

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

April 11, 2024

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on April 11, 2024, beginning at 5:30 p.m. Attending in-person were Commissioners Anne Backstrom and Shauna Willner. Also attending in-person were General Manager Curt Brees, O & M Manager Ron Berger, District Engineer Scott Smith, and Finance Manager Brad Nelson. Commissioner John Warner, IT Manager James Busch, Eric Delfel with Gray & Osborne, Inc., and Curtis Chambers with Inslee, Best, Doezie, & Ryder, P.S attended via Teams. 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 Backstrom called the meeting to order at 5:30 p.m.

2.) APPROVAL OF MINUTES:

The Minutes of the regular meeting of March 28, 2024, were unanimously approved as circulated.

3.) PUBLIC COMMENT:

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

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, Vouchers (Check No. 21101 – 21158) in the amount of \$241,473.87; Revolving Fund Checks (Check No. 9480 – 9493) in the amount of \$176,586.20, were unanimously approved and signed as follows:

Fund	Amount
Water Maintenance	\$131,359.42
Water Capital Improvement	27,090.37
Sewer Maintenance	12,590.27
Sewer Capital Improvement	70,433.81
Revolving Check Fund	176,586.20
Total	\$418,060.07

b.) Staff Report – Financial Reports March 31, 2024

Mr. Nelson provided a Staff report to the Board of Commissioners regarding the Financial Report of March 31, 2024.

The Board of Commissioners are provided a Quarterly Financial Report that outlines the District's financial information for the quarter and the year. The financial information

contained within the report is considered Pre-closing, which means that accruals and year-end adjustments are not reflected.

The District's First Quarter Pre-closing Revenues from all sources are \$11,373,889. This was an increase of \$3,280,054 compared to the First Quarter of 2023. Charges for Service increased by \$584,922. New Connection Revenues increased by \$2,293,884, primarily attributable to 156 new water and sewer permits being issued in the First Quarter of 2024. Interest Revenues totaled \$797,823 for the quarter. The District received \$138,974 more in Water Service Revenues, mainly attributed to the rate increase that was implemented in May 2023. While consumption is also higher by 2%, this increase includes the large leaks our customers experienced in January, due to the prolonged freeze event, with consumption impacting their February and March bills.

A Table was provided to the Board of Commissioners that outlined the District's Annual New Customer Revenue, separated by Bills of Sale (Donated Water and Sewer Systems) and New Connection Fees (Cash paid by New Customers as a General Facility Charge) revenues from 2014 to 2023. For 2023, there were \$4,447,347.77 of Bills of Sale revenues and \$1,116,915.00 in General Facility Charges.

Special Connection Fee collections are not included with the new connection revenues data since they represent repayment of the District's investments in projects to serve new customers. The District has collected \$706,600.10 in Special Connection Fees on outlays of \$2,789,395.56. In 2024, the District received \$149,601.40 in Special Connection Fees for the Sector 7 Lift Station. A Table provided to the Board of Commissioners that outlined the District's collection of Special Connection Revenues since their inception.

The District's total pre-closing expenses for the First Quarter of 2024 were \$5,877,842, which is an increase of \$609,345 compared to the First Quarter of 2023. Currently, the District's pre-closing Net Income through March 31, 2024, is \$5,496,047, which is an increase from 2023 of \$5,670,709. This significant increase in Net Income is attributable to Bills of Sale (Non-Cash) and the 2023 Rate increase.

As of April 2024, the District currently has eight accounts, out of 18,841 metered water connections, delinquent with a property lien filed. The total delinquent amount of these eight accounts with a filed property lien is \$14,386.79. The District also has eight existing accounts with Installment Plans for a total of \$25,874.99. The Installment Plans are either for back-billed unpermitted ADU connections (multi-year installment) or a balance related to a leak (one year).

The District's cash and investments totaled \$63,745,770 which was an increase of \$5,956,845.61 from March 31, 2023. The District transferred \$3,000,000.00 from the Money Market account to the Washington State Treasurer's Local Government Investment Pool on March 24, 2024.

Included with the Financial Statements are the Capital Project Summary Reports for the District's various major Capital projects:

c.) **Staff Report – Amending Financial Management Policies & Resolution No. 855**

Mr. Nelson provided a Staff report to the Board of Commissioners regarding Amending Financial Management Policies, Chapter 4.05.010(8) of the District Code via Resolution No. 855.

The District’s Financial Management Policies, Chapter 4.05.010(8) of the District Code authorize the General Manager to create up to three cash drawers for Front Counter operations with \$200.00 of working cash for each drawer. Currently, the cash drawers are assigned to the two Utility Clerk II’s, and the Part-Time Utility Clerk. Backup staff may be assigned one of these drawers as coverage requires or if the drawer needs to be closed due to an unexpected absence.

The District recently hired a second Part-time Utility Clerk, and staff recommended a fourth cash drawer, with \$200.00 of working cash, be created for their use. Each cash drawer is contained in a locked bank bag with the main user having the keys. The locked bags are then stored in the vault overnight. The Finance Manager has a separate set of keys for each of the bags.

Resolution No. 855 would amend the Financial Management policies and authorize the General Manager to create a fourth cash drawer.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners adopted Resolution No. 855 Amending Chapter 4.05.010 (8) entitled “Financial accounts and Payment Transactions”, of the District Code.

d.) **Staff Report – 2024 Rate Adjustments**

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

On March 27, 2024, the City of Everett delivered their 2023 Sewer Rate calculation and supporting documentation to the District. While typically this is the last of the contracted service rates submitted for the year, the City was late delivering the 2024 Water Rate increase information to the Alderwood Water & Wastewater District (AWWD). The AWWD water contract rate with the City of Everett impacts the Clearview Water Supply Agency (CWSA) and AWWD Wholesale Water rates. AWWD staff were forecasting a 40% water rate adjustment for 2024 based on what was submitted by Everett. However, at the April 11, 2024, meeting with the Wholesale Customers, AWWD shared the increase is expected to be more modest.

With both rate reviews happening as of the writing of this report, staff presented the 2024 rates at the current projections for both water and sewer. In addition, the General Manager’s recommendation is to not adjust for inflation in 2024, with respect to the District’s portion of the rate. As such, staff presented both a rate forecast with and without a “District Inflation Adjustment.”

The City's original sewer rate projection was \$48.53, which is an increase of \$2.61 from the 2023 Sewer rate. Since their original projection, the City has agreed to remove approximately \$25,945.44 in capital costs, which has reduced the rate to \$48.51. District staff's review of the City's calculation and subsequent changes may be coming at the public hearing. The Alderwood Water & Wastewater Sewer Rate increased as forecasted to \$59.39, an increase of \$3.36.

Considering a more modest increase to the City of Everett's contracted water rates to AWWD, staff recommended a Pass-through Water Rate increase of \$.05 per unit. A Table was provided to the Board of Commissioners that outlined the blended water rate calculation.

Based on this information, the 2024 Pass-through Water Rate increase was outlined in a Table provided to the Board of Commissioners. This would include a recommendation to set a public hearing on April 25, 2024, to adopt the 2024 Water and Sewer Rate increase, effective May 1, 2024.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners set a public hearing date for April 25, 2024, to review the 2024 Water and Sewer Rate resolution.

5.) **DEVELOPMENT PROJECTS:**

a.) **Staff Report – Glacier Ridge**

Mr. Smith provided a Staff report to the Board of Commissioners regarding the Glacier Ridge Developer Extension.

The proposed eleven lot single family development is located at 12818 Seattle Hill Road, immediately adjacent to the Seattle Hill Elementary School. The parcel has one existing SFR with a detached garage and storage shed, and all structures will be removed. The property has a District water service but is on septic.

There is an existing 12-inch cast iron water main in Seattle Hill Road, and a new 8-inch ductile iron water main will be extended into the development with individual meters for each lot. There is not a good offsite looping option, so to avoid multiple dead-ends, Lots 8 – 10 would have longer private service lines to each building.

The sewer connection point is in the northwest corner of the property. A new sewer main will be extended along the west side of Unit 1 with a gravel path for maintenance access to the first manhole. The main will be run along the private drive aisles to the southern boundary and end with a manhole, along with an easement out to Seattle Hill Road. This will allow for a future connection from unserved properties on the south side of Seattle Hill Road.

It should be noted that Seattle Hill Road in this area is also SR 96, and any utility work in the ROW will require a WSDOT permit.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners accepted the Developer Extension Agreement for the Glacier Ridge project.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to approve the Developer Extension Agreement for the Glacier Ridge project.

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

a.) **Staff Report – Moss Adams – Professional Services Agreement**

Mr. Brees presented a Staff report to the Board of Commissioners regarding the Moss Adams Professional Services Agreement.

In 2022, the District was awarded a \$75,000 Grant from the Department of Commerce to install a solar system on the District's Headquarters. In 2023, the project was designed, competitively bid, and constructed, with the work physically complete and the system was activated December 7, 2023. The total project costs to date are estimated at \$286,315 for design, permitting, construction management, and construction.

In the Fall of 2022, the Federal Inflation Reduction Act (IRA) was signed into law. Under this legislation, government agencies and other nonprofits became eligible to receive investment tax credits as a direct payment from the IRS for clean energy projects and electric vehicles for the 2023 tax year. As this was a new program, the actual rules, and procedures for claiming credit were not available in their final form until the start of 2024.

Unfortunately, the process to claim the credit (payment) is not a simple one and there are deadlines which are rapidly approaching, even though the rules and procedures were only recently published.

District staff were referred to Moss Adams LLP, for assistance in claiming eligible tax credits. Moss Adams is experienced in preparing tax returns for businesses and has the expertise to determine what District costs are eligible for the credit and how to complete the required forms and registrations by the required deadlines. The not-to-exceed amount for this work is \$17,000. Staff estimates that the value of the payments for the solar project and electric vehicle between \$80,000-90,000, depending on the final costs determined to be eligible.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager, by motion, to execute a Master Services Agreement with Moss Adams, LLP, and the associated statements of work for consulting services and business entity tax returns.

b.) **Staff Report – Maintenance Annex Roof Replacement & Resolution No. 856**

Mr. Brees provided a Staff report to the Board of Commissioners regarding the Maintenance Annex Roof Replacement and Resolution No. 856.

Since the onset of the Covid-19 Pandemic, a portion of the District’s Operations and Maintenance Team has been based out of the Maintenance Annex Building, located at the District’s Reservoir No. 4 site (2210 132nd Street SE, Mill Creek). In 2020, District staff together with contractors, refinished floors, replaced lighting, replaced an HVAC system, and made other minor improvements to the building. In 2022, having recognized the benefits of retaining this structure for District use as a Maintenance Annex, a property lot line adjustment was completed to move the lot lines so that the Maintenance Annex Building and Reservoir are on the same lot and the vacant old Administration Building is on the other lot, which will likely be sold at a future date.

This year, the District’s Electrician is completing an in-house project to move the electrical service for the Maintenance Annex to the Booster Station building, which will reduce the number of utility services and provide the Maintenance Annex with generator back up. This work will also permit future installation of a solar facility on the Maintenance Annex roof. However, much of the existing roof has reached the end of its useful life and requires replacement. A project to replace the roof was included in the District’s 2024 Financial Plan.

Nathan Beagle, the District's Building & Grounds Maintenance Worker, solicited proposals from five vendors on the District’s Small Works Roster (MRSC Roster) to replace the roof and other associated work. Three vendors provided proposals in response to the request, with Axis Roof and Gutter, Inc. providing the lowest bid at \$81,495.00, plus tax.

Vendor Name:	Bid Amount:
Axis Roof and Gutter, Inc.	\$81,495.00, plus tax
Guardian Roofing & Exteriors	\$98,057.74, plus tax
State Roofing	\$118,286.00, plus tax

The work will include demolition and disposal of the existing roof, installation of new sheathing and moisture barrier, new metal roof, installation of new fascia and gutters.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager, by motion, to execute a contract with Axis Roof and Gutters, Inc. in the amount of \$81,495.00, plus tax.

8.) STAFF REPORTS:

a.) District Engineer:

Mr. Smith recommended locations and projects for an upcoming site tour, the Commissioners concurred with Mr. Smith’s recommendations.

Mr. Smith provided an update on the 10th Drive SE project which is scheduled to begin work soon. Mr. Smith reported that there will be an Open House at the District Headquarters on April 18th, 2024, providing an opportunity for residents to ask questions and learn more about the project.

b.) Finance Manager:

Mr. Nelson relayed a customer's comment regarding the number of fee waivers provided to customers for a service disconnection within a two-year period.

Mr. Nelson provided a report regarding an administrative change to bill residential fire accounts at the same time and same frequency as their domestic services. So far, the change has been implemented for about half of the applicable accounts and has been well received.

It was reported that the Finance Division is fully staffed again, as one employee has returned to work on a regular schedule, following a medical leave.

Mr. Nelson reported that the 2022 Accountability Audit is nearly complete, and an Exit Conference will soon be scheduled.

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

Mr. Berger provided an update on the Lead Service Line Inventory project, of the 357 services selected at random for the statistical sampling and 269 inspections have been conducted. It is anticipated that the work will soon be complete, well ahead of the October deadline.

d.) **Technical Services Manager:**

Mr. Busch reported that the District has received considerable interest in the open positions with many applications received in advance of the deadlines.

e.) **Attorney:**

No further report.

f.) **General Manager**

Mr. Brees shared that this is Mr. Nelson's last Board meeting ahead of his scheduled retirement date. Mr. Brees reported that Mr. Nelson has been diligently documenting tasks, completing project work, and providing as much training as time permits for his team. The District is currently accepting applications for this key role.

This ends the Minutes of the April 11, 2024, 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 11, 2024, 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 25, 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 25th day of April 2024.

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



Shauna Willner, Secretary