

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

February 24, 2022

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on February 24, 2022, beginning at 5:30 p.m. Attending in person were Commissioners Anne Backstrom, John Warner, and Shauna Willner. Also present by in person were General Manager Curt Brees, District Engineer Scott Smith, and David Hoagland with Clifton Larson Allen. Attending by video conference were O&M Manager Ron Berger, 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 Warner called the meeting to order at 5:30 p.m.

2.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of February 10, 2022, were unanimously approved as circulated.

3.) PUBLIC COMMENT:

Courtney Amonsens, Assistant Audit Manager with the Office of the State Auditor, joined the meeting by teleconference. Ms. Amonsens introduced herself and indicated that she was attending to listen to the 2019-2020 Financial Statement Audit report. Ms. Amonsens left the meeting following the report. No other members of the public participated in person or by teleconference.

4.) Financial Matters:

a.) 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 17796 - 17859) in the amount of \$1,100,323.25; Revolving Fund Checks (Check No. 8376 - 8390) in the amount of \$63,094.67, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$211,781.06
Water Capital Improvement	1,073.25
Sewer Maintenance	886,062.19
Sewer Capital Improvement	1,406.75
Revolving Check Fund	63,094.67
Total	\$1,163,417.92

b.) 2019-2020 Financial Statement Audit & 2021 Financial Statement Preparation Proposal

Mr. Nelson introduced David Hoagland with Clifton Larson Allen. Mr. Hoagland then provided the Board of Commissioners with a brief report regarding the Audit of the District's 2019 and 2020 Financial Statements that his team has recently completed. The purpose of the Financial Statement Audit is to comprehensively review and verify the information presented in a Financial Statement. This is the first cycle where this review is being conducted by Clifton Larson Allen rather than by the Office of the State Auditor. Mr. Hoagland reported that the Financial Statements, in all material respects, fairly presents the position of the Silver Lake Water and Sewer District as of December 31, 2020 and 2019. A letter dated February 10, 2022, was included in the Board of Commissioners Meeting Packet that summarized the activities and findings of the Audit.

The Board of Commissioners thanked Mr. Hoagland for his work in conducting the Audit.

Mr. Nelson, reported to the Board that Mr. Hoagland, on behalf of Clifton Larson Allen, has prepared a proposal to prepare the District's Financial Statements for 2021. Mr. Nelson reported that the same number of hours are included in the proposal for 2021 as were in 2020; however, the overall cost is approximately 7% higher, representing higher costs for labor and services.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute an agreement with Clifton Larson Allen, to prepare the District's 2021 Financial Statements, based upon the scope of work and fee estimate provided in the two letters dated February 18, 2022, that were included in the Board of Commissioners Meeting Packet.

c.) Staff Report – Fourth Quarter Financial Reports December 31, 2021 (Pre-closing)

Mr. Nelson provided a Staff report to the Board of Commissioners on the Fourth Quarter Financial Reports for December 31, 2021

The Board of Commissioners are provided a Quarterly Financial Report that outlines the District's financial information for the quarter and the year. The financial information contained within the report are considered Pre-closing reports, which means the financial information does not include closed construction work in process and final accrued information for revenues and expenses.

The District's Fourth Quarter Pre-closing Revenues from all sources are \$31,261,252. This was an increase of \$2,581,417 compared to the Fourth Quarter of 2020. The most significant reason for this revenue increase was collection of an additional \$4,594,633 for Charges for Services. However, New Connection Revenues decreased \$2,118,424, which mainly is the reflection of the significant Farms' connection fees the District received in December 2020. A Table was provided to the Board that outlined the Total Revenues from 2020 and 2021.

Other Tables provided outlined the District's historic Bills of Sale (Donated Water and Sewer Systems) and New Connection Fees (cash paid by New Customers, General Facility

Charges) revenues from 2014 to 2021. A Table was provided that represented the annual New Customer Revenues. While Bills of Sale revenues were consistent, the District's decrease came from New Connection fees.

The District received \$3,009,632 more in Water Service Revenues mainly attributed to the rate increase that was implemented in May 2021. In addition, customer water consumption (measured in units) strongly increased this year. Overall, 2021's water consumption increased by 110,158 units, which was an increase of 7.3% from 2020. There were two Tables provided to the Board that showed customer water consumption in units over time; one unit equals 100 CF. Staff also noted that the 2021 demand curve in the summer was the strongest recorded, and while 2017 still has the highest demand month, we believe the data suggests that extreme summer heat, for longer durations, will result in this increased consumption.

The District's total expenses for the Fourth Quarter of 2021 were \$24,141,020, which is a decrease of \$771,601 from the Fourth Quarter of 2020. The largest operating costs continue to be purchased water and sewer treatment services, which total \$12,237,765, with most of the accruals posted through February 2022 payments. However, while most of the 2021 accrued expenses are reflected, we anticipate about 591,265 of Windsong Lift Station Abandonment costs to be expensed for 2021.

Currently, the District's Net Income through December 31, 2021, is \$7,120,232 which is an increase from 2020 of \$1,809,807. This net income would be adjusted by any remaining expense accruals and Windsong Lift Station Abandonment project. The 2021 Water and Sewer Rate Increase strengthened net income for both the water and the sewer utilities and the new connection fees are providing liquidity for the water capital projects.

As of February 17, 2022, the District currently has seven accounts, out of 18,645 metered water connections, past due and with a property lien filed. The total past due amount of these seven accounts with a filed property lien is \$17,130.29.

On October 30, 2021, the District created installment plans for 195 customers totaling \$188,293.73. As of February 17, 2022, the District has 170 customers on installment plans totaling \$120,109.03. Most of the installment plan payoffs have been related to property sales or a change in renters. The District also resumed utility disconnections for non-payment in January 2022, and disconnected 95 customers on January 19, 2022, and 145 on January 26, 2022. Of these, 29 accounts did not pay and have been locked off. The District mailed a Notice of Intent to file a lien, if payment is not received by February 25, 2022, to these accounts.

The District's cash and investments totaled \$51,847,684.32, which was an increase of \$4,751,527.10 from December 31, 2020.

Included with the Financial Statements are the Capital Project Summary Reports for the District's various major Capital projects currently under construction.

d.) Staff Report – Fee Waiver Policy

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the District's current Fee Waiver Policy. The report is being provided in follow-up to customer comments at a previous meeting, that expressed significant financial hardship and requested additional fee waivers.

Adjusting Delinquent Fees are a common practice among public agencies that provide utility services. They allow staff to provide some relief on the first-time delinquent customers or unique circumstance such as financial distress, sudden divorce or separation, travel, medical emergency, or death. Guidance for fee waivers is that they are contained within an adopted policy, uniformly applied to customers, documented, and approved by a second employee.

On December 22, 2011, the Board of Commissioners adopted Resolution No. 677 which established the District policies on delinquency and damage fee waivers. These policies are now contained in District Code 9.10.140 and provides the General Manager with the authority to establish general guidelines for the waiver of adjustment of fees within parameters.

9.10.140 Waiving or Adjusting Fees

The general manager or designee shall have the authority to waive or adjust shut-off or damage fees and/or develop general guidelines for staff to waive or adjust fees. All waived or adjusted fees shall be documented in writing and approved by either the general manager or designee. [Res. 677 § 15, 2011.]

The District's current general guidelines are:

a.) Administrative Fee for Delinquency - \$65.00

Staff and Finance Manager – One fee waiver every two years.

Finance Manager - Additional fee waiver based on economic hardship (Including spousal abandonment) medical (includes death), promote auto payment process.

General Manager - Additional waivers on specific approval for extreme hardship (rarely done).

b.) NSF Check Fee - \$20.00

Staff and Finance Manager – Bank error, fraud, frozen account on fraud or customer error when they call us before the check is returned and are in the processes to make the check “good”. Most NSF check fees are not waived as the fee is structured to recover an increased cost to the District incurred on behalf of a customer.

c.) Vandalism Fees - \$75.00 up to Total Costs to Enforce the Disconnection

Finance Manager or General Manager – This fee is very rarely waived. Typically provided to a property owner when a tenant was responsible for the damage and property owner has remedied the situation.

d.) Due Process Hearing

General Manager provides an Administrative Hearing at a customers request and

may grant a fee waiver. This is not really a fee waiver, but more a procedure to review, that staff correctly applied the District's rates and charges. This is required as a step before an action is filed in Superior Court. It is historically used for back billing and unauthorized connections (mainly ADU's).

Staff believes the District's current fee resolution and guidelines provide sufficient authority and guidance to direct staff and to assist customers. While several Districts provide the authority to waive fees and/or provide the due process hearing board to the Board of Commissioners, staff would not recommend this practice. Some of the reasons are: It runs the risk of increasing the time to provide the fee waiver process, the customer's anger at being denied a fee waiver can become focused on the Board; and consistency of the fee waiver process; increased staff time to prepare the background report for the Board meeting and increasing the business to the Board. We would add, customers always can come to the Board meeting, allowing the Board to review the policies of the District and actions of staff.

The Board of Commissioners discussed the District's current resolution on fee waivers and guidelines and concurred that the current policies provide ample flexibility in most circumstances.

5.) CAPITAL IMPROVEMENT PROJECTS

a.) Staff Report – Lift Station No. 3 – Force Main Replacement – Pre-design Contract

Mr. Smith provided a Staff report to the Board of Commissioners regarding the Lift Station No. 3 Force Main Replacement and Pre-design Contract.

Lift Station No. 3 has three pumps with a capacity of 3,000 gpm and was constructed as part of the District's original ULID formation in 1969. The station has been upgraded a number of times, including replacement of the station in 2000, additional electrical and site improvements in 2013, and upgrade of the motors, impellers, and variable frequency drives in 2020.

The Lift Station has two discharge force mains that are both approximately 3,700 feet long and can pump through the original 10-inch cast iron force main to the District's Lift Station No. 2 basin, or to a newer 12-inch ductile iron force main that discharges into the Pioneer Trails Lift Station basin. The 10-inch cast iron force main is over 50 years old and has reached the end of its useful life. The District has identified the replacement of the 10-inch force main in the Wastewater Comprehensive Plan as Project No. LS-10.

Snohomish County has planned an overlay of the 132nd Street, 134th Place SE, and Cathcart Way corridor in 2024, which would put a five-year moratorium on any work in the right-of-way. Consequently, the District would like to begin design of the force main replacement in 2022, with construction in 2023, ahead of the County's overlay project. This would enable the District to complete the force main replacement work with relatively minimal pavement patching and avoid the requirement of a roadway overlay and expensive ADA ramp upgrades.

Typically, the District would use our typical Request for Qualifications (RFQ) process to select the best qualified design consultant. However, due to the complexity of the existing valves, piping system and split discharges, District staff recommended that Gray & Osborne (G&O) be selected as the best qualified design consultant, due to their long-term familiarity with the operations of Lift Station No. 3.

G&O has prepared a Scope of Work for the pre-design efforts on the Lift Station No. 3 Force Main Replacement Project. This preliminary scoping effort will help better define the final design, and will consist of survey work, downstream basin analysis, sizing, and capacity of the new force main, resolving some ongoing pump operational issues, preliminary pipe alignment options with cost estimates, and a pre-design report. The estimated cost of the pre-design work is \$84,700.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute the consultant contract with G&O in the amount of \$84,700, for pre-design of the Lift Station No. 3 Force Main Replacement Project.

6.) MAINTENANCE & OPERATIONS:

a.) Staff Report – H-GAC’s Cooperative Purchasing Program

Mr. Brees provided a Staff report to the Board of Commissioners regarding the joining of H-GAC’s Cooperative Purchasing Program.

The District maintains a fleet of specialized tools, vehicles, and equipment necessary to operate and maintain its water and sewer systems. As part of the 2022 Financial Plan, the Board of Commissioners authorized staff to purchase a trailer mounted sewer bypass pump with an estimated cost of \$50,000. In 2020, the District purchased a similar but larger pump manufactured by Godwin Pumps, utilizing pricing afforded to the District under an agreement between the Manufacturer and the Federal Government. These pumps are intended to maintain service and prevent overflows in emergency situations at the District’s 20+ lift stations. The District has identified a smaller pumping unit, also manufactured by Godwin pump, that will work well with the variable flow and head conditions at the lift stations that are too small to be served by the existing pumping unit.

Godwin Pumps’ agreement with the Federal Government has lapsed; however, the unit that the District desires to purchase is available under favorable terms in an agreement between Godwin Pumps and the Houston-Galveston Area Council (HGAC). The District is eligible to join this co-op and staff has determined that it would be advantageous to do so for this upcoming purchase and potentially others in the future.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to enter into an agreement with the Houston-Galveston Area Council for cooperative purchasing.

b.) Staff Report – PERS Pre vs. Post Tax Employee Contribution

Mr. Brees provided a Staff report to the Board of Commissioners regarding the PERS Pre vs. Post Tax Employee Contribution.

District's employees are enrolled in the Washington State Department of Retirement Systems (DRS), Public Employees Retirement System (PERS). This traditional defined benefit pension is a tremendous benefit to employees in that it provides a stable, predictable retirement income. The Washington system is rated among the highest in the nation as they implemented major changes in the 1970s to adequately fund the pensions.

The employee pensions are funded by both employer and employee contributions, together with well-managed investment gains to provide the defined benefits based on income, years of service, and retirement age. The employee contributions are currently about 6.3% of employee wages and may be contributed on a pre or post tax basis. When employees retire and start collecting a benefit, the tax basis of the contributions that were made by the employee has an impact on how the retirement benefit is taxed. The General Manager will review these implications and introduce a potential change that will be more tax advantageous to most employees at no cost to the District (employer).

Mr. Brees reviewed that currently the District contributes the employee portion on a post-tax basis, as most employees are anticipated to earn less in retirement and be taxed at a lower rate. It will be more advantageous to change this practice. Mr. Brees has been meeting with the District's employees to discuss this matter and will gather input from the employees before recommending a change to the Board of Commissioners. The change can be made by the Department of Retirement Systems within a month or two of notice, and may make sense to do so between fiscal quarters for consistency in tax reporting.

7.) INTERAGENCY REPORTS

a.) Staff Report - CWSA Meeting

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

Commissioner John Warner and General Manager Curt Brees attended the Clearview Water Supply Agency (CWSA) Meeting held on February 16, 2022. The meeting was held virtually via Teams. The meeting agenda included Maintenance and Financial Reports, approval of the January vouchers and approval of the December 2021 Disbursements.

AWWD M&O Director Heather Earnheart, provided an update on the operations of the Clearview Pump Station during the months of December and January. It was reported that there were no callouts during this period. Several routine maintenance tasks were completed at the site by Alderwood staff and vendors. The pump station has been operating at approximately 8 MGD.

In the Management meeting held earlier in the day, Heather Earnheart reported that the AWWD meter that takes flow from the CWSA system into the AWWD system had been swapped out with a recalibrated meter. It is suspected that the first meter had been under registering consumption in recent months. However, the new recalibrated meter has not been in place long enough to confirm this suspicion.

AWWD staff member Loretta Smith Kelty provided a brief Financial Report for the months of December and January. The Board was asked to ratify expenditures from the month of

December in the amount of \$412,429.38. For the month of January, vouchers totaling \$358,652.37 were presented for approval. The balance of CWSA accounts as of January 31, 2022, totaled \$1,188,042.94. The District's water utilization was 33.7% of the CWSA total for the month of January.

The Board discussed meeting in person for the next meeting, but ultimately determined to hold at least one more virtual meeting before making that decision. The next meeting of the CWSA is scheduled for Wednesday, April 20, 2022, at 3:00 p.m.

b.) Staff Report – EWUC Meeting

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

General Manager Curt Brees and District Engineer Scott Smith attended the Everett Water Utility Committee (EWUC) Meeting, held on February 17, 2022. This meeting was held virtually, due to COVID-19. A short Wholesale Sewer Meeting was held this month and an update of the Billing Summary 2021 (4th Quarter) was provided.

The EWUC Meeting topics included: updates from the Department of Health, status of the Water Conservation Program, an overview of the Water Supply Situation, and updates on Everett Capital Projects.

Ms. Jolyn Leslie, Department of Health (DOH), provided an update on DOH staffing and introduced one of the new Regional Engineers at the Northwest Regional Office. In the short-term Ms. Leslie will remain as the primary DOH contact for the City of Everett and wholesale systems as the new Engineer gets up to speed with other Snohomish County Water systems. It was also reported that DOH will start publishing a new unified bimonthly newsletter. Currently, two different newsletters are produced. An update on the upcoming State Revolving Fund (SRF) cycle was provided, with the influx of the Federal Infrastructure funds, 80 to a 100 million is expected to be available. This is many times greater than a typical cycle. In response to a question regarding the new Federal Lead Copper Rule, Ms. Leslie stated there is no guidance at this point from DOH regarding implementation and discussion is ongoing within the Department.

Ms. Apryl Hynes, City of Everett, provided a report on the Regional Water Conservation Program noting that in 2021 educational programs reached thirteen thousand students in the service area, which is close to pre-covid numbers for the program. Ms. Hynes reported that she is working on outreach for a "Fix-a-Leak" Program leveraging pre-developed program materials. It is expected that the city will place an order to restock Water Conservation Kits in March, for anyone that needs additional kits.

Mr. Soheil Nasr and Ms. Jennifer Bailey, both City of Everett, provided a report on the water supply. The reservoir level is above normal for this time of year but fluctuating based upon power generation. Snowpack in the basin is currently above normal (106%) and there is at least a 7-month supply of water currently in storage. The Water Situation Fact Sheet and a Water Storage Elevation Graph, showing storage levels in the reservoir, were provided for review.

Mr. Soheil Nasr, Mr. Jeff Marks, and Ms. Jennifer Bailey (all City of Everett staff) provided updates on CIP projects within the Everett system and at the Water Filtration plant. Projects at the Water Filtration Plant were discussed in greater detail including the replacement of the Filter Effluent Valves and the Generator Replacement project. The Filter Effluent Valves projects involve coordination with the wholesale customers to reduce system demand. The first phase of work was completed on February 8th and the second phase is scheduled for February 22nd. In total, four phases for this project are planned, concluding in March. The Generator Replacement Project has been delayed by the supply chain, and work is currently scheduled for the Fall of 2022.

Ms. Jennifer Bailey, under other business on the agenda, reported that the City would like to start devoting time at upcoming EWUC meetings to coordinate regional compliance to the Lead Copper Rule. The group concurred this is a good idea. At the next meeting (April), the requirements pertaining to service line inventories will be reviewed.

Also, under other business, the meeting participants discussed the LIHWAP implementation in Snohomish County, noting that the program is behind as other counties are already distributing assistance to water systems on behalf of the qualifying households.

This concluded the EWUC meeting. The Wholesale Sewer Meeting began shortly thereafter with participants from the City of Everett, Alderwood Water & Wastewater District, Mukilteo Water and Wastewater District, and Silver Lake Water and Sewer District. City staff reviewed the billing summary with participants. Regarding the trickling filter project, City staff noted that the media for the trickling filter has been delivered following a delay, and the project is expected to move towards completion by the end of the second quarter. Participants also discussed the South Plant Process Optimization Project, noting that the project, at this point, is a study being conducted by HDR, Inc. Mr. Brees inquired whether the City would seek available grant funds for this project and how the grant funds would be applied to the wholesale billing. City staff indicated that they were still looking at how these funds might be used. The Optimization Study is the first predetermined step under the new Department of Ecology nutrient permit. It is uncertain whether it will be possible to achieve nutrient reduction at the Everett plant via optimization in process. It is more likely that capital improvements will be required for meaningfully reductions.

c.) WASWD Legislative Report

Mr. Brees provided an update to the Board of Commissioners on the WASWD Legislative Report.

8.) STAFF REPORTS:

a.) District Engineer:

No further report.

b.) Finance Manager:

Mr. Nelson reported that staff would be transferring funds from the District's business banking account to the State Investment Pool in anticipation that there is not a short term need to expend those funds.

Mr. Nelson also took time to commend recent staff efforts connected with customer payment deadlines and in resolving customer's issues.

c.) O&M Manager:

Mr. Berger presented photos to the Board of Commissioners from a recent water main repair at 116th ST SE and 43rd DR SE. This repair was unique in that the tapping sleeve was leaking and the repair to the leak was completed by simply retightening the bolts once exposed.

d.) Technical Services Manager:

Mr. Busch reported that he had been recently contacted by the Office of the State Auditor to participate in a targeted Cyber Security Audit. A scoping meeting is scheduled for next week. There is no cost to the District to participate, other than staff time to support the effort.

e.) Attorney:

No further report.

f.) General Manager:

Mr. Brees reported that the Governor has set a date to end the indoor mask mandate and that he is reviewing the guidelines for the workplace as they are updated.

Mr. Brees reviewed the progress on the project to design new office furniture for the main office area. In the scoping of the project with the consultant, replacement of the existing carpet that is now approximately fifteen years old was discussed. It makes a lot of sense to replace the carpet now as it will minimize disruption for employees, and it will be more efficient to do so while a designer is already under contract and can recommend a design that coordinates with the furniture.

Following the Discussion, the Board of Commissioners concurred with the General Manager's recommendation to add carpet replacement to the scope of the project to update office furniture. The estimated cost to replace the new carpet is approximately twenty thousand dollars, based on the size of the area.

This ends the Minutes of the February 24, 2022 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

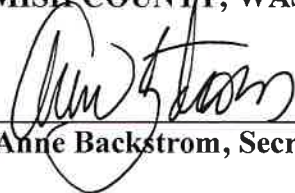
I, the undersigned, Secretary of the Board Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

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 February 24, 2022, 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 March 10, 2022, 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 10th day of March 2022.

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



Anne Backstrom, Secretary