

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

February 23, 2023

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on February 23, 2023, beginning at 5:30 p.m. Attending in person were Commissioners Anne Backstrom, John Warner, and Shauna Willner. Also present in person was General Manager Curt Brees, District Engineer Scott Smith, O&M Manager Ron Berger, and Finance Manager Brad Nelson. Curtis Chambers with Inslee, Best, Doezie & Ryder P.S., Attorney for the District, attended by via teams meeting. The public was provided access to participate both in-person or 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 Willner called the meeting to order at 5:30 p.m.

2.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of February 9, 2023, were unanimously approved as circulated.

By motion made, seconded, and unanimously approved, Commissioner Warner's absence from the February 9, 2023, Board of Commissioner's Meeting was excused.

3.) PUBLIC COMMENT:

No members of the public participated in person or by teleconference at this time.

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, Vouchers (Check No. 19322 – 19396) in the amount of \$1,144,882.11; Revolving Fund Checks (Check No. 8960 – 8977) in the amount of \$70,636.92, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$223,877.45
Water Capital Improvement	2,311.80
Sewer Maintenance	903,492.46
Sewer Capital Improvement	15,200.40
Revolving Check Fund	70,636.92
Total	\$1,215,519.03

b.) Staff Report – State Auditor Exit Conference

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the State Auditor's Exit Conference.

The Washington State Auditor has finished the District's 2021 Accountability (Compliance) Audit. The Accountability (Compliance) Audit reviews and reports on the District's compliance with State laws. The District's Financial Statement Audit was completed earlier in the year by Clifton Larson Allen.

The State Auditor reports under a hierarchy of reporting comments which are: Findings, Management Letter, and Exit items. Findings are the highest level of concern/non-compliance and can have significant legal and financial implications. Management letters are the next highest step in communicating non-compliance and are items that are addressed in writing to the Governing Body. Exit items are the lowest level of issue and typically only communicated in the Exit Conference.

The District's Exit Conference was held on February 15, 2023, with Commissioner Willner in attendance as the representative of the Board. The Exit Conference report was provided to the Board as part of the meeting packet, there were three exit items. There were no Findings or Management Letter items for 2021.

The three exit items were: to develop payment remittance requirements for third party payment processors, additional recommendations pertaining to policies for credit cards, and policies pertaining to Electronic Funds Transfers.

The District contracts with a vendor to receipt utility online and phone payments on behalf of the District. The District's contract/user agreement with the third-party receipting provider does not disclose the time frame in which the provider is required to remit funds collected on behalf of the District. Though the audit did not identify any instances where the revenue was remitted to the District in more than two business days, not including this in the contract does not make it clear what the requirement is for the vendor. It was recommended the District update the contract/user agreement to clarify the time frame when revenue needs to be remitted to the District.

District staff reviews the third-party payments daily through our daily cash management process. In most cases, transactions settle within one or two days. The entire month's cash settlements and deposits in transit are identified with the monthly bank reconciliation. In addition, it is doubtful that a third-party paying agent would agree to these terms with the District since they are a contractual agreement between them and the specific payment processor. Staff proposed that the District adopt a policy stating that the District shall monitor the cash settlements from all third-party paying agents to ensure the funds credited to customer accounts are received and deposited to the District.

The District's credit card policy does not include a documented process for addressing missing documentation or receipts. The Audit did not identify any missing documentation or receipts; however, the Auditor's Office feels having a documented process or policy will help ensure missing receipts are handled consistently is a best practice.

The District amended the Financial Management Policies in 2022, to address the State Auditor's other credit card concerns except for "how" the District gets a "lost" receipt.

The policies outline a receipt is required and that the person using the card is responsible for obtaining one. In addition, the General Manager or Finance Manager can pull a credit card from an employee. In addition, the employee can face discipline, up to and including termination, for inappropriate credit card use. Staff recommends retaining the District's existing policy where receipts are required in all circumstances.

The District uses the Electronic Funds Transfer (EFT) disbursement process to remit payment for items such as payroll (direct deposits, garnishments, taxes), excise taxes, and processing fees owed to third party providers. The District does not have an existing written policy required by Budgeting, Accounting, and Reporting Systems (BARS) Manual (Section 3.8.33) and in accordance with RCW 39.58.750. Without a written policy the Auditor's position is that there is an increased risk that EFTs are not used accurately or consistently. It was recommended the District implement a written policy to include all elements required by the BARS Manual and in accordance with State law for EFT transactions.

The District only uses EFT transactions that are required by Washington State for Excise Tax and Escheating funds annually. The District's payroll provider is transferring funds to cover payroll and Federal taxes. Currently, EFT transactions are presented to the Board on either the Revolving Fund Check report (EFT) or the Payroll report at their meeting for review and approval. Debt service payments are not reported to the governing board since the payment schedules were approved when the bonds were issued under their governing resolution. Staff would also recommend not initiating expanded EFT payments for other goods and services.

To address the Auditor's exit item staff is proposing a policy to reflect the current procedures where unless required by the Federal Government, Washington State, Washington State Fiscal Agent (Bonds), or as contractually outlined with the District's payroll service provider, the District shall not provide vendors payments by Electronic Funds Transfer (EFT) or Wire Transfer. All Electronic Funds Transfers (EFT) made to the Federal Government, Washington State, or as contractually outlined with the District's payroll service provider, shall be provided to the Board of Commissioners for approval. Wire Transfers to the Washington State Fiscal Agent (Bonds) for debt service payments are authorized for payment under the specific bond resolution and are not required for the Board of Commissioners approval when made by the District.

The Board of Commissioners discussed the 2021 Accountability Audit Results and provided direction to staff on future changes to the District's policies accounting for the Auditor's recommendations for consideration at a future meeting.

5.) DEVELOPMENT PROJECTS:

a.) Staff Report – Bird Watson Townhome DE

Mr. Smith provided a Staff report to the Board of Commissioners regarding the Bird Watson Townhome DE.

On January 26, 2023, the Board approved a Developer Extension Agreement with Conner Homes for the Bird Watson Townhome project, with 78 units off Lowell Larimer Road at

77th Avenue SE. Water will be provided by Cross Valley, but the sewer requires the construction of a long offsite main down Lowell Larimer Road to the new Brasswood Lift Station.

There is another upcoming DE project adjacent to the Bird Watson project, the Wells Assemblage with 24 single family homes, that would also utilize the offsite sewer main in Lowell Larimer Road in addition to a further extension of their own. This project is still in the pre-DE discussion phase with the District. There has been some discussion with the two developers regarding who would likely be ready to build the offsite sewer main first. However, after consulting with the District's Attorney, it was determined that Conner Homes would retain the right to build the sewer line down Lowell Larimer road first, as part of their approved DE agreement.

As part of that conversation, one consideration is that it would be cleaner for permitting and final acceptance if the Bird Watson project was divided into two DE Agreements, one for the onsite work and one for the offsite sewer main. That would make it easier to approve connection permits if closeout paperwork is delayed for the offsite sewer and allow an option to separate out the work if needed.

Since this would be a District's initiated change and the full scope of the project has been conceptually approved by the Board, the previously paid application fee could be attributed to both DE's. Future administration fees and deposits can be determined based on the timeline and progress of each DE. This would essentially be a paperwork exercise for District staff with a new set of signatures on two agreements.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the District's General Manager to execute two modified Developer Extension Agreements for the Bird Watson Townhome Project, one for onsite and one for offsite sewer work.

6.) CAPITAL IMPROVEMENT PROJECTS:

a.) Staff Report – CCTV Contract Addendum

Mr. Smith provided a Staff report to the Board of Commissioners regarding the CCTV Contract Addendum.

On May 12, 2022, the Board approved a Unit Price Contract with Aqualis (formerly Innovac) for the CCTV inspection work of approximately 10 miles of older concrete sewer pipes in the southern part of the District. The contract had a one-year timeframe with an option to extend for another year, and a not-to-exceed amount of \$100,000.

The contract was fully executed by the District on June 1, 2022. Work began in early July and was essentially complete in October. Aqualis did an excellent job and provided a product that fully met the new District requirements to integrate the CCTV inspection videos into the GIS system.

Since the end of the regular concrete pipe inspection work, the District has continued to use Aqualis in more of an on-call capacity. This includes CCTV inspection of sewer

mains and laterals as a new part of the two-year warranty inspection on Developer Extension projects. District staff would like to continue to use Aqualis in this manner for another year, and are proposing an Addendum to the Agreement to address the following items:

- Extend the term of the Agreement for another year to June 1, 2024.
- Increase the NTE amount to \$200,000 to reflect the amount included in the 2023 Financial Plan. It is not expected to utilize this full amount but would preclude coming back for another change. Development project work would be charged back to the developer as appropriate for payment, but still counts towards the amount billed to the District on the contract.
- Update the Unit Price rates to reflect current prevailing wage and inflationary increases.
- Formally add the on-call option to the scope of work.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and authorized the General Manager to execute the proposed Addendum No. 1 to the Unit Price Services Agreement with Aqualis for the 2022 CCTV Inspection Project.

7.) MAINTENANCE & OPERATIONS:

a.) Update – Water Main Break and Repair

Mr. Berger provided an update and PowerPoint Presentation to the Board of Commissioners regarding a water main break and repair. The location of the water main break was at 1231 121st Place SE and occurred on February 8, 2023. The water main at the location of the break is 6” cast iron pipe installed in 1967. The main was a full circle break at the point of a corporation stop on the line. District crews repaired the break and installed a new tap for the existing customer service. Mr. Berger also pointed out a new headset system that the crews are using that provides enhanced hearing protection and communication via between workers via radio.

b.) Set Public Hearing – License Agreement for Wireless Communication Sites

Mr. Brees provided a Staff report to the Board of Commissioners regarding the License Agreement for Wireless Communication Sites.

There are three monopoles located on District property serving five wireless facilities. Two monopoles are located at the Reservoir No. 4 site and one at the Reservoir No. 2 site. Two lease agreements, one at each of the locations, are nearing the end of the original lease term and all available extensions according to the current agreements. These two agreements are held by T-Mobile and managed by Crown Castle. T-Mobile is the successor to VoiceStream Wireless (original other party to the agreements with the District back in 1998).

The third monopole lease is at the Reservoir No. 4 site and is a Sprint facility. Sprint and T-Mobile merged in 2020 so it is likely this lease will be terminated soon, likely at the end of its current term if T-Mobile has successfully transitioned the physical Sprint network. There is a fourth lease with AT&T for ground space, and the antennas are co-

located on the T-Mobile owned/Crown Castle managed monopole. There is also a Verizon (5th wireless carrier) co-location at the T-Mobile owned/Crown Castle managed monopole at the Reservoir No. 2 site; however, all equipment is located within the lease area and there is no direct relationship (no lease or license) between Verizon and the District.

In 2022, the District received \$176,298 in payments from all the lease agreements with wireless carriers. This additional revenue is beneficial to the District and rate payers; however, comes at a cost as the District must coordinate and manage access to the facilities by the carriers and their contractors and they physically occupy space on the District's property.

In 2022, representatives of Crown Castle approached the District to potentially lease some additional ground space at Reservoir No. 4 which prompted a review of the lease agreements. The request for additional ground space has evolved into a negotiation to extend both of lease agreements with T-Mobile/Crown Castle. The District's position in the negotiation is that the agreement would be on the District's form, with little room for discussion with respect to changes or payments due to the District. The new agreements continue payments due at a rate required in the current year under the old agreements and maintain the rent increases of 5% per year. An execution payment is also required that is intended to recover the District's costs in administering the renewal of the agreements.

The District's General Manager is working with Kay Brossard, Inslee Best, and WCIA who have developed a new agreement form for both sites. This new agreement draft was completed in October of 2022 and was provided to Crown Castle/T-Mobile at that time. It is anticipated that they will be ready to execute the agreements prior to expiration of the current agreements on March 26th, 2023.

As the new license agreements may be interpreted as a lease of real property, a Public Hearing is required prior to entering into the agreements.

General Manager recommends that the Board of Commissioners, by motion, set a Public Hearing Date of March 23rd, 2023. The purpose of the Hearing is to accept public comment regarding the proposed License to operate wireless facilities at District property on the Reservoir No. 4 and Reservoir No. 2 sites.

c.) Discuss Locations and Potential Dates for a Site Tour

Mr. Brees discussed with the Board of Commissioners possible dates and times for a Site Tour. The Board members indicated that they would like to tour the sites separately from a regular Board meeting and to do so after May 14, to coordinate with existing vacation schedules. Staff will propose a date and time for the site visits.

8.) INTERAGENCY REPORTS:

a.) Staff Report – Clearview Water Supply Agency

Mr. Brees provided a Staff report to the Board of Commissioners regarding the Clearview Water Supply Agency meeting.

Commissioner John Warner and General Manager Curt Brees attended the Clearview Water Supply Agency (CWSA) Meeting held on February 15, 2023. The meeting was held virtually via MS Teams. The meeting topics included reports on operational issues and a Financial report with approval of disbursements and vouchers from December and January.

AWWD staff Tyler Gardner and Kevin Sykes, provided an update on the operations of the Clearview Pump Station, during the months of December and January. It was reported that there was only one afterhours callout during the period. Several routine preventative maintenance tasks were completed at the site by AWWD staff and vendors. Non-routine work included a service call from Eaton to service the breaker at CV#4. This circuit breaker, which is a very large, had tripped and required an adjustment to reset it. In addition, Mr. Gardner reported that an air compressor that supplies air to operate the flow control valves had failed. While repairs have been completed, staff is currently evaluating installing a second compressor to create redundancy since the air compressor is required to operate the Pump station.

AWWD's Finance Manager, Loretta Smith Kelty, provided a brief Financial Report for the months of December and January. The Board was asked to approve disbursements in the amount of \$474,673.49, and vouchers in the amount of \$419,566.57. The District's utilization was 27.09% of the total volume in January. Assets of the CWSA totaled \$1,293,464.54 on January 31, 2023.

AWWD staff reported that they are currently working with City of Everett staff to resolve a discrepancy in the metering of flows to the Clearview facilities and other wholesale customers. This discrepancy relates to the calculation of peaking factors that are used to calculate a multiplier of the wholesale rate.

AWWD Paul Richart reported that the draft of the CWSA long range facility plan is nearly complete. It is anticipated that staff of the member agencies will meet with the consultant to review the draft plan before the next CWSA Board Meeting.

The next meeting of the CWSA Board is scheduled for Wednesday, April 19th, at 3:00 p.m., via MS Teams.

b.) Staff Report – Everett Water Users Committee

Mr. Brees provided a Staff report to the Board of Commissioners regarding the Everett Water Users Committee meeting.

General Manager Curt Brees and District Engineer Scott Smith attended the Everett Water Utility Committee (EWUC) Meeting on February 17, 2023. The meeting was held virtually using Teams. 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. A very brief discussion was held after the EWUC meeting to review the planned capital project spending at wastewater treatment plant.

Ms. Kathleen Baxter, City of Everett, provided a brief report on the Regional Water Conservation Program. A report on program outcomes for 2022 is currently being finalized and will be distributed shortly for utilities to include in their Water Use Efficiency reporting. A new vendor for the new conservation kits has been selected. There will be some new items from previous years. The conservation staff will be taking orders for conservation kits soon.

Mr. Soheil Nasr, City of Everett, provided a report on the water supply. The Spada Reservoir storage level is still slightly below normal, snowpack is good with cool but dry weather. The Water Situation Fact Sheet and a Water Storage Elevation Graph, showing storage levels in the reservoir, were provided as an attachment.

Mr. Jeff Marrs and Mr. Soheil Nasr, City of Everett, provided updates on a few water CIP projects. Everett's Reservoir 2 project is nearing completion. The Reservoir 3 project is proceeding with design with plans for construction in 2024. In this project, 8 MG of new storage will be built first, then the existing 20 MG reservoir will be demolished. In the final phase, additional storage of at least 12 MG will be built. At the Water Filtration and Treatment Plant, the generator project is ongoing, and anticipated to be completed before the end of the year.

Ms. Jolyn Leslie, Department of Health (DOH), provided an update from DOH. Reviewing upcoming training, an update on the water quality monitoring schedule portal and the announcement of a new opportunity for SRF loans related to replacement of lead service lines or service line inventories.

Due to lack of discussion topics, there was not a Wholesale Sewer Customer Meeting following the EWUC Meeting. The most recent 4th Quarter Billing Summary Sheet of sewer capital projects was briefly reviewed and was provided.

8.) STAFF REPORTS:

a.) District Engineer:

Mr. Smith reported that design for the Lift Station No. 3 Force Main replacement has been completed and has been advertised for bids. Bid opening is scheduled for March 14, 2023.

b.) Finance Manager:

Mr. Nelson provided an update on fixes that have been implemented by Invoice Cloud on the integration with the District's Billing system. While the root cause is still being looked at, customer account balances are in now sync between the systems. In addition, pdf bill copies are viewable on the platform again. Staff have deferred Invoice Cloud's request for a service fee increase to March 31st and have negotiated a reduction on certain transactions. Staff communicated that the approval on change in fees is contingent on the fixes to the integration. Mr. Nelson reported that staff is looking at other solutions for online bill presentment and payment processing, due to the issues we have experienced with Invoice Cloud and their request for fee increase.

Mr. Nelson shared an invitation with the Board for a speaker series sponsored by the HRA VEBA board. Mr. Nelson indicated that he would provide more information via email.

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

Mr. Berger reported that District crews have successfully exercised all the sewer force main valves on 116th Street SE including the intertie valve. Additionally, use of the intertie and just the newer 16" force main was tested, receiving flows from both Lift Station No. 2 and Waldenwood Lift Station. Having the ability to operate these valves will provide options in the event of a future issue with the older 10" cast iron force main that broke in December requiring an emergency repair and resulted in an overflow event.

d.) **Attorney:**

No further report.

e.) **General Manager:**

No further report.

This ends the Minutes of the February 23, 2023, 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 23, 2023, 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 9, 2023, 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 ____ day of March 2023.

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


John Warner, Secretary