

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

April 23, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on April 23, 2020, beginning at 5:30 p.m. Attending by video conference were Commissioners Anne Backstrom, John Warner, and Shauna Willner; also present by video conference were General Manager Curt Brees, District Engineer Scott Smith, O&M Manager Ron Berger, Technical Services Manager James Busch, Finance Manager Brad Nelson; and William Linton 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 Backstrom called the meeting to order at 5:30 p.m.

**2.) APPROVAL OF MINUTES:**

The Minutes of the meeting of April 9, 2020 were unanimously approved as circulated.

**3.) PUBLIC COMMENT:**

No members of the public participated in the teleconference.

**4.) FINANCIAL MATTERS:**

**a.) Vouchers and Check(s) Approval**

Following discussion of various matters, vouchers and revolving fund checks were unanimously approved and signed as follows:

<b>Fund</b>	<b>Code</b>	<b>Number</b>	<b>Amount</b>
Water Maintenance	743 5408666	.04-047-.04-091	\$234,709.64
Sewer Maintenance	743 5418666	.04-008-.04-015	176,549.95
Water Capital Improve.	743 5468666	.04-005-.04-005	35,652.68
Revolving Check Fund		7060 - 7081	14,883.50
<b>Total Warrants</b>			<b>\$461,795.77</b>

**b.) Staff Report – First Quarter Financial Reports**

Mr. Nelson provided a Staff report to the Board of Commissioners regarding First Quarter Financial Reports.

The financial information contained within the report are considered Pre-closing reports, which means the financial information does not include accrued information for revenues and expenses. In addition, the entries to close projects that were completed in 2019 have not been received from the District’s CPA firm. As such, the District’s Capital Projects’ section will be separated between projects closed in 2019 (waiting for closing entry) and ongoing 2020 projects.

The District's First Quarter Pre-closing Total Revenues from all sources are \$5,850,492. This was an increase of \$442,334, compared to the First Quarter of 2019.

The District's total expenses posted through March 31, 2020 were \$3,259,985. Overall, District expenses were \$708,523 less than the first quarter of 2019, but this is related to unrepresented City of Everett water and sewer bills rather than an actual decrease in costs.

Currently, the District's Net Income through March 31, 2020 is \$2,590,506, which is an increase of \$1,150,867 from 2019. The major reason for the change in Net Income is the unrepresented water and sewer bills from the City of Everett.

The District's cash and investments totaled \$46,841,856, which was an increase of \$3,080,182 from March 31, 2019. From the last quarter, which ended December 31, 2019, cash and investments have increased \$1,340,988.

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

- **Reservoir No. 3 Improvement Project** - The project is physically complete. The original estimated costs for the project, net of the City of Everett's share, were \$3,188,587.00. As of September 30, 2019, a total of \$3,934,633.29 was spent; of which, \$366,765.30 has been received from the City of Everett and an expected \$78,234.23 will be billed once the project is closed. The District was also notified that Razz Construction is under review by the Washington State Department of Labor and Industries; as such, the final project closing will be delayed.
- **131<sup>st</sup> Street Water Main** – The work is physically complete. Change Order No. 1 was approved by the Board. Staff has notified the State of Washington for sales tax, employment securities, and prevailing wage releases. Staff is also recommending using the project's contingency for pavement restoration, which was not included in the projects scope but is being required by Snohomish County. The Board of Commissioner approved Change Order #1, on April 9, 2020, which is not reflected in the financial information since it happened after March 31, 2020.
- **Windsong Lift Station** - The Board approved this project for \$613,648, and design is ongoing.
- **Waldenwood Lift Station** - The Board accepted the bid from McClure and Sons for \$4,160,436.26, with a total project budget of \$5,048,365. Work continues on the project.

A listing of the District's past due accounts within the lien filing process was provided. The District has nine accounts with a filed property lien, totaling \$23,219.84. There are another three accounts, totaling \$622.00, that have received a Notice of Intent to file lien, but waiting for a lien to be filed. There are another three accounts, totaling \$1,283.00, that were mailed a Notice of Intent to file lien with a payment date of May 1, 2020. Of these accounts,

the District is actively securing the meter for Premise 18939, which has had vandalism to the heavy duty lock and is now leaking from the District's side of the meter.

**c.) Staff Update – 2020 Everett Sewer Treatment Rate**

Mr. Nelson provided an update to the Board of Commissioners regarding the 2020 Everett Sewer Treatment Rate. Mr. Nelson, together with his counterpart at the City of Everett, agreed upon the calculation of the rate with one exception, the City of Everett has booked an expense related to the transfer of a property between its general government funds and its utility fund for bio solids disposal. Earlier the City assessed the majority of this expense to the District, classifying the transfer as a capital expense at the Wastewater Treatment Plant. This District has also disputed this capital expense billing and is currently negotiating a tolling agreement to resolve that issue at later date. In the rate calculation, the City is attempting to recover a portion of additional funds, funds in excess of the book value of the property that were transferred to the City's general fund. Staff recommends that if they together with representatives from Mukilteo Water and Wastewater District and the Alderwood Water & Wastewater District, are not able to resolve this issue with the City that the District should dispute the City's calculation of the 2020 Sewer Treatment Rate and pay only the uncontested charges.

Following discussion, the Board of Commissioners concurred with the staff recommendation and directed staff to continue the discussions with the City of Everett and other Districts regarding the calculation of the 2020 Sewer Treatment Rate.

**d.) Staff Report – E-Bill Presentation Proposal**

Mr. Nelson provided a Staff report and reviewed the highlights of an Invoice Cloud PowerPoint Presentation to the Board of Commissioners regarding the e.bill presentment services and payment processing proposal.

The Silver Lake Water and Sewer District provides debit/credit card and ez (ACH) check payment processing via the webpage and telephone. The service provider is AFTS, who also provides the District with bill printing, notice mailing, and lockbox services. Included with the AFTS contract was a Merchant Agreement with NPP for credit/debit cards and Florida Capital Bank for ez (ACH) checks.

Credit/debit card transactions are unique in that the credit card companies charge a percentage of the transaction as their processing fee. The percentage charged depends on the type of credit card used, with better reward type credit cards charging a higher percentage. The rate charged by credit card issuers can range, but it's generally a combination of a percentage rate and flat fees based on the mix of customer charge cards average transaction amount and a maximum amount allowed per transaction, vendors and agencies can dial into a per transaction rate for all transactions. It is important to note that credit card provider rules do not allow for transaction fees based on a percentage of the transactions, nor do they allow price discrimination between transaction tenders (cash, check, credit card, debit card, and money orders) in the same portal.

In the private business world, where uncollected accounts can be a significant cost, using credit cards and accepting the fee can result in lower overall costs for the business.

However, in the District's business, the costs of uncollected accounts receivable are lower, so there are few offsets to the cost of credit card fees. Some public agencies "absorb" these costs similar to private business and raise all service rates to cover the expense. For example, Alderwood Water & Wastewater District does not charge the customer a credit/debit card convenience fee but increased their late penalties and shut-off fees to cover the costs of the program.

The Silver Lake Board of Commissioners has established the policy to charge a \$3.85 Convenience Fee to every credit/debit/ez (ACH) check transaction via online or by telephone. The Board's policy direction was that those that used the program should pay the cost rather than pass it on to all the other rate payers. The current service is a relatively low cost and provides a very basic level of service without many options or additional account information provided to customers. In addition to the general customer complaints about the District charging a convenience fee rather than incorporating the cost to all rate payers, we get complaints about the voice quality of the telephone service, the lack of e.bills/notices, and tenants not being about to set up autopay plans.

The District has been researching and discussing options internally and with other service providers over the last two years. Recently, staff has been negotiating with Invoice Cloud, they provide a cloud based system that would provide online and telephone credit/debit card and ez (ACH) check processing, a mobile application, e.bill presentation, mobile payment applications, customer and District reminders, and tenant auto payments via an online application that allows customers to sign up their own emails and cell numbers. In addition, we can create a more robust exchange between our Utility Billing software and Invoice Cloud to provide more account data to customers and receive customer emails and cell phones for Invoice Cloud.

District staff and Invoice Cloud have discussed several options and have come to a consensus on a proposal that would continue the \$3.85 per transaction that matches our current processing fee and would assess a fee for an e.bill charge at \$.40 per e.bill. Currently, the District's cost of mailing a bill, including postage, ranges between \$.5835 to .6334 depending on inserts.

Under this model, the convenience fee to customers for credit/debit card use would remain the same. Invoice Cloud would earn revenue for e.bills, and the District would see a small savings on mailing costs as the cost paid to Invoice Cloud for e.bill is lower than typical mailing costs.

Staff requested the Board provide direction on continuing negotiations with Invoice Cloud on a contract for banking and professional services, under this new proposal. Staff believes their proposal provides a significant improvement of online services to our customers at the same basic costs. Reference checks with other Districts that use Invoice Cloud have been positive, and they report only a few minor issues that were being promptly addressed. Staff discussed these services with other providers and none have the same range of services, price levels, reputation, and ease of use. As such, staff does not believe that a formal Request for Proposal would result in identifying a better range of services within the same price range. On the Board's approval, staff would continue due diligence with

their contract terms and insurance/liability requirements, with the goal of bringing a final contract back for the General Manager to execute.

Staff requested the Board of Commissioners accept the Invoice Cloud Service Proposal and direct staff to proceed to finalize a Contract for Services.

Following discussion, by motion made, seconded, and carried unanimously, the Board approved the cost parameters of the Invoice Cloud Service Proposal and directed staff to finalize a Contract for Services with Invoice Cloud addressing insurance and liability requirements, and directed the General Manager to execute the contract.

**5.) DEVELOPMENT PROJECTS:**

**a.) Staff Report – Bertrand SP – Participation Agreement**

Mr. Smith presented a Staff report to the Board of Commissioners regarding the Bertrand Short Plat Participation Agreement.

On November 14, 2019, the Board approved the Developer Extension Agreement for the seven lot Bertrand Short Plat project on 96<sup>th</sup> Street SE, just east of 27<sup>th</sup> Avenue SE. As part of the project, the developer is required to replace approximately 400 feet of existing 6-inch water main with 8-inch pipe to meet fire flow requirements. The District proposed to financially participate with the developer to replace the remaining 250 feet of 6-inch pipe to the east end of the cul-de-sac for fire flow and a potential future looping connection.

This dead-end section of 6-inch pipe is identified as a system deficiency in the adopted Water Comprehensive Plan and would be a future capital improvement project for replacement. It is also along the same route as the new sewer main for the Bertrand Short Plat, so there is some efficiency in doing the water main work at the same time.

Staff recommended that the District execute a Participation Agreement with the developer, where the District will pay the developer to have their contractor perform the water main replacement work at the same time as their DE project work. Essentially, the developer is completing a capital improvement project for the District, which is both cost efficient and minimizes disruptions to the neighborhood by only opening up the road once.

The Participation Agreement was prepared using a standard form provided by the District's Attorney. The estimated cost of the water main replacement work from the developer's contractor bid in Exhibit "C" is approximately \$75,000. However, nearly 25% of this amount is noted as contingency funding. One large and uncertain cost is the exact pavement restoration requirements from Snohomish County, and what would be required of just the development sewer main work versus the District's water main work.

Ultimately, the District will only pay for items used and warranted on the project, and the developer will be required to provide backup documentation prior to any payment.

Staff requested the Board of Commissioners authorize the General Manager to execute the proposed Developer Participation Agreement for water main replacement on the Bertrand Short Plat.

Following discussion, by motion made, seconded, and carried unanimously, the Board approved the Developer Participation Agreement for the water main replacement on the Bertrand Short Plat, and directed staff to finalize the Developer Participation Agreement, and directed the General Manager to execute the agreement.

**b.) Staff Report – In-house Inspector Position**

Mr. Smith presented a Staff report on an In-house Construction Inspector position.

The District has always used Gray & Osborne (G&O) staff for construction inspection on both Developer Extension (DE) and Capital Improvement Projects. In recent years, this position has been a full-time employee who works for a consultant, which creates some ongoing administrative and management issues for the District.

From a financial perspective, a good rule of thumb is that for any long-term use of a consultant over half time, it would be more cost effective to hire another internal employee. Consultant rates typically include a significant markup for overhead and profit, which either do not apply or would be lower for internal staff. DE inspection costs are directly passed onto the developer, but capital project costs are borne by the District.

There are ongoing customer service issues with G&O invoices on DE projects, due to the company's administrative time delay between when inspection work is performed and when it gets billed. It can be confusing for both the District and developers to track billing and payment months after the work was performed. This also creates a problem at project close-out when trying to resolve the final outstanding costs, and developers usually continue to receive invoices for months after a project is complete.

The current arrangement also creates an awkward triangle for employee management. While there are no current major performance issues, the inspector is supervised by G&O staff who are not always aware of workload or field issues. The District Engineer has direct involvement with the day-to-day activities of the inspector but no real authority on scheduling or employee management.

A new full-time internal staff position for construction inspection that reports directly to the District Engineer could resolve these issues, as well as provide additional capabilities during slow periods. A District Inspector would be more cost efficient for both the development community and use on capital projects. A new inspector would use the internal Lucity Software Program for immediate cost and time reporting, which would eliminate the months of delay in billing to developers.

Other potential uses of a new internal inspector could be performing the two-year warranty inspection and side sewer inspections, which are currently done by maintenance staff, as well as future inspection of sewer pre-treatment facilities as part of the proposed upcoming Fats, Oils, Grease (FOG) Program. A new inspector could also possibly take on some project management roles for small scale capital projects, such as the annual paving and CCTV inspection programs.

There would be some additional costs associated with a new inspector position, such as a new vehicle and computer. However, those costs would be included in the hourly rate charged to developers, similar to the time and materials charges for any work done by District maintenance crews.

Consultant inspection staff could still be used as backup on development projects during busy times, but the reporting and authority roles should be clarified. Cross training of other internal staff, such as the maintenance leads, could also be a potential option for backup inspection needs. Consultant inspection staff would still be used on major capital projects or specialized work, such as a new sewer lift station or reservoir painting.

The concept of a new inspector position was originally planned to be presented to the Board as part of the Financial Plan for 2021. However, the current G&O inspector, Lloyd Tjeerdsma, is scheduled to be reassigned approximately half time to capital projects for the Mukilteo Water and Wastewater District for the rest of the year. Combined with the current pause in development construction, this could be a good time to bring a new internal position online and transition inspection duties.

A job description from Alderwood Water & Wastewater District (AWWD) for a Senior Construction Inspector was presented, which could be a good template for a new internal inspector position.

Staff requested the Board of Commissioners authorize staff to prepare a job description and salary scale for a new Construction Inspector position for final Board approval, along with any requested supporting information.

Following discussion, by motion made, seconded, and carried unanimously, the Board authorized staff to prepare a job description and salary scale for a new Construction Inspector position to present at a future Board meeting.

## 6.) **CAPITAL IMPROVEMENT PROJECTS**

### a.) **Staff Update – Waldenwood Lift Station Replacement Project**

Mr. Smith provided a Staff update and pictures of the Waldenwood Lift Station Replacement Project. The primary focus of the work currently occurring on the site is preparation for a concrete pour that will create the at-grade floor of the new station.

### b.) **Staff Report – Windsong Lift Station Contract Amendment**

Mr. Smith provided a Staff report, vicinity map on the Windsong Lift Station Contract Amendment.

On June 27, 2019, the Board approved a Design Scope and Fee in the amount of \$48,531.00 with Gray & Osborne (G&O) for the Windsong Lift Station Abandonment Project. The existing lift station is located near the intersection of 116<sup>th</sup> Street SE and 43<sup>rd</sup> Drive SE near the Pinehurst subdivision entrance, and has a capacity of 250 gpm. The primary scope of the project is to install or replace approximately 500 feet of sewer main between the Windsong Lift Station and an existing manhole in the 45<sup>th</sup> Avenue SE cul-de-sac.

When the new sewer main is installed, the existing lift station can be abandoned and the sewage will flow by gravity down to the new Waldenwood Lift Station. This will eliminate one lift station in the District system with a corresponding decrease in operational and maintenance costs. The Windsong design is approximately 90% complete, and construction will likely be in spring of 2021 following the completion of the Waldenwood project.

Part of the new Windsong project consists of replacing an existing sewer main that runs in an easement between two houses in the Pinehurst subdivision. This will involve significant impacts to the resident's property, which will be replaced and restored to their pre-construction condition. The work, also if not mitigated, could have impacts to the existing house foundations, due to the proximity of the structure next to a deep sewer main trench.

Consequently, G&O is proposing a scope and fee amendment for some geotechnical work, to determine the best construction method to avoid any structural damage to the houses during construction. This may consist of a shoring system or temporary support wall, but will depend on the type of soil between the houses. G&O is also proposing some field survey work to assess and document the existing conditions. The estimated cost of the new geotechnical and survey work is \$10,600.00.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the proposed Design Scope and Fee Amendment for the Windsong Lift Station Abandonment Project in the amount of \$10,600.00, increasing the total contract amount to \$59,131.00.

**7.) MAINTENANCE & OPERATIONS:**

**a.) Staff Update – Reservoir No. 4**

Mr. Berger provided an update regarding Reservoir No. 4 Maintenance. The work by District staff is now complete and the reservoir has been refilled. Water sampling has been conducted and pending the final lab results, the reservoir will be brought back online to the District's system. Work that has been completed includes: cleaning and inspection, repair and painting to the interior surfaces, preparation for the installation of a cathodic protection system, rehabilitation of the reservoir vent, replacement of booster station check valves, and rebuilding of one of the booster station pumps.

**8.) INTERAGENCY REPORTS:**

**a.) Everett Water Supply**

Mr. Brees provided a verbal report on the Everett Water Supply meeting, providing Water Situation Reports provided by the City.

The Everett Water Utility Committee meets every other month. No meeting was held for the month of April, due to the COVID-19 emergency. The current water supply is adequate and the City's projection is that there will be adequate water supply into the fall of 2020. While the short term forecast at the time of the report (April 1, 2020) was for warmer and dryer than normal weather during the spring, the snowpack was at 125% of

normal. City of Everett staff provided a written update on the operations related to the Water Utility by the City during the emergency.

**b.) Clearview Water Supply Agency**

Mr. Brees provided a report on the Clearview Water Supply Agency meeting.

General Manager Curt Brees and Commissioner John Warner participated in the Clearview Water Supply Agency (CWSA) Meeting held on April 15, 2020. The meeting was held in a video/teleconference format. The meeting agenda included: a review of Maintenance and Operations Reports and Financial Reports.

Mr. Joe Skeens (Acting M&O Director) provided a summary of operational issues. There was one emergency call-out during the month of March related to a temporary power outage. Mr. Skeens reviewed a list of minor maintenance items completed at the pump station. Alderwood Water & Wastewater District crews are operating at reduced staffing levels and maintenance tasks have been reduced.

There were no major items to report with respect to finances for the month of March. It was reported that interest rates are lower (1.29%) due to the current economic conditions. Monetary Assets for CWSA, as of March 31, 2020, totaled \$928,611.77. The Vouchers approved at the meeting totaled \$383,040.23, with water and power constituting approximately 366,000.00 of the total expenditures. The District's utilization was 27.3% of the total volume delivered by CWSA during March.

The next meeting of the CWSA is scheduled for Wednesday, May 20, 2020, at 3:00 p.m., at the Alderwood Water & Wastewater District.

**9.) STAFF REPORTS:**

**a.) District Engineer:**

No further reports.

**b.) Technical Services Manager:**

Mr. Busch reported that he is continuing to familiarize himself with the Districts Information Technology systems. He shared that he had recently implemented a new service that simplifies secure logins across platforms. This may impact the login that is used by the Commissioners on their tablets.

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

No further reports.

**d.) Finance Manager:**

Mr. Nelson provided a summary to the Board on the status of customer delinquencies and of a few bankruptcies that District has been made aware of. It is anticipated that there will be a rise in bankruptcies, due to the Covid-19 emergency. Mr. Nelson summarized how the District responds to notice of a bankruptcy.

e.) **Attorney:**

Mr. Linton expressed his agreement regarding the anticipated rise in bankruptcies and said it is good that the District is prepared in how it responds.

f.) **General Manager:**

Mr. Brees reported that the Spring/Summer Newsletter is being finalized and the cover article will be in recognition of Bill Anderson for his service as a Commissioner.

Mr. Brees reported next that the Governor's Proclamations pertaining to the handling of delinquent customer accounts, have been extended until May 4, 2020,

The General Manager requested an Executive Session to discuss matters pursuant to RCW 42.30.110 (1) (i) regarding potential litigation. A motion was made, seconded, and unanimously approved by the Board of Commissioners to convene to an Executive Session to discuss these matters. Before convening to the Executive Session at 6:30 p.m., Commissioner Backstrom advised that the Executive Session would be concluded at 6:50 p.m. The Executive Session concluded at 6:50 p.m. and the open public meeting reconvened.

There being no further business before the Board, the meeting was adjourned.

**This ends the Minutes of the April 23, 2020 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 23, 2020 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 May 14, 2020 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 14<sup>th</sup> day of May, 2020.

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

  
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**Shauna Willner, Secretary**