

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

September 21, 2015

The special meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on September 21, 2015, beginning at 5:30 p.m., at the District Administration Building. Attending were Commissioners Bill Anderson, Rod Keppler, and Anne Backstrom. Also present were General Manager Patrick Curran, District Engineer Rick Gilmore, and Finance Manager Brad Nelson; Eric Delfel with Gray & Osborne; and Eric Frimodt with Inslee, Best, Doezie, & Ryder P.S., Attorney for the District.

- 1.) **CALL TO ORDER:** Commissioner Anderson called the meeting to order at 5:30 p.m.
- 2.) **APPROVAL OF MINUTES:** The Minutes of the regular meeting of August 27, 2015 were unanimously approved as circulated.
- 3.) **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:

Fund	Code	Number	Amount
Water Maintenance	743 5408666	.09-040-.09-070	\$66,542.48
Sewer Maintenance	743 5418666	.09-015-.09-021	72,374.45
Sewer Capital Improve.	743 5448666	.09-003-.09-003	531,146.84
Revolving Check Fund		4289- 4313	4,089.48
Total Warrants			\$674,153.25

b. **Staff Report-Department of Revenue Excise Tax Audit**

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report regarding Excise Tax Audit, for their review. In March of 2015, the State of Washington started an audit of the District's excise tax payments; audit period of 2010 to September 2014. This audit covered the District's payment of Water and Sewer Excise Tax, Sales Tax, Out-of-State Tax, and Business and Occupation Tax.

Since March, staff communicated to the Board the basic findings of the audit, and has been working with the Department of Revenue staff on a calculation method to allocate sewer revenues between Sewer Collections and Sewer Treatment. This method is important as Sewer Collection Revenues are taxed at 3.852%, while Sewer Distribution Revenues are taxed at 1.5%.

Since the District's last Excise Tax Audit, the State has begun using a new allocation method; no change has been made to the Washington Administrative Code (WAC). Ronald

Wastewater District was one of the first Districts to be assessed back taxes, based on the State's new formula. They appealed the State's method and the issue was settled without a pronouncement being written. Staff believes the District's current method is consistent with the WAC; however, the State communicated they are going to assess back sewer taxes based on their method. The State's method results in higher percentage of revenue being assigned to Sewer Collections. Staff estimated the cost of the State's calculation to be approximately \$77,165.00 over the three year period, or \$25,721.00 per year.

In addition to the sewer collection/distribution formula change, the District also under reported water and sewer sale revenues and misreported certain retailing sales tax activities. The District updated the Excise Tax Calculations Model in March to correct the misreported revenues, but have not changed the sewer collection/distribution formula. A breakdown of the amount due is provided below:

Tax Code	Amount
Wholesaling-003	259
Services & Other Activities	22,554
Retailing Sales Tax-002	(678)
Retailing Sales Tax-001	(12,382)
Retailing Sales Tax-005	6,810
Water Excise	155,831
Total Water and Other	\$172,394

Tax Code	Amount
Sewer B&O-004	15,599
Sewer Excise	178,527
Total Sewer	194,126
TOTAL TAX AMOUNT	366,520

It's expected the Department of Revenue's Audit Report will be completed and mailed within the next two weeks. Staff requested the Board of Commissioners authorize them to pay the undisputed amount of approximately \$172,394.00 within 30 days of the due date. With respect to the change in the sewer collection/distribution formula, staff inquired if the Board would like to direct them to prepare a report on the appeal process, expected costs to prepare and present the appeal, an overview of the Ronald Wastewater District's appeal, and a report from Mr. David Hoagland (Hellam Varon) on the formula method, to present at a future Board meeting after the report is received. The Board could review these reports and determine if they would want to file an appeal on the disputed amount.

Following discussion, by motion passed unanimously, the Board of Commissioners approved staff to pay the undisputed amount of approximately \$172,394.00 within 30 days of its due date. The Board of Commissioners also directed staff to prepare a report on the appeal process; expected costs to prepare and present the appeal, an overview of the Ronald Wastewater District's appeal, and a report from Mr. David Hoagland (Hellam Varon) on the formula method, for their review at a future Board meeting after the report has been received by District staff.

c.) WCIA Claim Closed-Huong

Mr. Curran gave a verbal report to the Board of Commissioners regarding a release of claim notice dated September 9, 2015 from WCIA, stating they have paid \$12,398.02 in full and final settlement, and the Ngo Huong claim has been closed.

4.) CAPITAL IMPROVEMENT PROJECT REPORT(S)

a.) Developer Extension Agreement

Mr. Gilmore presented a verbal summary to the Board of Commissioners of a Staff report and Site Map regarding the Mayfield Estates II Developer Extension Agreement, for their review. This plat is located east of and along Seattle Hill Road, near 139th Street SE, and will be accessed through the Plat of Mayfield Estates off of 141st Street SE when the proposed plat roads are constructed. This project is a water and sewer extension that will serve 17 single family lots of the Mayfield Estates subdivision. The Developer is Pacific Ridge Homes-DRH, LLC.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for the Plat of Mayfield Estates II.

b.) 2015 Sewer Rehabilitation Project

Mr. Gilmore presented a verbal summary to the Board of Commissioners of a Staff report regarding the 2015 Sewer Rehabilitation Project, for their review. Staff, under the direction of the Board, is soliciting construction bid submittals electronically using the Builders Exchange of Washington. The project will be advertised for bid in the Everett Herald and the Seattle Daily Journal of Commerce on September 23, 2015, as well as the plans, specifications, and support documents being placed on Builder's Exchange of Washington Plan Center's webpage.

Bids are scheduled to be opened on Thursday, October 15, 2015. A summary of the bids received will be presented to the Board of Commissioners, along with a recommendation on intent to award the construction of this project, during the Board meeting of October 22, 2015.

5.) MAINTENANCE & OPERATION REPORT(S)

a.) Staff Report-Side Sewer Incident-Silver Firs

Mr. Curran presented a verbal summary to the Board of Commissioners of a Staff report regarding a Temporary Side Sewer Repair at 14307-57th Drive SE, Everett, for their review. On September 10, 2015, the District received a phone call regarding a possible sewer backup at the above referenced address. Tom Gaffney (District Crew) was dispatched and checked the upstream and downstream sewer manholes, where he found no blockage. He proceeded to use the District's Push Camera to TV the sewer main line to check for a blockage; no blockage was found. He called for a Lateral Launch Sewer Camera, and PRO-VAC was scheduled onsite at 1:30 p.m. The line was video inspected and it was determined that there was a sag in the District's side sewer line in the road right-of-way.

At 3:00 p.m., District crews began excavation. The excavation site was behind the sidewalk and was 7' deep. District crews found that the 6" concrete pipe was fractured just past the connection to the 4" PVC. The line had two bad sags that were located under the street in the customer's yard, causing the line to grease up over time and caused the line to backup into the residents shower. Crews made a temporary repair to the 6" concrete pipe to restore service to the home. Service was restored by 8:30 p.m. The homeowner stated no property damage occurred during this blockage.

On September 11, 2015, District crews bedded a temporary repair and placed steel sheets over the excavation to secure the site. The permanent repair will be added to the Silver Acres Water Main Improvements Project by change order.

6.) INTER-AGENCY REPORT(S)

a.) Celebration of Life for Mr. Arthur Wadekamper

The District received notice of a Celebration of Life for Mr. Arthur Wadekamper, Former Commissioner of Ronald Wastewater District and WASWD Board Member. The Celebration of Life was held on Saturday, September 19th, 2015, at 2:00 p.m., at Beck's Tribute Center in Edmonds.

7.) STAFF REPORTS

a.) District Engineer:

No further report.

b.) Finance Manager:

Mr. Nelson reported District invoices and processes for customer payments are set up to start October payments being received to the new Lockbox system.

Attorney:

No further report.

c.) General Manager:

No further report.

The General Manager requested an Executive Session to discuss matters pursuant to RCW 42.30.110 (1) (c) regarding property currently owned by the District. A motion was made, seconded, and unanimously approved by the Board of Commissioners to convene to an Executive Session to discuss this matter. Before convening to the Executive Session at 5:45 p.m., Commissioner Anderson advised that the Executive Session would be concluded at 6:00 p.m. The Executive Session concluded at 6:00 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 September 21, 2015 special 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

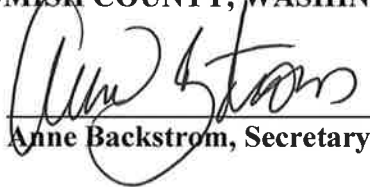
I, the undersigned, Secretary of the Board Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

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 September 21, 2015 special 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 October 8, 2015, 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 8th day of October 2015.

SILVER LAKE WATER AND SEWER DISTRICT
SNOHOMISH COUNTY, WASHINGTON



Anne Backstrom, Secretary