

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

February 13, 2020

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on February 13, 2020, beginning at 5:30 p.m., at the District Administration Building. Attending were Commissioners Anne Backstrom, John Warner, and Shauna Willner. Also present were General Manager Curt Brees, District Engineer Scott Smith, O&M Manager Ron Berger, and Finance Manager Brad Nelson; Eric Delfel with Gray & Osborne, Inc., and William Linton with Inslee, Best, Doezie, and Ryder P.S., Attorney for the District.

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 January 23, 2020 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

No members of the public were present.

4.) FINANCIAL MATTERS:

a.) Payroll, Vouchers, and Check(s) Approval

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

Fund	Code	Number	Amount
Water Maintenance	743 5408666	.02-001-.02-046	\$222,190.27
Sewer Maintenance	743 5418666	.02-001-.02-014	1,160,653.92
Sewer Capital Improve.	743 5448666	.02-001-.02-003	286,859.44
Water Capital Improve.	743 5468666	.02-001-.02-002	14,940.46
Revolving Check Fund		6956 - 6970	169,517.84
Total Warrants			\$1,854,161.93

b.) Staff Report –Financial Management Policy

Mr. Nelson provided a staff report on the Financial Management Policy-Implementing a Per-diem Reimbursement for Overnight Travel.

The District has Financial Management Policies that authorize payments for overnight travel, lodging, and meal reimbursements. Historically, the District has provided meal reimbursement for the direct cost, supported by a detailed receipt of a reasonable meal when employees and/or Commissioners are at training or performing District business. Since most out-of-state travel does not include a rental car, the policies allow for the reimbursement of reasonable transportation charges to and from the airport and incidental

travel to get to a restaurant or conference event. Questions have arisen about what is reasonable and how to reimburse meals at the various time of day that travel may occur.

Staff is recommending that the District move to a Per Diem Meal Reimbursement Policy for overnight travel to simplify record keeping and the review process for these reimbursements. The daily per diem amount would be established by Metropolitan Area as outlined by the U.S. General Services Administration by breakfast, lunch, dinner, and an incidental amount (typically \$5.00 per day). Meals provided by the conference, vendors, sponsors, or other agencies would be excluded from the daily amount by the meal's per diem amount. The policies also limit the transportation to a restaurant or conference event to no more than \$20.00 per day. This does not include transportation to the airport or hotel, which would be reimbursed by the District at the actual cost. The policy also defines that only one time zone will be used to define the start and end of travel, which would be the time zone where travel started. A draft expense report form was provided.

Non travel meals, typically lunch for meetings/training or dinner at the WASWD Section 3 meeting would remain reimbursable for the actual cost of the meal with tips not exceeding 20%. The policy also defines a regular meal period and clarifies previous questions such as meals when employees are assigned to other duty stations, mainly Commercial Driver's License (CDL) training, and what constitutes a meal.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed Resolution No. 791 – Amending Chapter 3.20.010, entitled “Travel and Lodging”, of the District Code.

c.) Staff Report-Fourth Quarter Financial Report

Mr. Nelson provided a staff report on the Fourth Quarter Financial Report.

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 are considered Pre-closing reports, which means the financial information does not include all accruals for revenues and expenses. Staff anticipates that actual 2019 accrued expense will be more than previous years once delayed sewer bills from the City of Everett totaling \$1,139,981 are included.

The District's Fourth Quarter Pre-closing Revenues from all sources are \$25,350,982. This was an increase of \$1,243,139 compared to the Fourth Quarter of 2018. Charges for Service revenues increased by \$607,788. Bills of Sale and New Connection Fees also increased \$557,092 from 2018's Fourth Quarter.

While overall new customer connections increased for 2019, it is important to note that actual cash contributions, General Facility Fees (GFC) decreased \$654,224. GFCs provide most of the cash the District used to pay for capital projects.

The District received \$108,018 more in Water Service revenues, with customer water consumption (measured in units) down 3.00% from 2018.

The District's total expenses for 2019 were \$19,864,040, which includes accrued 2019 expenses posted January 23, 2020. Staff anticipates another \$1.5 million in delayed water and sewer expenses between the City of Everett and the Clearview Water Supply Agency. The largest operating costs continue to be purchased water and sewer treatment services which total \$9,539,390. In addition to the District's normal accrued expenses, we anticipate another large accounting charge related to some of the replacement project costs associated with Reservoir No. 3 being written as expenses rather than a capital outlay.

Currently, the District's Net Income through December 31, 2019 is \$5,486,941, which is an increase of \$1,498,907 from 2018. The major reason for the change in Net Income is stronger New Connection and Bills of Sale revenues. Staff anticipates the 2019 New Income to be lower than the pre-closing of \$5,486,941 when the 2019 Financial Report is completed and all accruals and adjustments are posted.

The District's cash and investments totaled \$45,500,868.36, which was an increase of \$1,433,826 from December 31, 2018.

The District currently has 17 accounts, out of 18,343 metered water connections, past due and locked off. The total past due amount of these accounts is \$25,844.13. Of these, 10 accounts have property liens filed; one has received a Notice of Intent to File Lien letter, with a payment date of February 14, 2020 to avoid a lien being filed; and six will be mailed a Notice of Intent to File Lien letter next week. Since the last report, the District has received payment on three of the accounts with liens on file. In addition, three of the four accounts that were recently mailed a Notice of Intent to File Lien Letter, have paid. Once the current group of Notice of Intent to File Lien accounts are processed, the District will mail a Notice of Intent to File Lien Letter to the remaining six accounts.

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

- **Headquarters Remodel Project** - The project is complete with the retainage payment of \$179,087.13 paid to Petra. The project's total expenses, including the retainage payment is \$4,925,597.70. With respect to the Page and Beard Architects contract, staff is recommending Change Order No. 4 to memorialize the increased scope of work and reimbursable expenses allowed by contract. A listing of the project's costs and the respective change orders for Gray & Osborne, Petra Construction, and Page & Beard are provided with this report. This is a final accounting report.
- **Reservoir No. 3 Improvement Project** - The project portion is 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 has been 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 Revenue, and there is a remaining warranty issue. As such, final retainage and final project closing will be delayed.

- **131st Street Water Main** – The work is substantially complete with the punch list being worked. Change Order #1 was approved by the Board. Once the punch list items are completed, staff will ask the Board to accept the work and notify the State of Washington for sales tax and prevailing wage releases.
- **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.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Change Order No. 4 for the agreement with Page & Beard Architects to memorialize additional project supervision and the reimbursable expenses authorized by the agreement.

d.) Staff Report - 2019 Financial Statement

Mr. Nelson provided a staff report on the 2019 Financial Statements and the 2020 Accounting Service Proposal.

The Silver Lake Water and Sewer District engages the services of a professional Certified Public Accounting (CPA) firm to review and prepare the District's Annual Financial Report. The lead accountant is Mr. David Hoagland with Clifton Larson Allen. The proposal price for the work is \$23,925.00, which is an increase of \$695.00 from 2019's work.

The work is scheduled to beginning in March with the Financial Statement completed in May. Mr. Hoagland will report to the Board of Commissioners at their May 28, 2020 meeting with the reports being filed with the State of Washington by May 30, 2020.

The District is also reviewing Clifton Larsen Allen conducting the Financial Statement audit in addition to the preparation of the Financial Statements. This would alleviate this work being performed by the Washington State Auditor's Office. However, it would take approval of the Washington State Auditor's Office to approve this request. Staff expects the costs between SAO and Clifton Larsen Allen to be about the same.

Staff will return to the Board of Commissioners with a report on transferring the Financial Statement audit, including the costs, timeline line for conducting the work, and issues revolving around the change, at a future board meeting.

Staff requested the Board of Commissioners authorize, by motion, the General Manager to execute a Professional Services Agreement with Clifton Larson Allen for accounting services.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners directed the General Manager to execute a Professional Services Agreement with Clifton Larson Allen for accounting services, in the amount of \$23,925.00.

5.) DEVELOPMENT PROJECTS

a.) Staff Report – 7 C’s Swim School

Mr. Smith provided a verbal summary on the DE Agreement, Vicinity Map, and Preliminary Site Plan, regarding the 7 C’s Swim School.

The proposed project is located in the 13500 block of North Creek Drive in Mill Creek. This project is a new commercial building on a vacant parcel across from the Heatherwood Apartments in Mill Creek. Most of the site is undevelopable due to wetlands, and the new building will be constructed on the southwest corner of the lot.

The existing topography on the site slopes downward to the south and west. The developer will connect to the existing sewer manhole in North Creek Drive and extend a new side sewer to the building.

There is an existing 8-inch stub on the site, and a new water main will be extended to serve the commercial building and provide fire protection. An easement will be provided to the southern property line to allow for future connections if the City develops the adjacent parcels into a park facility. Mr. Smith reviewed the preliminary site plan and discussed the proposed improvements with the Board of Commissioners.

Mr. Smith requested the Board of Commissioners, by motion, accept the Developer Extension Agreement Application for 7 C’s Swim School.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement application for the 7 C’s Swim School project.

b.) Staff Report – Glacier View Estates – Phases 1 & 2

Mr. Smith presented a verbal summary on the DE Agreement, Vicinity Map, and Preliminary Site Plan for Glacier View Estates, Phase 1 and 2.

The proposed project of Glacier View Estates is located in the 13300 block of 72nd Drive SE. This project consists of 115 lots on approximately 20 acres, and the developer is proposing to construct the project in three phases. Phase 1 would just be for 16 initial model homes. Phase 2 would be the infrastructure for the rest of the site, and Phase 3 would be the remaining home construction.

For water service, the property is on the border between two pressure zones, the 640 and 485 Zones. Due to the elevation of the site, the project needs to remain in the 640 Zone to have enough water pressure for fire protection and domestic use. However, a pressure reducing valve for an intertie to the 485 Zone will be installed to provide system redundancy with a looped water main on site.

A new sewer main network will be constructed on-site, and will be routed to the north to the Highlands East Lift Station. This is discussed more in-depth with proposed Resolution No. 792, for a special connection charge on the project.

Mr. Smith requested the Board of Commissioners, by motion, accept the Developer Extension Agreement Application for Glacier View Estates, Phase 1 and 2.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement Application for the Glacier View Estates, Phase 1 and 2 project.

c.) Staff Report – Special Connection Charge – Highlands East

Mr. Smith presented a verbal summary on the Special Connection Charge and Draft Resolution No. 792 for Highlands East Lift Station as part of the Glacier View Estates development project.

In the current adopted Wastewater Comprehensive Plan, the area serving the Highlands East Lift Station was assumed to be built-out. In addition, sewer from the Glacier View Estates parcel was planned to flow east to the Sector 7 Lift Station. However, the developer is unable to obtain an easement from the adjacent property owner to flow to Sector 7, due to an ongoing family legal dispute. In addition, the topography of the developable part of the site lends itself to gravity flow to Highlands East.

Consequently, all of the Glacier View Estates sewer will be flowing north to the Highlands East Lift Station. There are 379 existing connections to Highlands East and the development will add 115 new lots, which would be 23.3% of the total connections in the basin served by the lift station. The existing lift station has the pump and pipe capacity to handle the increased flow, but there are several upgrades and improvements needed to serve the existing and new development in the future that will now be prioritized.

Some of these improvements were identified in the Comprehensive Plan but not programmed for design or construction yet. The Glacier View Estates project will prompt the formation of a new capital improvement project for Highlands East in the next Financial Plan, and the cost estimate of that work is approximately \$726,450. Since the improvements are not critically needed in the near term and the District has 77% of the responsibility, it would be beneficial to both parties if the developer paid their share to the District directly, in lieu of constructing the improvements.

District staff have come to an agreement with the developer to share proportionate costs of the lift station improvements, based on the total number of connections that will be served by the station. The developer has requested that the cost be paid per lot with a special connection charge, and the amount per lot would be \$1,470.55. This would be paid with the issuance of a side sewer permit.

Resolution No. 792 would establish a new Special Sewer Connection Fee on the Glacier View Estates parcel. Notice was provided to the developer of record, who has no objection to the proposed resolution.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed Resolution No. 792 – Establishing Uniform Sewer Special Connection Charges for the Highlands East Lift Station.

6.) CAPITAL IMPROVEMENT PROJECT(S):

a.) Staff Report – Waldenwood Lift Station Replacement

Mr. Smith presented a Staff report on the Waldenwood Lift Station Replacement Project. Progress Estimate No. 5 was also presented for the Board of Commissioners approval.

McClure & Sons, Inc. poured the concrete slab for the new lift station on January 28, 2020, which was a major critical path item in the work schedule. The contractor is placing forms and rebar to pour the underground walls, which will enable them to start backfilling around the building foundation.

Staff requested the Board approve the monthly progress estimate for work completed in January in the amount of \$222,416.23. Work completed to date is erosion control, dewatering, and 5.6% of the lift station replacement lump sum bid item.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Progress Estimate No. 5 and directed staff to process a payment to McClure & Sons, Inc. for work performed as identified, including Washington State Sales Tax, in the amount of \$222,416.23.

7.) MAINTENANCE & OPERATIONS

a.) Staff Report – Purchase Authorization of Sewer Bypass Pump

Mr. Brees presented a Staff report and draft Resolution No. 793 regarding the purchase of a Sewer Bypass Pump.

The District currently operates twenty-two sewage lift stations to pump sewer flows to the gravity trunk lines that deliver the waste to the wastewater treatment plants in the City of Everett or King County. The District must provide uninterrupted service to prevent overflows that would be damaging to the environment or would result in property damage. The primary means by which the District maintains uninterrupted service is by redundancy in the pumps at each station and by equipping all stations with permanently installed standby generators.

However, these backup systems can also fail in unforeseen ways. Examples include: failure of the backup generator to operate, multiple pump failures at the same station, and electrical gear failure or force main failure. Natural disaster may also cause multiple failures or prolonged power outages that compound the risk for a backup system to fail.

With each of these failures, the District's staff is learning and adapting to improve regular operations and redundancy. In recent years, efforts to mitigate failures have included: increasing the size of fuel tanks for generators, switching from propane to diesel fuel supply, outfitting two trucks with diesel transfer tanks to refuel generators, regular load testing of generators, inspection and operation of the standby generators, weekly lift

station inspections, outfitting three trailers with backup generators, installing quick connect electrical connections, and purchasing a submersible bypass pump.

One additional measure that was identified in both the 2011 and 2018 Wastewater Comprehensive Plans and the District's 2020 Financial Plan, is the purchase of a trailer mounted diesel powered bypass pump. This type of system can pump directly from a lift station wet well into the force main. It bypasses the station pumps, electrical gear, controls, generator, and other equipment that may have failed in an unforeseen way. Additionally, in some circumstance it could be used to pump around a force main failure.

District staff, together with Gray & Osborne, Inc. have reviewed the available products and compared the various pumps to the unique requirement of each of the stations. The Godwin Dri-Prime CD 160M has been selected as the preferred pump as it may be used at varying degrees of success at all but three of the District's stations. The three stations have both high flows and high total dynamic head that would require a much larger pump. These stations currently have or are being reconstructed to have large onsite storage and three pumps.

Currently, there is not a State Contract available for the Godwin Dri-Prime CD 160M. This pump was selected for its ability to meet the unique flow and head requirements of the District stations. If the District were to put the item out to bid, the availability of this pump would be limited to a single vendor. However, the Federal Government currently has a purchasing contract for the Godwin Dri-Prime CD 160M, which includes all of the accessories required by the District. This contract is administered by the GSA, under Contract #GS-07F-102GA. It is included on Schedule 84 of the Federal program that all state, local, and tribal government are eligible to use with no additional requirements.

Staff recommended using the GSA Contract to meet its public bidding requirements and to procure the Godwin Dri-Prime CD 160M Sewer Bypass Pump.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners adopted Resolution No. 793 - Authorizing the Purchase of a Godwin Dri-Prime CD 160M Sewer Bypass Pump Utilizing GSA, Contract #GS-07F-102GA. The total cost is \$99,263.09 plus applicable tax, with a delivery charge of \$2,000.00.

8.) **STAFF REPORTS**

a.) **District Engineer:**

Mr. Smith reported that a new Service Application Form has been drafted and is now required from customers requesting new or improved service connections from the District. The goal is to gather more information from the customer about the intended use of the service and to have a written record rather than verbal correspondence.

b.) **Finance Manager:**

Mr. Nelson reported that the State Auditor is tentatively scheduled for an Exit Conference on February 28th, however this date may still change.

Mr. Nelson reported that Mr. and Ms. Potts have been sent a letter regarding the Accessory Dwelling that has been permitted and is currently under construction at their property. In 2016, the Potts had addressed the Board and were issued a Preliminary Letter of Availability that required payment of connection fees when the unit was permitted. The District typically requires the payment of connection fees on the issuance of a Letter of Availability. Mr. Nelson anticipates that the Potts may address the Board in response to the letter as they did in 2016.

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

Mr. Berger reported that a finalist for the Districts open Maintenance Electrician position has been selected.

d.) **Attorney:**

No further report.

e.) **General Manager**

Mr. Brees reported that he will not be at the next Board of Commissioners meeting as he will be in attendance at the Utility Management Conference.

Mr. Brees next reported that the District had received the final Appraisal Report for the Old Headquarters Site. The final report is in line with the previous appraisal having been adjusted for appreciation in the current marketplace, and by discounting the property for encumbrances for easements that were not fully defined in the prior appraisals.

This ends the Minutes of the February 13, 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 February 13, 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 February 27, 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 27th day of February, 2020.

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



Shauna Willner, Secretary