

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

April 14, 2022

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on April 14, 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 Finance Manager Brad Nelson. Attending by video conference were O&M Manager Ron Berger, and Technical Services Manager James Busch; Curtis Chambers 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 March 24, 2022, were unanimously approved as circulated.

3.) PUBLIC COMMENT:

No members of the public participated in person or by 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.17976 - 18072) in the amount of \$1,228,915.40; Revolving Fund Checks (Check No. 8441 - 8466) in the amount of \$199,951.68, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$239,656.60
Water Capital Improvement	13,421.76
Sewer Maintenance	943,619.30
Sewer Capital Improvement	32,217.74
Revolving Check Fund	199,951.68
Total	\$1,428,867.08

b.) Update – Accountability Audit Exit Conference (SAO)

Mr. Nelson and Mr. Brees provided an update to the Board of Commissioners on the Accountability Audit Exit Conference (SAO) held on Monday, March 28, 2022. Two exit recommendations provided as a part of the exit conference were reviewed and discussed. The first is a practice by the District of sending flowers to employees in recognition of significant life events, such as a death in the immediate family or the birth of a child. The

SAO recommended discontinuing this practice on the basis that there is not a clear public purpose for the expenditure of public funds however minor. Article 8, Section 7 of the State Constitution is cited in the SAO rationale for this guidance.

During the audit, District staff responded to a question from the SAO on this topic and provided a clear explanation that the District is an employer, and supporting the health and wellbeing of employees serves a public purpose. In addition, the IRS guidelines for de minimis compensation, where sending flowers to employees, is cited as an example of de minimis compensation. Staff has also reviewed the guidance published by the State Attorney General's Office and Municipal Research Services Agency (MRSC) on the topic of "gift of public funds" and there is no clear nexus between the District's practice and the examples of what constitutes a "gift of public funds" as defined by the State Constitution.

Following Discussion, the Board of Commissioners requested that the Staff prepare a draft policy for the practice of sending flowers in recognition of significant life events and submit this policy to the State Attorney General requesting a formal opinion.

In addition, staff reviewed the second recommendation from the SAO pertaining to the use of credit cards. The SAO recommends requiring an agreement signed by employees referencing the existing financial policies as a best practice. In addition, the SAO felt that the District should expand the policy to describe what steps the District would take if there is an unsupported transaction.

In both cases, staff believes that recommendations do not improve the security of credit transactions or reduce the potential for fraudulent transactions. However, it will be a more efficient use of District resources to simply adopt minor changes to the policy rather than revisit the subject with the SAO in future audit. Staff will return to the Board with a resolution amending the District's financial policies pertaining to the use of credit cards.

c.) Staff Report – 2022 Water & Sewer Rate Increase

Mr. Nelson provided a Staff report to the Board of Commissioners on the 2022 Water & Sewer Rate Increase.

On March 24, 2022, the Board of Commissioners received a staff report regarding the 2022 Water and Sewer Rate increase. At the time of the report, District staff had received notice from the wholesale providers of tentative rate changes for wastewater treatment services and wholesale water supply.

With respect to wholesale water rates, the City of Everett has increased the AWWD contract rate higher than originally forecasted as they have added two cash funded reservoir improvement projects to the contract water rate. Based on these changes, the blended water rate increased \$.0808 for 2022. However, staff recommended rounding down the increase to a Pass-through Water Rate Increase of \$.05 per unit. A Table was provided to the Board that outlined the 2022 Water Rate increases by source.

With respect to wastewater treatment charges, AWWD and King County increased their sewer rates for 2022 with the net increase to the AWWD Sewer Basin of \$2.06. Staff

recommended a Pass-through AWWD Sewer Rate Increase to be rounded down to \$2.05 per ERU.

The City of Everett increased their sewer treatment rate to the District by \$.27 per ERU. Staff recommended a Pass-through Rate Increase to be rounded up to \$.30 per ERU.

The General Manager also recommended an inflationary adjustment to the rate, to avoid the need for larger rate increases in the future. The District's costs are impacted by the same inflationary factors that are impacting the economy as a whole. Staff outlined the draft 2022 Water and Sewer Inflationary Adjustment, using the October to October CPI-W Inflationary Index of 6.325%. This is the same index and period used to adjust employee wages on an annual basis. A Table was provided to the Board of Commissioners that provided the draft 2022 Water and Sewer Rate increases. A 2022 Draft Water and Sewer Rate Table were also provided.

Staff also recommended one minor house cleaning change in the 2022 Water and Sewer Rate resolution. This would be charging a customer a deposit, in lieu of the respective Water and Sewer General Facility Charges when the customer is requesting a Water and Sewer Availability Letter for either the City of Mill Creek or Snohomish County. The reason for this change is that General Facility Fees are not refundable, and recently, a customer who paid the General Facility Charge in 2020 subsequently abandoned their project based on increased costs and conditions placed on them from Snohomish County. The concept would be that the District would assess a Deposit in Lieu of Water and Sewer Availability letter equal to the General Facility Charges plus an additional amount. This deposit could either then be applied to the General Facility Charges when the project is approved and the respective water and/or sewer permit was issued or refunded if the project is abandoned. There is an added benefit in that the customer would need to contact the District when the project is completed to receive the additional amount of the deposit, providing notice to the District as to being utility billing for the new connection. This deposit option would only be availing to customers requesting a Water Availability letter.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved setting a public hearing date for April 28, 2022, to review the 2022 Water and Sewer Rate resolution.

d.) Staff Report – Resolution No. 826 – Update Low Income Senior/Disabled Rate Program

Mr. Nelson provided a Staff report to the Board of Commissioners on Resolution No. 826 – Update Low Income Senior/Disabled Rate Program.

On March 24, 2022, the Board of Commissioners adopted Resolution No. 724 which expanded the District's Low-income Senior Rate Program to include persons with permanent disabilities. The program requires the person to be both low income and either a senior citizen or a person with a permanent disability.

The low-income water base rate is approximately 50% less and the low-income sewer base rate is approximately 25%, less, respective of the \$.05 rounding, than the normal base rates.

Currently, the District has 207 water customers and 192 sewer customers, for a total annualized cost of \$52,351.80.

On March 24, 2022, staff reported that the District's received an application where the applicant requested the Low-income Senior/Disabled rates, due to the permanent disability status of a minor child. The Board reviewed the request and the program, and requested staff return with a resolution that would expand the program to include the minor children or minor child in guardianship of the applicant. Both property owners and property renters that are the applicant would be eligible for the program.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners adopted Resolution No. 826, Amending Chapter 9.05, entitled "Rates and Charges", of the District code.

5.) Development Projects:

a.) Staff Report – Dalston Grove DEA

Mr. Smith provided a Staff report to the Board of Commissioners regarding the Dalston Grove DEA.

The proposed Dalston Grove project is located at 17110 Sunset Road. The parcel has one existing house that is on septic and a well but will redevelop into seven new single-family lots. The access point for the new development will be on Sunset Road, but utilities will be continued from existing stubs on the west side of the parcel through a new offsite utility easement.

The project will include the installation of approximately 215 feet of new water main from the end of the existing 8-inch pipe in 171st Place SE, with a new fire hydrant at the east end with individual meters to each lot. In addition, approximately 170 feet of new 8-inch sewer main and two manholes will be installed from the existing manhole in 171st Place SE, with a lateral to serve each new lot.

All other surrounding parcels have already been developed, so there is no need for further extensions of the water and sewer system.

Staff requested the Board of Commissioners accept the Developer Extension Agreement for the Dalston Grove Development.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners accepted the Developer Extension Agreement for the Dalston Grove Development.

6.) Maintenance & Operations Reports

a.) Staff Report – FOG Program Update/Draft SE Pre-treatment Code Chapter 6.10

Mr. Smith provided a Staff report to the Board of Commissioners regarding the FOG Program update/Draft SE Pre-treatment Code Chapter 6.10.

On September 24, 2020, the Board approved a consultant scope and fee with Gray & Osborne (G&O) for the creation of a Sewer Pre-treatment Program, with a focus on reducing Fats, Oils and Grease (FOG) in the District's sewer system.

The District does not currently have a FOG Program or any associated regulations, but the buildup of FOG in the conveyance system is an ongoing and increasing maintenance issue for the District in some problem areas. The District only has regulations in place for industrial sewer customers in the Everett Treatment Basin, which consists of just the Cathcart Landfill facility.

There are approximately 110 existing commercial businesses in the District that should have some type of sewer pre-treatment system, but less than 40% are known to have pre-treatment. In addition, there are many new (i.e., Farm at Mill Creek) or converted businesses (i.e., retail to restaurant) in commercial developments that generate FOG and are not being regulated, inspected, or maintained.

Over the past 18 months, staff has been working with G&O on several work items to create a new FOG Program, not the least of which is a new set of Sewer Pre-Treatment regulations to include in the District Code. A draft of revised Code Chapter 6.10, which would address FOG facilities and industrial customers outside the Everett basin, as well as design and maintenance requirements, was provided to the Board of Commissioners.

District staff provided an update on the draft FOG Program, as well as the next steps towards implementation. A final version of draft Code Chapter 6.10 will be brought back to the Board for adoption at a later meeting.

b.) Staff Report – District HQ Carpet Bid – Contract Award

Mr. Brees provided a Staff report to the Board of Commissioners regarding the District HQ Carpet Bid – Contract Award.

At the February 8, 2022, Board of Commissioners meeting, a small project to replace carpets and purchase new office furniture was authorized. The District entered into an agreement with SB Design Services to develop plans, specifications, and solicit bids from vendors on behalf of the District.

Proposals are now in hand from three vendors for the carpet replacement and three vendors for new office furniture. The proposals for carpet were based upon a specific product and scope of work designated by the District and SB Design Services and therefore, an easy comparison. However, the office furniture is a bit more complicated as there are several different products from different manufacturers presented for the District's consideration. At this time, we are prepared to enter into an agreement for the carpet installation but will need additional time to evaluate the office furniture proposals.

According to the scope of work, District staff will be responsible for moving furniture, but the contractor is responsible for all other work, including removal and disposal of existing carpet, supply and installation of new carpet, and installation of new base molding material. One vendor excluded the demolition from their proposal. During the work, it is anticipated

that staff will work from an alternate location (home or alternate desk at the District's office).

Summary of Bids:

Vendor	Price (including tax)	Exclusions in Bid
Great Floors, LLC	\$30,717.90	None
Quality Floors, LLC	\$41,659.80	None
Rubenstein's	\$32,586.45	Demolition of existing carpet

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute an agreement with Great Floors, LLC, in the amount of \$30,717.90, for the installation of new carpet at the District Headquarters facility.

7.) Interagency Reports

a.) Update on West Water vs. Department of L&I – Cost Sharing Agreement

Mr. Brees and Mr. Chambers provided an update to the Board of Commissioners regarding the prevailing wage dispute between Westwater (a Renton based underground utility contractor) and Department of Labor and Industries (L&I). Currently, this dispute between L&I and Westwater is undergoing an administrative appeal process of the L&I decision that plumbers' wages should be used on prevailing wage projects that install ductile iron pipe that will be under pressure (water mains). This is a major departure from previous practice initiated by the L&I, as historically, this work has been completed under the laborer wage rate. This change made through L&I's administrative action circumventing the public rule making process.

If the L&I determination stands, it will have a significant impact on the cost to install water mains statewide. A coalition of interested parties is forming to assist Westwater which has requested support with the legal costs if the administrative appeal is unfavorable. It is anticipated that many public agencies and trade associations will contribute funds to support Westwater if a suit in superior court is required. It will be in the interest of the District and its rate payers to support Westwater in litigation with L&I.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to enter into an agreement with Westwater where the District agrees to contribute its pro rata share, based off the number of other participants contributing to the ligation fund, with a maximum contribution of \$2,500.

b.) Update on Vendor Agreement with Snohomish County for LIHWAP

Mr. Brees provided an update to the Board of Commissioners regarding the Vendor Agreement with Snohomish County for the Low-Income Household Water Assistance Program (LIHWAP).

The Board of Commissioners previously authorized the General Manager to enter into an agreement with Snohomish County to receive utility payments on behalf of eligible customers utilizing funding from the LIHWAP.

Over the ensuing weeks, Mr. Brees corresponded with program staff and requested a few minor edits to the draft agreement to align agreement terms with the District existing payment policies. Snohomish County has responded that it will not entertain the requested edits to the agreement. Mr. Brees reviewed the requested edits that were not approved and briefed the Board that in order to receive the funds the District must agree to restore service and maintain service to a customer for a period of thirty days. Under the District's adopted policies this is not a conflict if all current charges are paid. But if only a partial payment is made on a substantial delinquent balance, it would be in conflict.

Staff presented a solution to the Board where if a payment is received on behalf a customer from the LIHWAP Program that is less than the delinquent balance, the customer will be placed on arrangements with a payment deadline and shut off date that is more than thirty days from the effective date of the payment received. It is anticipated that there will be only a small number of customers that qualify for program assistance, due to the federal poverty level income restrictions.

The Board of Commissioners concurred with the staff recommendation to place customers on an extended arrangement period if a payment is received from the LIHWAP on behalf of that customer.

8.) STAFF REPORTS:

a.) District Engineer:

No further report.

b.) Finance Manager:

Mr. Nelson provided an update to the Board of Commissioners regarding a customer account where the tenant had cut locks and otherwise vandalized the District's meter. The property owner has notified the District that the tenant has been evicted and the property is vacant. The property owner had paid the delinquent account balance to avoid incurring additional charges on the account.

Mr. Nelson reported that District staff are working on customer referrals and program outreach for the LIHWAP.

c.) O&M Manager:

Mr. Berger reported that the District's 2014 Ford Escape had been sold at public auction. The sale price was \$15,850, reflecting the high demand and prices for used vehicles.

d.) Technical Services Manager:

Mr. Busch reported that the updated job description and job posting has been prepared for the recruitment of a GIS intern. Staff is contacting Washington State colleges with degrees or certificate programs in GIS in addition to posting in the usual locations.

e.) **Attorney:**

No further report.

f.) **General Manager:**

Mr. Brees reported that he and Commissioner Warner attended the SnoKing meeting held on Monday, April 11, 2022. The District has been invited to join this interagency meeting group. Mr. Brees and Mr. Warner reported that while the information shared at the meeting was valuable there was significant overlap with information already available to the District via WASWD.

Following discussion, the Board of Commissioners determined not to proceed at this time in taking any action to join or participate in the SnoKing meeting group. Mr. Brees stated that he would thank the other agencies for the invitation, but respectfully decline.

Mr. Brees shared a map with the Board members that denotes the District's customer accounts that will be changing from an Everett wholesale water supply to the District's other wholesale sources when the new Master Meter #3, emergency intertie is activated. The work to activate and test the intertie is scheduled for Tuesday, April 19, 2022.

This ends the Minutes of the April 14, 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

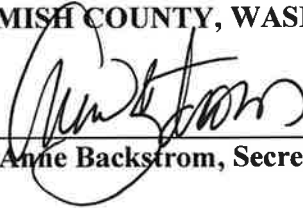
I, the undersigned, Secretary of the Board Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

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 April 14, 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 April 28, 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 28th day of April 2022.

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



Annie Backstrom, Secretary