

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

December 28, 2023

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on December 28, 2023, 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, Finance Manager Brad Nelson, Dave Hoagland with Clifton Larson Allen, and Kristina Baylor with the State Auditor's Office. 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 Willner called the meeting to order at 5:30 p.m.

2.) Oath of Office

Mr. Chambers, as a Notary Public, administered the Oath of Office to Ms. Anne Backstrom for the position of Commissioner of the Silver Lake Water and Sewer District, Position 3, serving a term of six years (2024 – 2029).

3.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of December 14, 2023, were unanimously approved by the Board as circulated.

4.) PUBLIC COMMENT:

Dave Hoagland with CLA (Clifton Larson Allen) and Kristina Baylor with the State Auditor's Office were both in attendance and introduced at this time.

5.) 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. 20626 – 20690) in the amount of \$3,331,890.12; Revolving Fund Checks (Check No. 9376 - 9396) in the amount of \$77,183.82, were unanimously approved by the Board and signed as follows:

Fund	Amount
Water Maintenance	\$268,868.29
Water Capital Improvement	56,171.17
Sewer Maintenance	2,382,643.71
Sewer Capital Improvement	624,206.95
Revolving Check Fund	77,183.82

Total	\$3,409,073.94
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b.) Staff Report – 2024 Utility Rate Forecast

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the 2024 Utility Rate Forecast.

The Silver Lake Water and Sewer District (District) establishes the Capital Improvement Program of the District by the adoption of the Water and Sewer Comprehensive Plans which have a ten-year planning horizon. District staff provides the Board of Commissioners with Annual Fiscal Planning Reports related to labor, contract water and sewer rates, equipment replacement needs, and associated costs. Subsequently, a Utility Rate Forecast is prepared estimating the rates required to support the forecasted expenditures of the upcoming year. The 2024 Utility Rate Forecast was provided to the Board of Commissioners.

Staff anticipates a Pass-through Water Rate increase of \$.10 per water unit, a \$3.25 per ERU pass-through for customers in the Everett Sewer Basin (less \$.50 adjusting for the revised 2023 sewer rate), and a \$3.15 per ERU pass-through for customers in the AWWD Sewer Basin.

For 2024, an Inflation-based Rate increase of 4.048% is included in the forecast for all Operating Costs, excluding Sewer Treatment and Water Purchases. Wholesale cost changes are directly recovered by the Pass-through rate increases. A Table was provided to the Board of Commissioners that outlined the forecasted 2024 Rate increase by source.

Comparing the projected actual 2023 financial results versus the 2023 Financial Forecast, two major variances stand out: New Construction Estimates/Revenues and Interest Rate Earnings. For 2023, New Construction Revenues were less than forecast as developer projects are taking longer to complete. 2023 New Connections Incomes are now forecasted at \$10,467,330. The District’s Interest Earnings also increased significantly, as the Federal Reserve Bank raised interest rates. The 2024 Forecast also estimates Interest Earnings of \$3,295,000, which is based on an estimate that returns will remain the same in 2024 for both the Washington State LGIP and the District’s Money Market account. Also included in the 2024 Forecast is \$75,000 in grant revenues for the second solar project at the old headquarters’ site.

Based on current assumptions, the District’s 2024 Forecasted Operating Statement is forecast to provide \$48,991,555 of total revenues, with \$27,936,158 of operating expenses, and \$4,025,000 in depreciation. With respect to Charges for Service, the 2024 Forecast includes an additional \$211,075.00 of water service revenues and \$244,334.40 of sewer service revenues. The Detailed Water and Sewer Revenue Forecasts, including the estimates for new connections for both service revenues and General Facility Fees, were provided to the Board of Commissioners. Staff noted that Maintenance and Professional Services had significant cost increases based on the projects approved by the Board of Commissioners which had projects that are classified as Capital, Maintenance, and Professional Service. Staff provided to the Board of Commissioners a list of projects and their respective accounting classification.

The increased revenues should be sufficient to address the increased payroll and operating costs of the District. Staff also noted that with respect to the City of Everett's water rate forecast, which also effects the Clearview Water Supply Agency's rate, and the City of Everett's Sewer Rate forecast, these rates are very tentative. This is especially true with the Everett Water rate, which is very volatile to capital project costs, which impacted the District positively in 2023 with the delay of a significant capital project. However, that volatility could impact the District negatively in 2024 if the City schedules the projects in 2024.

It should also be noted that the decision to increase the District's rate will be reviewed and approved by the Board, with the rate increase scheduled to be effective in May 2024. At this time, all the pass-through rates will be known. The District is also required to annually report the cost of the Low-income Rate program. For 2024, the program is expected to cost \$80,179.20 based on the number of customers currently qualifying. However, for 2024, the qualifying threshold is expected to be set at an annual gross income of \$75,000, which will increase the number of eligible households.

c.) Staff Report – 2022 Financial Statement Audit/Clifton Larson Allen

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the 2022 Financial Statement Audit completed by Clifton Larson Allen (CLA). Dave Hoagland, with CLA, provided a brief report to the Board regarding the completed Financial Statement Audit for 2022.

The audit of the 2022 Financial Statements has been completed by Clifton Larson who has issued an unqualified opinion that the 2022 Financial Statement are fairly presented. The audited 2022 Financial Statements have been provided to the Board of Commissioners. Ms. Kristina Baylor with the State Auditor's Office was also in attendance for the report.

Mr. Hoagland reviewed a few key changes that occurred in 2022 including the implementation of accounting principles related to leases and the reclassification of a Bill of Sale from 2022 to 2021.

Now that the 2022 Financial Statement Audit has been completed, the next step will be the Accountability Audit (Compliance) that is required to be conducted by the Washington State Auditor's Office. Starting in 2023, the State Auditor set a sixty-day period between the completion of the Financial Statement Audit by an external auditor and scheduling the Accountability (Compliance) Audit. We anticipate this work to be scheduled in February 2024 and it would take about five days of on-site work with the report being released in March 2024.

In January 2024, staff will provide the Board of Commissioners with the 2023 Audit schedule and contracts for service with Clifton Larson.

The Board reviewed the audited 2022 Annual Financial Report.

6.) DEVELOPMENT PROJECT:

a.) Staff Report -4th Quarter Bills of Sale

Mr. Smith provided a Staff report to the Board of Commissioners regarding 4th Quarter Bills of Sale.

The Bill of Sale on a Developer Extension (DE) project is the legal mechanism used to transfer ownership of the utility infrastructure from the Developer to the District. Past practice has been for the Board to accept the Bills of Sale, cumulatively, at the end of each quarter. Two DE projects were completed in the 4th Quarter of 2023. At least two more DE projects, including Phase 2 of Cathcart Crossing and the Bakerview Lift Station, are in the closeout stage for potential 1st Quarter of 2024 reporting.

The projects listed below have completed construction and the District is in receipt of the respective Bills of Sale. A summary spreadsheet identifies the infrastructure value on each project in the 4th Quarter of 2023 was provided to the Board of Commissioners. Staff requested the Board of Commissioners acknowledge acceptance of the Bills of Sale for the following development projects:

- Juniper – 21 townhomes on 148th Street SE next to the Gold Creek Church.
- Cathcart Crossing, Phase 1 – 112 townhomes and one commercial building at the corner of Cathcart Way and Highway 9.

The value of the developer contributed facilities received by the District in the 4th Quarter of 2023 is \$1,300,829.07. The total developer Bills of Sale contribution in 2023 was \$4,447,347.78.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners accepted the Bills of Sale for the 4th Quarter of 2023.

7.) CAPITAL IMPROVEMENT PROJECTS:

a.) Staff Report –CIP Update

Mr. Smith provided a Staff report to the Board of Commissioners regarding CIP updates.

The planned future projects in the District's Capital Improvement Plan (CIP) are listed in Chapter 8 in both the Water and Wastewater Comprehensive Plans. CIP projects are also included in the Annual Financial Plan. The Board has approved several contracts with various consultants, contractors, and vendors, and work is ongoing on most projects.

A quarterly CIP update was requested by the Board in 2020, and an updated Status Matrix for both active Capital and Developer Extension projects in the 4th Quarter of 2023 was provided to the Board of Commissioners. During the Board meeting on December 28, 2023, staff provided a summary of active projects for discussion by the Board.

Mr. Smith reviewed two projects in greater detail, 10th Drive Water and Sewer project and the Cast Iron Main Replacement projects. The 10th Drive project recently was issued

required permits from Snohomish County and is scheduled to go to bid early in 2024 and to begin construction in 2024. The Cast Iron Main Replacement projects are scheduled to begin design in 2024 with construction occurring in 2025 and 2026. Staff recently completed a Request for Proposal project to select consultants for the Cast Iron Main projects and are currently developing the scope and fee.

Mr. Smith also provided a review on a developer project which is expected to begin in earnest in 2024. This project is currently known as the East View Village and is sited on the County's Cathcart property.

b.) Staff Report – Lift Station No. 3 Force Main

Mr. Smith provided a Staff report to the Board of Commissioners regarding the Lift Station No. 3 Force Main, Change Order No. 2, and Pay Estimate No. 7.

The District awarded contract for the Lift Station No. 3 Force Main Replacement Project, in the amount of \$2,131,357.15, to Shoreline Construction Company, on April 11, 2023. Change Order No. 1, in the amount of \$92,087.54, was approved by the Board on August 10, 2023. Pay estimates will be approved by the Board monthly as needed.

There are two schedules of work on this project, with Schedule A for the work in the 134th Place SE/132nd Street SE roadway, and Schedule B for the work onsite. The two schedules also have different completion timelines.

There are two small items that need to be addressed with a final change order. There was a delayed billing for the removal of the large cedar tree in the driveway that had been partially paid for under the "Minor Changes" bid item. In addition, extra conduit was required running from the electrical control panel to the meter vault and the dry pit. The total cost of the extra change order work is \$8,751.54, which is available in the project contingency fund.

All punch list items have been completed, and the project was deemed Physical Completion on December 1, 2023. Pay Estimate No. 7 in the amount of \$10,720.20 consisted of the items in Change Order No. 2, along with the final dry pit rehabilitation percentage on Schedule B. This will be the final payment to the contractor, with a total construction cost of \$2,330,600.95. The contractor's Retainage Bond will be released upon receipt of the typical three closeout letters from the State.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Change Order No. 2 in the amount of \$8,751.54.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 7 in the amount of \$10,720.20.

c.) 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 project and Pay Estimate No. 18.

The District awarded the contract for 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. At that same meeting, the Board also approved a Construction Management contract with Gray & Osborne (G&O) in the amount of \$146,400.

Change Order No. 1 in the amount of \$18,776.11 was approved by the Board on August 11, 2022. Change Order No. 2 in the amount of \$16,119.60 was approved by the Board on December 8, 2022. Change Order No. 3 in the amount of \$27,910.58 was approved by the Board on November 21, 2023. Pay estimates will be approved by the Board monthly as needed.

The project was deemed substantially complete on September 26, 2023. A punch list walkthrough was performed on October 5, 2023, and only a few small items remain for Physical Completion. Pay Estimate No. 18 consists of the final demobilization payment, along with the items in Change Order No. 3.

The proposed Change Order No. 4 for rehabilitation work of the surge manhole was rejected by the contractor, and a Notice of Intent to File a Certified Claim for \$98,006.02 was received on November 27, 2023. After conferring with the District attorney regarding the claims process, a response letter was sent by G&O rejecting the claim on December 7, 2023. MSI then responded with a Formal Written Notice of Dispute on December 14, 2023.

Due to the extended construction timeline and additional work on the project, G&O has exhausted their Construction Management budget and request a contract addendum in the amount of \$34,000, for a total contract amount of \$180,400. The extra work includes additional meetings and contract management as the project ran long, specialized coating inspections on the wet well surge manhole, and expected claim resolution assistance to close out the project.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 18 in the amount of \$58,519.10.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the proposed Construction Management Contract Addendum No. 1 with G&O with a scope and fee in the amount of \$34,000.00, for the Thomas Lake Lift Station Replacement Project.

8.) MAINTENANCE & OPERATION REPORTS

a.) Staff Report – Reservoir No. 2

Mr. Berger provided a Staff report to the Board of Commissioners regarding cleaning and inspection of Reservoir No. 2.

Reservoir No. 2, located at 6804 152nd Street SE, Snohomish, was drained the first week in December for cleaning and inspections. This follows the recommended AWWA guidelines for maintenance, tank cleaning, and inspections.

After crews cleaned the Reservoir, NW Corrosion inspected the interior of the tank to check the paint condition and corrosion level. The tank interior is in good condition and no Cathodic Protection is required at this five-year inspection. Approximately a dozen small rust spots were identified for coating repair. District crews performed the spot repairs needed, grinding away the rust and using a Tnemec paint product designed for spot repairs.

Prior to the Reservoir cleaning, the seismic sensor at the site was tested and calibrated by Beaver Equipment who specializes in this type of equipment. In advance of this testing, District crews flushed all the water mains in the 725-zone, due to the potential for dirty water. During the seismic testing, there are pressure fluctuations which could have caused dirty water. The District also sent out over 700 letters to customers advising them not to do laundry or dishwashing during this time. The test went smoothly, with no customer complaints. The seismic system worked well and shut down the pump station closing the tank outlet as required.

Starting the last week of December, the Reservoir will be filled and placed back into service after sampling for adequate disinfection.

b.) Staff Report – Solar Addition – Pay Estimate 3

Mr. Brees provided a Staff report to the Board of Commissioners regarding the Solar addition and Pay Estimate 3.

The District awarded the contract for the Headquarters Solar Addition Project, in the amount of \$264,714.12, excluding sales tax, to Western Solar Inc., on July 13th, 2023. Pay Estimates will be approved by the Board when generated by the contractor.

Since the last update, the installation of the solar system has finished, including commissioning and training. A new load shed relay, which cuts power from the panels during a power outage, has been installed and tested after some issues were experienced with the original component not working correctly. The solar system has been running for two weeks and is averaging 200 kWh on sunny days and 40 kWh on cloudy days, meeting expectations for December power generation.

Work and materials included in Pay Estimate No. 3 consists of closeout activities, final installation, testing and training. The operation and maintenance manuals were presented by Western Solar and have been stored in both physical and digital forms. Project closeout and payment of the retention will happen when final actions are taken by the District and Western Solar.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No 3 in the amount of \$29,609.71.

9.) INTERAGENCY REPORTS:

a.) 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 on December 14, 2023. The meeting was held in a hybrid format with a virtual option using Teams. The EWUC Meeting topics included: updates from the Department of Health, Water Conservation Program Update, an overview of the Water Supply Situation, updates on Everett Capital Projects, and an update on the Helicopter recovery. The Sewer Wholesale Customer meeting was not held due to City of Everett meeting conflicts.

Mr. P.J. Wilkerson, Department of Health (DOH), reported on staffing changes for DOH in the NW Region, introducing a few team members that attended the meeting. Mr. Wilkerson next reported that the SRF loans loan cycle recently closed, applications are under review. Mr. Wilkerson closed with discussing that DOH is currently soliciting nomination for Operator Awards and encouraged nominations from the meeting participants.

Ms. Apryl Hynes, City of Everett, provided a Conservation Program update noting that classroom education is ongoing. Just after the first of the year program metric will be compiled and distributed for reporting as a part water use efficiency reporting.

Mr. John Nottingham, City of Everett provided a report on the water supply. The Spada Reservoir storage level has recovered following major rain events in November and December. The Water Situation Fact Sheet and a Water Storage Elevation Graph, showing storage levels in the reservoir, are provided as an attachment.

Mr. John Nottingham, City of Everett, City of Everett, provided updates on a few water CIP projects. The Reservoir 3 project is proceeding with design with plans for construction in 2024. The project is likely going to bid in the first quarter of the year with construction beginning in the second quarter.

At the Water Filtration and Treatment Plant, the generator project is ongoing, physical work on Phase 1 is complete and commissioning will soon begin. The total project is anticipated to be completed early next year. Work is also ongoing on Portal #4. This project, like many others, has been impacted by supply chain delays.

Ms. Anna Thelen, City of Everett, provided a brief update on the removal of the helicopter that crashed last month in Copper Lake, which is a tributary to Spada Lake. Some fluids are thought to have spilled into the lake as a small sheen was visible after the removal. The City continues to test for Volatile Organic Compounds (VOCs).

b.) 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 December 20, 2023. The meeting was held virtually via MS Teams. The meeting topics included review and approval of the 2024

Operating Budget for the Clearview Water Supply Agency, Maintenance and Operations Report, Financial Report, an Executive Session, Consideration of an Amendment to the Interlocal Agreement pertaining to Quorum and Format of the meeting, and a motion to ratify and confirm a series of actions undertaken by the Board since the start of the pandemic when the meetings started to be held virtually.

Alderwood staff presented a summary of the 2024 Operating Budget for the Clearview Water Supply Agency. There were no changes to the presented Budget since the discussion at the last meeting. The total proposed Operating Budget for 2024 is \$5,462,068. Following discussion, a motion was made, seconded, and approved unanimously to adopt the 2024 Operating Budget for the Clearview Water Supply Agency.

Joe Skeens (AWWD) provided a brief M&O update noting some SCADA communications issues, routine maintenance activities and pumping rates which ranged between 8 and 10 MGD.

Alexis Dickie (AWWD) provided the financial report for the Months of October and November, total expenses in the period were \$830,470.86, on November 30, assets totaled \$979,800.76. In November the District's utilization was 27.3% of the total.

Next, the Clearview Board and staff members recessed to an Executive Session for approximately ten minutes to review potential litigation with Alderwood's General Counsel.

Following the Executive Session, under new business, a motion was made, seconded, and approved unanimously, to Amend the Clearview ILA in Sections 3.5 (Board Meetings) and 3.7 (Quorum) to allow for virtual meetings of the Clearview Board and to count virtual attendance in the quorum requirements.

Also, under new business a motion was made, seconded, and approved unanimously, to ratify all actions undertaken by the Clearview Board from March 18, 2020, to present, where a majority of the Directors were present and participated in the meetings either in person or remotely via video or teleconference.

The next meeting of the CWSA Board is scheduled for Wednesday, January 17, 2024, at 3:00 p.m. The meeting will be held virtually via Teams.

10.) STAFF REPORTS

a.) District Engineer

No further report.

b.) Finance Manager

Mr. Nelson reported to the Board of Commissioners on two customer issues, an unauthorized connection letter has been sent to a property where an ADU has been

constructed, and the District has resolved an issue at a duplex where one unit where service was suspended for non-payment was connected to the other via a hose connection.

Mr. Nelson updated the Board on the change in Commissioner compensation which takes effect in January 2024.

Mr. Nelson recognized staff in the finance division for the work that occurs at year end to coordinate benefits and changes in compensation.

c.) O & M Manager

No further report.

d.) Attorney

No further report.

e.) General Manager

No further report.

This ends the Minutes of the December 28, 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 December 28, 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 January 11, 2024, 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 11th day of January 2024.

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



Shauna Willner, Secretary