

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

November 14, 2019

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on November 14, 2019, beginning at 5:30 p.m., at the District Administration Building. Attending were Commissioners Rod Keppler, Bill Anderson, and Anne Backstrom. 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 John Milne with Inslee, Best, Doezie, and Ryder P.S., Attorney for the District. Two members of the public were present.

**1.) CALL TO ORDER:**

Commissioner Keppler called the meeting to order at 5:30 p.m.

**2.) APPROVAL OF MINUTES:**

The Minutes of the regular meeting of October 24, 2019 were unanimously approved as circulated.

**3.) PUBLIC COMMENT:**

No members of the public provided comment.

**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:

<b>Fund</b>	<b>Code</b>	<b>Number</b>	<b>Amount</b>
Water Maintenance	743 5408666	.11-001-.11-055	\$77,356.66
Sewer Maintenance	743 5418666	.11-001-.11-014	47,502.22
Sewer Capital Improve.	743 5448666	.11-001-.11-004	324,067.69
Water Capital Improve.	743 5468666	.11-001-.11-003	96,514.79
Revolving Check Fund		6821 - 6843	50,023.42
<b>Total Warrants</b>			<b>\$595,464.78</b>

**b.) Staff Report – 2020 Salary and Wage Forecast**

Mr. Nelson presented the 2020 Salary and Wage Forecast. The Board annually reviews and includes the October to October CPI-W for the Seattle-Tacoma in employee wage adjustments. The CPI was estimated at 2.16%; however, the actual amount was published on November 13, 2019 and is 1.72%, lower than anticipated. For 2020, staff recommended changing the seasonal GIS Intern position to an Engineering Intern and creating a new part-time IT Program Developer. The part-time Project Electrician, authorized mid-2019, is included for 2020 as well. There will be two classification changes with one full-time employee moving to a Maintenance Worker I and another moving to a Maintenance Worker 2.

Staff proposed a new 457k Match Program. Many employers have a Retirement Match Program as a mechanism to assist employees to save for retirement. Under a 457k Match Program, the employer provides a matching contribution, up to a maximum amount, for the employee. This contribution is deferred from the employee's Federal Income Tax, but taxable to the employer and employee for FICA and FICA Medical. The proposal would be to provide a match of up to \$200.00 per month for each regular full-time employee. The total annual cost of this program to the District would be \$77,508 for full-time employees and \$4,018 for the three regular part-time employees.

The District will continue to provide full-time employees with a monthly pre-tax benefit of \$2,215 to purchase medical, dental, vision, and MVEBA benefits. Staff recommended retaining PEBB for medical and vision benefits, and MetLife for dental, long term disability, and life insurances. Open enrollment for District employees is currently underway. The 2020 PEBB rates had a small increase and the District's MVEBA stipend will cover the increase. The net annual increase to the District's costs for medical, dental, vision, and MVEBA is \$1,261.

In relation to pension expenses in July of 2019, the Department of Retirement Systems (DRS) increased the employer rate from 12.83% to 12.86% and the employee rate from 7.41% to 7.90%. DRS is forecasting no change to employer or employee rates in 2020. The State Legislature continues to discuss options to address the unfunded liabilities in the Teachers Retirement System; however, no new discussions seem to be directed at the reserves of the PERS plans.

The District is required to participate in Washington State's Worker's Compensation (L&I) for all employees. The District pays the L&I premiums based on a fixed cost per hours worked. L&I provides employees with benefit coverage when they are injured on the job. The Department of Labor has not announced plans to change rates in 2020.

The District is required to participate in the Federal FICA and Medicare Programs. Both the employer and the employee contribute to FICA, and Medicare is based on the employee's gross salary. The 2020 Salary and Wage Forecast does not provide an increase in either FICA or Medicare; however, as stated before, staff anticipates the cost of Health Care Reform to impact the District's future Financial Statements.

The State of Washington's new Paid Leave Program started having employee premiums paid in 2019. The employee rate is .3590%. Since the District has less than 50 employees, there is not a requirement to pay an employer portion. The District will have to amend its paid time off rules prior to January 1, 2020 to address rule adoptions by the Department of Labor that are still evolving. Staff is currently reviewing the required rule changes to develop recommended changes to bring before the Board of Commissioners in December.

Staff anticipates the District's total labor costs to be \$3,068,173 in salaries and \$1,492,828 in benefits. The largest single labor group is the regular full-time employees at a forecasted 2020 cost of \$2,794,164 in regular salary and \$1,387,174 in benefits.

**c.) Staff Report – Deferred Compensation Match Program**

Mr. Brees presented a Staff report to the Board of Commissioners regarding a Deferred Compensation Match Program.

Currently, the District participates in Social Security and the Washington State Department of Retirement Systems (DRS), Public Employee's Retirement System (PERS) Program for employee retirement savings. Both programs require contributions from both the employee and the employer and were consistent with what most public employers provided as an employee benefit. In recent years, District employees have had an option to contribute to the Deferred Compensation Program (DCP) on a voluntary basis. The District again utilizes DRS to administer the DCP Program. In this program, any regular District employee voluntarily elects to contribute pretax income to DCP, which is then invested in a manner directed by the employee to provide for retirement income. Annually, the IRS set a limit for how much an employee may contribute "pretax" to the DCP Program. In 2019, the limit is \$19,000. Currently, twenty-three of the thirty-two eligible District employees participated in DCP to some degree.

In recent years, many of the District's comparable public agencies have begun to offer an employer match to the voluntary employee contribution similar to the practice of many private employers with 401k Programs. However, public agencies tend to match at lower levels (2% is most common) as they already contribute to the PERS Program which provides and assures some retirement income in addition to Social Security. This trend is attributable to the uncertainty regarding Social Security and to a lesser degree PERS in the long term and in maintaining a competitive benefits package in a tight labor market.

Based on these recent trends, staff surveyed the eleven comparable agencies that have been used to bench mark employee job classifications and salaries, and determined that in 2019, four were offering matches to employees' voluntary contributions. Since conducting the survey, Mukilteo Water and Wastewater District enacted a match for its employees beginning on January 1, 2020. A 2% match is the norm with the comparable agencies with Alderwood Water & Wastewater District providing 3.5% as the generous match surveyed.

The General Manager met with the District's informal Employee Benefits Advisory Committee on September 23, 2019, where strong support was expressed by the employee group to provide a matching program. In this meeting, the group favored a program that provides a fixed dollar match rather than a percentage match program and also expressed a more modest program rather than a more substantial program that would perhaps be paired with changes to the cost of living adjustment (cola) or opportunity for merit salary increases.

Based on these trends and the preference expressed by the employee group, a fixed dollar match Deferred Compensation Program has been included in the 2020 Salary and Wage Forecast. For planning purposes, a monthly match of \$200 per employee has been forecasted; however, other amounts could be considered by the Board of Commissioners. The proposed match would be available to all regular full-time employees and at a reduced amount (\$100/month) for regular part-time employees. Employees would have to contribute an equal amount in voluntary contributions in order to be eligible for the match.

Advantages of the fixed dollar match program includes: the cost being relatively fixed, in that the match will be fixed at the amount the Board adopts and will not inflation adjust with wages, the dollar-per-dollar benefit to employees is equal amongst all employees, where traditional percentage based systems tend to benefit those with higher incomes the most.

Staff requested the Board discuss the proposed Deferred Compensation Match Program and provide direction to staff. If the direction is to enact a matching program, staff will prepare a resolution for future Board of Commissioners consideration at the November 26, 2019 meeting.

Following discussion, the Board of Commissioners approved the Deferred Compensation Match Program with a monthly match of \$250 per full-time employee and \$125 for regular part-time employees. The Board of Commissioners directed staff to prepare a resolution for the Board to consider at the November 26, 2019 meeting.

**d. Staff Report – Payroll Processing Vendor – PayNW**

Mr. Nelson presented an update on the transition towards PayNW for Payroll Services.

In 2014, the District became its own Treasurer and began processing payroll through Paychex, Inc., rather than Snohomish County. The District receives multiple benefits by processing its own payroll such as: better time off reporting, control of benefit providers, direct tax depositing and 941 review, more options on pay types, and paying employees paid-time off, standby duty pay, and overtime in the same month it was earned.

Over the years, Paychex, Inc.'s business model has changed with more of their resources being directed in employee benefits and HR consulting rather than their payroll product. This has created a downsizing of customer service representatives and relocation of pay check processing centers. The effect has been less qualified customer service technicians, lack of availability of technicians on payroll day, and delays in the check delivery process.

Staff reviewed changing payroll vendors from Paychex, Inc. to PayNW. Staff has reviewed PayNW products and services. In addition, staff talked with the Port of Anacortes staff, who spoke highly of PayNW products and representatives. In addition, many of the local Paychex employees transitioned to PayNW. PayNW costs, not counting the one-time initial conversion cost of \$1,100, would be about \$3,600 per year, which is slightly less than Paychex, Inc.'s fees. However, when the District's attorney reviewed the PayNW standard contract, there were some provisions related to limiting PayNW liability which is causing challenges. The District responded to PayNW with suggested changes to the contract and is now waiting for their response.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to execute a contract with PayNW, if the contract provisions meet the District needs.

**e. Staff Report – District’s Cash Depository**

Mr. Nelson recommended making a change in the District’s Cash Depository Bank from Key Bank of Washington to Wells Fargo Bank.

The District makes a daily trip into the City of Mill Creek to pick up mail and deposit cash. Currently, the work is being performed by the Runner or someone from Finance. Depending on the lines, especially the holiday lines at the Post Office, this trip can take anywhere from 40 to 90 minutes.

The District would like to discontinue using the post office box starting January 1, 2020, and open a Cash Depository Account with Wells Fargo Bank, which has a limited Branch at the Safeway Store on 132<sup>nd</sup> Street SE. The District could then drop off the daily cash deposit at a much closer location.

District staff confirmed the costs of a Public Funds Checking Account with Wells Fargo and it would be slightly less than the cash account at Key Bank. The main relationship branch would be the Mill Creek Branch with cash being deposited at the limited Safeway Branch.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners authorized the General Manager to open a Public Funds Checking Account with Wells Fargo Bank and close the account with Key Bank, consistent with the District’s adopted Financial Management Policies.

**5.) CAPITAL IMPROVEMENT PROJECT(S):**

**a.) Staff Report – Waldenwood Lift Station**

Mr. Smith presented a Staff report and reviewed a photo slide show of construction work underway for the Waldenwood Lift Station Replacement Project, and presented Pay Estimate No. 2 for Board of Commissioners approval.

MSI continues to excavate on-site for the new building foundation and has exposed part of the existing lift station on one side. Shoring is underway on the southwest side along the existing stormwater pond and the existing concrete generator pad has been removed.

A leak developed in the existing force main on the morning of November 5, 2019, and District staff responded immediately, working with MSI to fix the problem. New bolts and shackle rods were installed to better restrain the old elbow joint and the anchoring system for the force main was reinforced.

Vibration issues have also arisen with Pump No. 2 in the lift station. While the exact cause is uncertain, the exposed and unsecured lift station walls may be a contributing factor. Staff is working with MSI to monitor the existing pumps and force main on a daily basis, and are preparing a response plan (i.e., locating emergency pumps) if needed.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved Pay Estimate No. 2 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 \$168,668.61.

**b.) Staff Update – 131<sup>st</sup> Street Water Main Project**

Mr. Smith provided an update to the Board of Commissioners and reviewed photos detailing construction in progress for the 131<sup>st</sup> Street Water Main Replacement Project.

**6.) DEVELOPMENT PROJECTS:**

**a.) DE Application for Bertrand Short Plat**

Mr. Smith provided a verbal summary to the Board of Commissioners regarding a Developer Extension Agreement with attached Vicinity Map and Preliminary Site Plan, for Bertrand Short Plat.

The proposed project is for a seven lot single family residential development, which will replace one existing house on three parcels.

The existing topography on the site slopes downward to the east. The developer will connect to an existing sewer manhole at the east end of 96<sup>th</sup> Street and extend a new sewer main approximately 530 feet to the west to provide sewer service.

The developer will replace approximately 400 feet of existing 6-inch water main with 8-inch pipe along their frontage in 96<sup>th</sup> Street SE to meet the fire flow requirements.

The District is proposing to participate in the project cost with the developer to replace an additional 250 feet of undersized pipe that is not required to serve the development. A separate Participation Agreement will be brought to the Board for approval when the participation scope and costs are finalized.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for Bertrand Short Plat.

**b.) DE Application for Bakerview Subdivision**

Mr. Smith provided a verbal summary to the Board of Commissioners regarding a Developer Extension Agreement with attached Vicinity Map and Preliminary Site Plan, for Bakerview Subdivision.

The proposed project is for a 97 lot single family residential development on an undeveloped 40 acre parcel adjacent to the existing Point subdivision. This project is located at 4330 108<sup>th</sup> Street SE.

The Board had previously approved a Developer Extension for this project in August, 2018. However, no action was taken by the developer and the original DE expired. In addition, a new developer has taken over the project, and intends to begin construction in 2020. Approximately 3,330 feet of new 8-inch water main will be installed with this project, and will loop between the existing Point and Pinehurst subdivisions.

A new sewer lift station will be built with the Bakerview project, and District staff has been coordinating with the new developer to ensure current design requirements are being used. Approximately 2,400 feet of new gravity sewer main will be installed, with approximately 2,000 feet of force main to discharge from the new lift station to the existing sewer main in 108<sup>th</sup> Street SE.

Following discussion, by motion made, and seconded, the Board of Commissioners approved and executed the Developer Extension Agreement for Bakerview Subdivision, with two votes in favor and one abstention by Commissioner Keppler.

c.) **Staff Report – Revised Development Forms**

Mr. Smith presented a Staff report to the Board of Commissioners regarding revised development forms.

The District Code was adopted by the Board on September 12, 2019, which included water and sewer design standards in Chapter 6.20. In the previous print version of the District Standards, there were several checklists and forms that did not get codified. However, those forms are not regulatory documents, and also needed to be revised as part of the ongoing Developer Extension (DE) process improvements.

- **New Utility Easement Form** – Currently there are separate but nearly identical forms for sewer and water easements, but are exclusive to the specific type of use. Often these easements overlap in developments, which can be confusing to distinguish which is which.

Staff proposed to convert to a single “Utility” Easement Form that can be used for both water and sewer facilities. In addition, new language has been added to the form to strengthen and clarify the District’s right of entry for maintenance, and prohibit the encroachment or construction of structures within the easement area.

- **Updated General Notes** – The current General Notes needed minor updates to reflect the new Code sections for design standards, as well as wordsmithing edits for clarity.
- **Drafting Standards** – The current drafting standards consist of two parts on opposite ends of the DE process, plan preparation and as-builts. These have been separated into two documents for ease of use, revised to reflect current internal practices, and expanded to provide better guidance.

If approved by the Board, the new and revised forms will be posted on the District’s website for ease of use by developers. Additional Code changes for minor housekeeping edits will also be required, and will be brought to the Board for review and approval in the near future.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners approved the proposed new and revised development forms.

7.) **MAINTENANCE & OPERATIONS**

a.) **Staff Update – Leak Repairs**

Mr. Berger provided an update to the Board of Commissioners regarding a blow-off leak repair. Mr. Berger displayed parts of the blow-off assembly and detailed the corrosion that is typical in assemblies of this vintage. Staff identified locations of these assemblies and is proactively replacing them. Mr. Berger also displayed parts from a service line leak that had been detected utilizing the District’s new leak detection equipment.

b.) **Staff Update – Reservoir No. 3 – VOC Sampling**

Mr. Berger provided an update to the Board of Commissioners regarding Reservoir No. 3 VOC sampling. In the most recent samples collected from Reservoir No. 3, the presence of VOC’s was significantly lower, almost to the level of not being detectable by the sampling method. This reinforces the suspected cause of the elevated levels previously present, identified as the tide flex mixing standpipe installed during the project improvements.

c.) **Staff Report – Appraisal for 2210-132<sup>nd</sup> Street SE**

Mr. Brees presented a Staff report to the Board of Commissioners regarding an appraisal for 2210 132<sup>nd</sup> Street SE.

The District is currently engaged in initial discussions with City of Mill Creek staff regarding a potential sale of the District’s former headquarters facility located at 2210 132<sup>nd</sup> Street SE. This is a restart of prior discussions with the City, most recently concluding in 2015. The District’s most recent appraisal for the site dated back to 2015 and there has been significant changes in the local real estate market since that time. Obtaining an updated appraisal for the property is the next logical step in the discussions with the City of Mill Creek. The General Manager obtained a proposal from ABS Valuation of Everett, selected from the MRSC Roster, after learning that the appraiser that completed the 2015 appraisal is currently engaged through the end of the year.

ABS Valuation has provided a proposal that is not-to-exceed \$2,900 to prepare an appraisal. The appraisal will use a sales comparison approach. The appraisal will be conducted jointly with the City of Mill Creek, with the District invoicing the City for 50% of the appraisal costs.

Following discussion, the Board of Commissioners authorized the General Manager, by motion, seconded, and carried unanimously, to sign the Engagement Letter with ABS Valuation to appraise the District’s property at 2210 132<sup>nd</sup> Street SE, at a cost not-to-exceed \$2,900, to undertake the appraisal jointly with the City of Mill Creek, and to invoice the City of Mill Creek for 50% of the appraisal costs.

8.) **STAFF REPORTS**

a.) **District Engineer:**

Mr. Smith provided a very brief demonstration of a new GIS map that had been developed by District staff that shows the location of current projects under construction that also depicts project status and has table data for project information.



**b.) Finance Manager:**

Mr. Nelson provided an update on the State Auditor's Audit schedule for the District and indicated that the Entrance Conference is scheduled for Friday, November 15, 2019. Commissioner Keppler will attend the Conference on behalf of the Board.

Mr. Nelson also provided a quick update on a Microsoft System patch that impacted the District's utility billing system.

Finally, Mr. Nelson provided an update on the District's health insurance open enrollment process that is currently underway.

**c.) Attorney:**

No further report.

**d.) General Manager:**

Mr. Brees provided a reminder of the schedule of upcoming meeting dates and times. Mr. Brees also reported that an extensive Public Records Request that the District had received has been closed as the requester failed to provide the required deposit associated with providing the requested copies of records responsive to the request.

**This ends the Minutes of the November 14, 2019 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 November 14, 2019 regular meeting of Commissioners, duly adopted at a special meeting of the Board of Commissioners of the District, held at the regular meeting place thereof on November 26, 2019, 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 26<sup>th</sup> day of November, 2019.

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

  
Bill Anderson, Secretary