rate scenarios for both the water and sewer utility. For the sewer utility two scenarios (A & B) were presented. Both assumed that the District would raise rates to meet current expenses and fully fund depreciation (providing some funding through rates for capital projects). Both scenarios included the full Pass-through Rate Increase for 2020 and 2021, for the respective sewer basin. For the Everett Basin the projected pass-through is \$8.15 per ERU and \$2.35 per ERU for the AWWD Basin. In Scenario A, the District's portion of the rate would be adjusted one time to fully fund the expenses and depreciation through the study period (through 2025). This is projected at \$6.00 per ERU. With Scenario B, the adjustment to the District's portion of the rate would be phased in, \$2.50 per ERU in 2021 and an additional \$1.00 per ERU each year through 2025.

The Board of Commissioners discussed the rate adjustment options with Ms. Isaksen and staff, and following discussion, concurred that the preferred approach is Scenario B, that phases in the increase to the extent that it is possible to do so while still fully funding the District's operations.

With respect to the Water Utility Rates, three scenarios were developed (A, B, & C). Scenario A was presented as it closely approximates the staff prepared Utility Rate Forecast. However, Scenario A does not fully fund expenses, including depreciation, and will not provide sufficient revenue to fund the District's Capital Improvement Program. Scenario A adjusts the base water rate, per ERU by \$4.40, and the consumption rate by \$.50 per CCF. Scenario B and C both fully fund the District's expenses, and both phase the increase over the study period. Where the two scenarios differ is on the weighting of change between the base rate and the consumptive rate.

The Board of Commissioners discussed the rate adjustment options with Ms. Isaksen and staff, and following discussion, concurred that the preferred approach is Scenario C. This rate adjusts the base rate by \$7.50 per ERU and the consumption rate by \$.75 in the winter and \$.91 in the summer. Additional increases in the base rate are projected at \$1.20 per year 2022-2025.

Mr. Nelson and Mr. Brees reviewed the timeline related to the rate study, detailing how staff will return to the Board on March 25, 2021, to review any updates and focus on the customer class adjustments. At the March 25 meeting, the Board will set a Public Hearing date for the rate adjustment, tentatively scheduled for April 8, 2021.

c.) Update on Launch of New Payment Portal

Mr. Nelson provided a brief report on the District's new payment portal provided by Invoice Cloud. Mr. Nelson reviewed some initial hiccups discovered after the launch whereby a customer inputting a premise number rather than an account number as requested, could link to the wrong account. Mr. Nelson detailed how this has been resolved and how each of the errors has been corrected. Next, Mr. Nelson presented a live view of the Portal and reviewed how customers access billing information and make payment using

the Portal. Mr. Nelson provided stats on the number of payments processed and number of customers requesting paperless bills since the launch of the portal.

5) CAPITAL IMPROVEMENT PROJECTS:

a.) Staff Report – Pioneer Trails Lift Station Design Contract

Mr. Smith provided a summary to the Board of Commissioners on a Staff report regarding the Pioneer Trails Lift Station Design Contract.

On July 23, 2020, the Board approved a consultant contract with Murraysmith for the Pre-design work on the Pioneer Trails Lift Station Replacement (Project No. LS 3 in the Sewer Comprehensive Plan). The intent of the Pre-design phase was to develop a recommended site plan and identify major design and permitting issues. The Pre-design report and three preliminary site plan options were presented to the Board during the meeting on February 11, 2021.

The recommended improvements include replacing the existing lift station with a new facility consisting of a wet well and three submersible pumps with an increased capacity of 3,100 gpm, along with a new meter/valve vault, upsized force main onsite, a new generator and fuel tank, and an enclosed electrical building. The existing wet well would be kept onsite and converted to a rock catch manhole. The preliminary estimated construction cost of the new Pioneer Trails Lift Station is \$3,120,000.

Murraysmith prepared a Scope of Work and Fee to complete the design of the Pioneer Trails Lift Station Replacement Project. This is a more complex project with more unknowns in the design phase, which is reflected in the relatively higher design cost of \$391,902. Major work items include:

- Project management, including QA/QC review
- Property acquisition services
- Permitting through Snohomish County with a critical area/wetland report
- Surge analysis of the current and future use of the 35th Avenue SE Force Main
- 30%, 60%, 90% and final design and bid documents

At the planning level, the design cost of a project is typically estimated to be approximately 15% of the construction cost, and the Pioneer Trails Lift Station is within that guideline. As a corroboration, the number of hours spent on similar design phases is roughly comparable with the Thomas Lake Lift Station and Waldenwood projects. Consultant payments will be made on a time and materials basis for effort expended, not on a lump sum basis.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the proposed Consultant Design Contract with Murraysmith with a scope and fee in the amount of \$391,902 for the design of the Pioneer Trails Lift Station Replacement Project.

b.) Staff Report – Waldenwood Lift Station

Mr. Smith provided a summary to the Board of Commissioners on a Staff report regarding Waldenwood Lift Station and Gray & Osborne's Pay Estimate No. 18.

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.

Change Order No. 1 was approved by the Board on June 25, 2020, Change Order No. 2 was approved on October 8, 2020, and Change Order No. 3 was approved on February 11, 2021.

The lift station site was paved on March 2, 2021, and perimeter fencing should be completed this week. Only some final punch list, demobilization, and paperwork items remain on the project.

Following discussion by motion made, seconded, and carried unanimously, the Board of Commissioners approved the monthly pay estimate for work completed in February, in the amount of \$51,932.06. Work included in this pay estimate consists of small percentages of the lift station replacement and trenching lump sum items, along with some crushed rock surfacing and the asphalt pavement.

Mr. Delfel shared recently taken photos of the construction site, showing the nearly completed project. The Commissioners requested to visit the site upon completion and Mr. Brees indicated perhaps a site visit could be scheduled in advance of an upcoming meeting.

c.) Staff Report – Windsong Lift Station Abandonment

Mr. Smith provided a summary to the Board of Commissioners on a Staff report and Resolution No. 810 regarding the Windsong Lift Station Abandonment project.

On June 27, 2019, the Board approved a Design Scope and Fee in the amount of \$48,531.00 with Gray & Osborne (G&O) for the Windsong Lift Station Abandonment Project. On April 23, 2020, the Board approved a Design Scope and Fee Amendment for some geotechnical work in the amount of \$10,600.00. On January 14, 2021, the Board approved a second Design Scope and Fee Amendment in the amount of \$17,000.00, for some additional design work associated with the shoring system, landscaping/restoration plan, Waldenwood surge valve, and ADA ramps.

The existing Windsong Lift Station is located at the intersection of 116th Street SE and 44th Avenue SE near the Pinehurst subdivision entrance. The primary scope of the project is to install or replace approximately 500 feet of gravity sewer main between the Windsong Lift Station and an existing manhole in the 45th Avenue SE cul-de-sac. When the new sewer main is installed, the existing lift station can be abandoned, and the sewage will flow by gravity down to the new Waldenwood Lift Station.

The construction project was advertised for bids for three weeks in February, and bids were opened on March 2, 2021. Three bids were received, one hard copy and two electronic, and

a virtual bid opening was held via Teams. The lowest submitted bid was from Accord Contractors, LLC based in Bellevue, in the amount of \$861,058.18. The Design Engineer's Estimate was \$755,000, and bid results were attached.

Accord Contractors, LLC has completed similar recent work with Northshore Utility District and Woodinville Water District and received good recommendations from the District staff that worked with them. Accord Contractors, LLC meets all the State verification requirements, and has the experience, personnel, and equipment needed to perform the contract work. Staff recommendation is that Accord Contractors, LLC be awarded the construction contract for the Windsong Lift Station Abandonment Project as the lowest responsive and responsible bidder.

In addition, staff proposed that G&O continue involvement in the project by providing full construction management and inspection services. District engineering and inspection staff currently do not have capacity to fully manage this scope of a construction project, with all the active development projects and other ongoing capital work. A Scope and Fee Proposal for construction management and inspection was provided by G&O in the amount of \$94,800.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and adopted Resolution No. 810 to award the construction contract for the Windsong Lift Station Abandonment Project to Accord Contractors, LLC in the amount of \$861,058.18.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the proposed Scope and Fee Proposal in the amount of \$94,800 from G&O, under the existing On-Call Engineering Contract for construction management and inspection of the Windsong Lift Station Abandonment project.

5.) MAINTENANCE & OPERATIONS:

a.) Staff Report – Surplus of District Property

Mr. Berger presented a summary to the Board of Commissioners of a Staff report and Resolution No. 811, regarding Surplus of District Property.

Recently, the District took delivery of a new 2020 Ford Transit Van for the Water Quality Department. This van was purchased to replace the 2007 Dodge Sprinter Van, Vehicle No.48.

Staff recommended that the Board of Commissioners authorize the sale of the 2007 Dodge Sprinter Van at public auction, to be held at James G. Murphy in Kenmore, Washington, April 1st through 8th, 2021. The new 2020 Ford Transit Van has a V-6 gasoline engine, and the District expects this vehicle to have much lower operating costs compared to the Dodge Sprinter Van which uses a Mercedes Diesel engine.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and adopted Resolution No. 811, declaring the 2007 Dodge Sprinter Van, Vehicle No. 48, as surplus, and authorized its sale at public auction.

6.) **INTERAGENCY REPORTS**

a.) **Update on Snohomish County's Cathcart Property**

Mr. Brees provided a verbal update to the Board of Commissioners regarding Snohomish County's Cathcart Property. Mr. Brees was contacted by Snohomish County Public Works staff last week. Snohomish County intends to offer much of property up for public sale on Friday (March 12, 2021). The offering is for 144 acres that will be sold as is. The property lies within the District and the Urban Growth Boundary. There is another property that lies south of the intersection of Cathcart and Hwy 9 for which the County has already entered into a Purchase and Sale Agreement with a developer. It is anticipated that these sales will lead to substantial development within the District.

8.) **STAFF REPORTS:**

a.) **District Engineer:**

No further report.

b.) **Finance Manager:**

Mr. Nelson reported that Clifton Larson Allen, the District's accounting firm, will be onsite starting next week to prepare the District's Financial Statement.

Mr. Nelson shared that the hiring process for the open Utility Billing Clerk position is complete, and the District's new employee is scheduled to start work in early April.

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

Mr. Berger reported that the hiring process for the open Utility Maintenance Worker position is complete, and the new employee is scheduled to start work on March 22, 2021.

d.) **Technical Services Manager:**

Mr. Busch shared that he and his team are working with a vendor to deploy an update to the District software that is used to track the Cross-connection Program. The new system should reduce the amount of staff time that is required to manage the program.

e.) **Attorney:**

Mr. Linton provided an update on legislation that he is tracking, pertaining to the Open Public Meetings Act. Earlier drafts of the legislation would have required recording of all public meetings.

f.) **General Manager:**

Mr. Brees reported that Shelley Stevens has prepared a calendar of upcoming training sessions and conferences that may be of interest to the Commissioners. A copy was provided to each of the Commissioners for their review.

This ends the Minutes of the March 11, 2021 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 March 11, 2021 regular meeting of Commissioners, duly adopted at a meeting of the Board of Commissioners of the District, held at the regular meeting place thereof on March 25, 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 25th day of March 2021.

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



Shauna Willner, Secretary