

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

December 8, 2022

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on December 8, 2022, beginning at 5:30 p.m. Attending in person were Commissioners Anne Backstrom, John Warner, and Shauna Willner. Also present in person were General Manager Curt Brees, District Engineer Scott Smith, O&M Manager Ron Berger, and Finance Manager Brad Nelson; Technical Services Manager James Busch, David Hoagland with Clifton Larson Allen LLP., Eric Delfel with Gray & Osborne, Inc., and Curtis Chambers with Inslee, Best, Doezie & Ryder P.S., Attorney for the District, attended via teams meeting. The public was provided access to participate both in person at the meeting and 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 November 22, 2022, were unanimously approved by the Board as circulated.

3.) PUBLIC COMMENT:

Courtney Amonsens, Assistant Audit Manager with the State Auditors Office joined the meeting virtually. Mr. Brees introduced Ms. Amonsens, who is in attendance for the 2021 Financial Statement Audit report.

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. 19032 - 19086) in the amount of \$220,830.79; Revolving Fund Checks (Check No. 8861 - 8880) in the amount of \$223,626.07, were unanimously approved by the Board and signed as follows:

Fund	Amount
Water Maintenance	\$52,999.71
Water Capital Improvement	0.00
Sewer Maintenance	43,803.07
Sewer Capital Improvement	124,028.01
Revolving Check Fund	223,626.07
Total	\$444,456.86

b.) Staff Report – 2021 Financial Statement Audit Report-Clifton Larsen

Mr. Nelson introduced David Hoagland with CliftonLarsonAllen LLP. Mr. Hoagland has been leading the effort to audit the 2021 Financial Statement prepared earlier this year by his firm. As the Financial Statement was reviewed earlier in the year, the content of the statements were not reviewed at this time. Mr. Hoagland provided a brief report reviewing a three-page letter that is being provided to the District and the Commissioners summarizing the audit. It was reported that the report would be a clean opinion or unqualified opinion, free of material misstatements. There were no questions for Mr. Hoagland. The Board of Commissioners thanked him for his work on the Audit.

c.) Staff Report – 2023 Contracted Water and Sewer Rates

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the 2023 Contracted Water and Sewer Rates.

Two of the Silver Lake Water and Sewer District's largest costs are to purchase wholesale water and to contract for sewer treatment services for our customers. The District purchases water directly and indirectly from the City of Everett. Sewer treatment services are provided by the City of Everett and King County (indirectly through the Alderwood Water & Wastewater District).

In 2021, the District spent over \$12.2 million to purchase water and pay for sewer treatment services. Currently through November 2022, the District has spent over \$9.8 million for the same services. However, this number is not reflective of total costs, since all the service providers are behind in their billings to the District. For 2022, staff expects to pay a total of \$12.8 million. Since the District's costs and our customer's water and sewer rates are highly dependent on these Contracted Service Rates, this report provided a forecast over the next five years.

Forecasting the contracted water and sewer rates can be very challenging since they are highly dependent on shifting capital projects, changing regulatory environments, and the financial decisions of the respective agencies. This year had been particularly challenging, since providers are behind in billing for these services, Financial Report and are also behind with their 2023 Water and Sewer Rate estimates.

Staff provided Tables for each contracted water and sewer service that outlined the 2021 Rate and forecasted rates to 2026 for the Board of Commissioners. In addition, in the Appendix section, there were also Tables that outlined each Contracted Water and Sewer Historical Rate from 2012, and the forecasted rates to 2025.

All the water used by the District is supplied from the Everett Water Filtration Plant via Master Meters from the Clearview Water Supply Agency (CWSA), the City of Everett, and Master Meter 10 from the Alderwood Water & Wastewater District (AWWD).

Historically, the District's purchased water units is consistent, with a few seasonal spikes related to hot and dry summer weather. In 2022, the longer, wetter spring, coupled with a

hotter and dryer summer, shifted the demand curve further into the fall. However, by the end of 2022, staff expects the total sales to be close to 2021.

Most of the District's water supply is purchased through the CWSA. The CWSA's Water Purchase Rates are determined by a Long-Term Contract between the City of Everett and AWWD. The District also purchases a smaller portion of its water directly from the City of Everett and as a wholesale customer of AWWD. Since the District has one water basin, the net cost of water to the District is a blend between the three sources.

Staff anticipates a 2% water demand increase in 2023 plus a transfer of about 53,850 water units from the City of Everett meters, following the construction of Master Meter No. 3. Staff expects a \$.05 change to the CWSA rate, though this will be highly dependent on the City of Everett's final rate determination and AWWD's review of the proposed rates. In addition to the City of Everett's Water rate, the CWSA Water rate includes power, maintenance, and capital projects. In 2023, we have continued our estimate of these charges at \$.25 per water units to address the District's share of the CWSA 2022 Water Comprehensive Plan and Reservoir maintenance projects. The District's total forecast increase of CWSA water costs would be approximately \$212,258.

The District's Master Meter No. 1 was historically committed to purchase approximately 125,000 units from the City of Everett until the City of Everett's Sewer Agreement was executed. At this time, District staff believes the District's entire water demand can be met via CWSA and Master Meter No. 10; AWWD Wholesale. Upon the completion of the Master Meter No. 3 Emergency Intertie project, the District shifted much of the supply away from the City of Everett.

In 2013, the City of Everett began a series of significant water rate increases within the 20% per year range. However, in 2017, the City of Everett decided to bill the two wholesale Districts under City rates, which reduced the cost of City water under a declining block methodology. For 2023, staff is forecasting a \$.13 per unit increase or 4.53% increase from their 2022 rate. We also reduced the demand for Everett water by 53,850 units with the Construction of Master Meter No. 3.

In 2015, the District completed Master Meter No. 10 and began purchasing water directly from the Alderwood Water & Wastewater District as a wholesale customer. For 2021, we expected the AWWD Water Rate to increase by \$.6 per unit, or 3.7%; however, this is an older forecast and AWWD staff is working on their updated 2023 Wholesale Water rate.

Overall, the District anticipates the Net Water Rate to increase approximately \$.022 per unit to \$1.2512 per blended water unit in 2023, depending on how much water is purchased directly from the City of Everett and AWWD. A Table was provided to the Board of Commissioners that presented the Historical and Forecasted Blended Water Rates from 2022 to 2023. Overall, staff expects per-unit water rates to increase at an annualized rate of 2.09%, with an annualized increase in consumption of .41% over the next five years.

The District purchases sewer treatment services from the City of Everett and AWWD. The District has created two sewer basins to allocate the respective sewer treatment costs to customers. There are approximately 15,050 sewer customers including 713 Cross Valley customers, in the Everett Treatment Basin. There are approximately 2,486 sewer customers in the AWWD Basin. Commercial and multifamily customer connections are converted to Equivalent Residential Units (ERU) for the purposes of being charged by both agencies.

Both sewer rates are determined by long term contract. Not included within the City of Everett's Sewer Treatment Rate, is the District's share of capital projects at their sewer treatment plant. City of Everett Treatment Plant Capacity Capital Projects are billed separately to the District. The District funds the Treatment Plant Capacity Capital Projects with a General Facility Charge (GFC) revenue and with the proceeds of a Public Works Trust Fund Loan.

A Table was provided to the Board of Commissioners that outlined the City of Everett's Historical and Forecasted Sewer rate. The City of Everett has estimated their 2023 Sewer Rate to be \$56.25, which is an increase of \$1.64. The City is also forecasting the District's rate to increase to 46.70 in 2023, or \$3.20. Staff noted we are a little skeptical about the City's estimate, given the recent history where the previous two years estimates were inaccurate, and the actual rate was lower than the forecasted rate. Doubts are also increased by the fact that the District's rate increase is more than the City of Everett's Sewer Rate increase to their customers. By 2026, the District's Treatment Rate is forecasted to be \$60.05, before adjustments related to the new nutrient discharge rules getting implemented by the Department of Ecology.

The Contracted Sewer Rate in the AWWD Sewer Basin is 5% of the AWWD Sewer Rate and 100% of the King County Metro Sewer rate. In 2022, King County Metro adopted a new Sewer Ordinance that increased their sewer rate increase with the next scheduled increase in 2023 to \$52.11 per month. The AWWD Sewer Rate is also expected to increase in 2023 to \$78.47 per month. The net AWWD Sewer Rate to the District will increase to \$56.03 or \$3.15 per month.

A Table was provided to the Board of Commissioners that outlined the Forecasted Sewer Rates for the City of Everett and the AWWD. The District anticipates the City of Everett Contracted Sewer Rate will increase an annualized 4.99% over the next five years, with the Customer ERU's increase being just under .26% per year. Overall, staff expects the City of Everett's Sewer Rate to increase from its present \$43.50 to \$60.05 per ERU by 2027. We anticipate the AWWD Sewer Rate to increase an annualized 2.56%, with the customer ERU's increasing just under 1% per year. Overall, we expect the AWWD Sewer Rate to increase from \$52.88 to \$62.67 per ERU by 2027.

d.) Staff Report–Resolution No. 836–2023 Salary & Wage Table & Monthly Benefit Stipend

Mr. Nelson provided a Staff report to the Board of Commissioners regarding Resolution No. 836 - 2023 Salary and Wage Table and Monthly Benefit Stipend.

The Board of Commissioners establishes a District Salary and Wage Table and other basic employee payments annually by resolution. On October 27, 2022, the Board of Commissioners discussed the 2023 Salary and Wage Report and directed staff to prepare a resolution to increase the monthly benefit stipend by \$260.00 to address the increased cost of medical coverage and to provide a 2023 Cost of Living Adjustment (COLA) which is based on the October-to-October CPI-W for the Seattle-Tacoma MSA. The report also contained the recommendation to reclassify two existing positions: the GIS Analyst to a GIS & Asset Management Coordinator and one Maintenance Worker II position to a Pump Station Mechanic title.

On November 22, 2022, the General Manager recommended changes to employee compensation levels. The October 2021 - October 2022 CPI-W for the Seattle Metropolitan area is 9.408%. In addition to adjusting most employee's wages by the 9.408%, the 2023 Salary Table's ranges have also been adjusted by the CPI-W factor of 9.408%. The 2023 Table also listed the two position reclassification recommendations. It is important to note that the compensation reviews for these two positions were based on 2022 peer salaries, but the Table reflects them with the 2023 COLA adjustment included.

The job descriptions for the GIS & Asset Management Coordinator and the Pump Station Mechanic were provided as an attachment. The District was able to find ten comparable positions for the GIS & Asset Management Coordinator position; however, the standard deviation was higher than expected at 7.3% - 8.7%. The main effect for this higher-than-expected standard deviation was a combination of the pay variances between Cities and Districts, respective agency's "evolution" of the position, and the size of the agency's GIS team. For the Pump Station Mechanic, only two comparable positions were found: Alderwood Water & Wastewater District and City of Bothell. As with last year's Building and Ground's Position, the General Manager recommended this position's salary at the range in relationship that mirrors the relationship of AWWD's Senior Maintenance Worker and the AWWD's Facilities Mechanic – Senior or roughly 5% above the District's existing Maintenance Worker II position.

Resolution No. 836 also adjusts the monthly stipend for medical, dental, vision, and HRA Contributions from \$2,265 to \$2,525 per month, or an increase of \$260.00. The total cost of this change, based on current Commissioner and employee coverages is \$81,900. This increase follows the increase for 2023 medical, dental, and vision insurance rates from PEBB and Delta Dental. Tables were provided that outlined the historical monthly stipend amounts from 2010 and the total costs of medical, dental, vision and HRA contributions, less GASB – 75 OPEB adjustments. The data reflects the relative stability of the monthly stipend and saving the District received starting in 2017 when it enrolled in PEBB, which is more significant than the Table suggests, since the number of eligible employees has increased from 29 in 2017 to 33 in 2022.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and adopted Resolution No. 836 – 2023 Salary and Wage Table and Monthly Benefit Stipend.

5.) CAPITAL IMPROVEMENT PROJECTS:

a.) Staff Report –Thomas lake Lift Station Replacement

Mr. Smith provided a Staff report to the Board of Commissioners regarding the Thomas Lake Lift Station Replacement, Change Order No. 2, and Pay Estimate No. 7.

The District awarded the Thomas Lake Lift Station Replacement Project, in the amount of \$2,476,323.79 including sales tax, to McClure and Sons, Inc. (MSI), on November 23, 2021. Change Order No. 1, in the amount of \$18,776.11, was approved by the Board on August 11, 2022. Pay estimates will be approved by the Board monthly as needed.

Two major construction changes are proposed for Change Order No. 2. The first is splitting the cost of the new Insertion Valve that was installed on the existing force main on October 4, 2022. This new valve enabled the force main to be shut down for the new connection without having to drain back and handle the contents of approximately 2,700 feet of discharge pipe. This valve was not included in the plans but benefitted both the contractor and District in terms of the effort required to make the new connection. It also provides the District with a new valve on the force main for any future shut off needs.

The second change order item is a revision to the connection point for the emergency bypass pump, both for demolition of the existing and installing new piping. This will reflect the evolving new standards and practices of the District for emergency response, as well as a less intrusive below ground connection point.

The proposed cost for Change Order No. 2 is \$16,119.60, which is available in the project's remaining contingency fund of \$228,855. A total of three working days would also be added to the contract time.

Within the month of November, the biggest new item was the start of the masonry work on November 16, 2022, to install CMU block for the new electrical control building. Work also continued on minor items in the vault and wet well, including installation of hatch drain piping, pump bases, and slide gates. Preparation work was also done for the new Rock Catch manhole on the main sewer line going into the site, which was installed on November 30, 2022.

Work included in Pay Estimate No. 7 for the month of November consists of additional percentages of the lump sum bid items for the Lift Station Replacement, Shoring, Traffic Control, Erosion Control, Dewatering and Electrical. Also included is a percentage of the Minor Changes item for several smaller field changes, plus the insertion valve item from Change Order No. 2.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Change Order No. 2 in the amount of \$16,119.60.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 7 in the amount of \$114,355.88.

6.) **MAINTENANCE & OPERATIONS REPORTS:**

a.) **Staff Report – O&M update on Water Main Breaks and Leak Repairs**

Mr. Berger provided a Staff report to the Board of Commissioners regarding the recent Water Main Breaks and Leak Repairs.

Mr. Berger's report detailed recent District crew repair work on water mains, services, and a blow off assembly. The following repair work took place over a two-week period on Thanksgiving week:

- Tuesday, November 22, 2022, a water main break occurred at 13811 28th Drive SE in Mill Creek.
- Thursday, November 24, 2022, (Thanksgiving), a main break occurred at 10922 27th Avenue SE, Everett, just west of Monroe Elementary School.
- Sunday, November 27, 2022, a service leak repair occurred at 3410 118th Place SE in Everett.
- Tuesday, November 29, 2022, a customer called in a leaky blow-off located at 1201 139th Place SE in Mill Creek. Planned a water main shutdown for repair and performed the work on Thursday, December 1, 2022.

A Power Point Presentation was provided at the Board Meeting showing the leaks and repairs completed.

7.) **STAFF REPORTS**

a.) **District Engineer**

No further report.

b.) **Finance Manager**

Mr. Nelson reported on the status of State and Federal Assistance to the District's customers, where District staff is working hard to qualify customers to the various program guidelines. With respect to the State Aide, the District sent a Certification Form to customers that have balances that may qualify so they can certify how they were impacted.

Mr. Nelson also reported that he had transferred approximately 3.1 million from the Districts working funds to the State Pool, while our bank has begun to pay more interest (~2%) the rates are higher at the State Pool currently (~3.5%).

c.) **O&M Manager**

No further report.

d.) **Technical Services Manager**

No further report.

e.) **Attorney**

No further report.

f.) General Manager

Mr. Brees reviewed his upcoming schedule including attendance for the WASWD Section 3 Meeting and coordination for carpooling. The Board also directed the General Manager to close the office to the public at 3:30 p.m. on December 22nd, to allow for an early staff dismissal at 3:30 p.m. The Board meeting is scheduled for 4:30 p.m. that evening.

Mr. Brees informed the Board that four of the five vehicles that District ordered back in 2021 for 2022 have now been canceled. This year, all the vehicles were Fords (various models) and only one will be delivered. New orders will be placed for potential delivery in 2023. Unfortunately, the vehicles will be ordered at new state bid prices for 2023 that are higher in all cases than the 2022 contract.

This ends the Minutes of the December 8, 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 December 8, 2022, regular meeting of Commissioners, duly adopted at a special meeting of the Board of Commissioners of the District, held at the regular meeting place thereof on December 22, 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 22nd day of December 2022.

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



Anne Backstrom, Secretary