

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

October 22, 2015

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on October 22, 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; Lou Baransky with Sound Consulting Services; Eric Delfel with Gray & Osborne; and John Milne 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 October 8, 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	.10-048-.10-085	\$121,527.88
Sewer Maintenance	743 5418666	.10-021-.10-037	28,786.09
Sewer Capital Improve.	743 5448666	.10-006-.10-007	1,029.67
Water Capital Improve.	743 5468666	.10-005-.10-005	5,314.97
Revolving Check Fund		4339 - 4369	10,568.41
Total Warrants			\$167,227.02

b. SCS – Health Insurance Report – Lou Baransky

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report regarding 2016 Insurance Coverage and the MVEBA Stipend, for their review. The District's total 2015 costs are expected to reach about \$673,593. Since the passage of the Affordable Healthcare Act, it has significantly changed the insurance market and the Board of Commissioners have enacted several cost controls, including limiting VEBA contributions by 75% of the remaining stipend's funds, leaving Snohomish County's medical, dental, and vision programs, and performing an annual review of providers, rates and coverage.

Historically, the District has established the monthly stipend slightly above or at the median cost for an employee to purchase medical, dental, and vision benefits for a family. For 2015, the monthly stipend is \$2,215 per month. Employees are provided two Premera

Medical Insurance options to choose from. In addition, VPS provides vision insurance and MetLife provides dental insurance.

The District's broker (Sound Consulting Services, Mr. Lou Baransky) solicited medical, dental, and vision proposals. As with previous years, the market for medical coverage is experiencing major changes for pricing and coverage. The District's existing provider, Premera, did not submit a proposal in time; however, they are communicating a 20% increase in costs, especially to the existing Employee Plus Family rate which would price them significantly above the other proposals. Two significant changes are a combination of "age" banded pricing coupled with per "dependent" pricing. This combination of price changes presents a structural challenge to the District's practice of providing the median insurance coverage for an employee, spouse, and child in the monthly stipend.

The new medical insurance rate structure has the cost for a spouse equal to an employee's (age dependent) and each dependent is charged based on their age. The implication for the District is that an employee with a spouse and more than two dependents could have medical, dental, and vision costs that exceed the monthly stipend. Conversely, if the District increases the stipend to meet the new rate structure, then its total costs would increase more significantly.

For 2016, Mr. Nelson stated no employees have more than two dependents and a covered spouse, and the current MVEBA amount meets the median coverage with the medical, dental, and vision costs for a family with two dependents at \$2,200.61 for the Regency Plan. He stated in his report the options were either the Premera Gold or the two Regency Platinum and Platinum Plus Plans (dependent on enrollees). Staff did not recommend increasing the monthly stipend of \$2,215.00 for 2016.

While the overall MVEBA rate does not need adjustment, the employees with more than one dependent or employees with spouses only will see a more dramatic increase in their medical insurance costs and a decrease in the monthly MVEBA amount than other employees in the District.

Mr. Nelson introduced Mr. Lou Baransky with Sound Consulting Services to present a Preliminary Proposal which would commence December 1, 2015.

Following discussion, by motion passed unanimously, the Board of Commissioners approved the selection of the Regency Platinum and Platinum Plus Plans for medical coverage for all staff, beginning December 1, 2015, to terminate the Premera plan as of that date, and agreed to the staff recommendation to keep the monthly stipend at \$2,215.00.

c.) Staff Report – 2016 Equipment Replacement Assumptions

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report regarding 2016 Equipment Replacement Assumptions, for their review. In 2007, the District Commissioners approved Resolution No. 623, which adopted an Equipment Replacement Schedule for the District. This schedule authorized an Equipment Replacement Schedule of \$1,878,150 over the next 20 years. Since its approval, the

District has purchased replacement vehicles and developed new assumptions for the District's vehicles and equipment.

For 2016, staff recommendations would result in a net increase of total equipment replacement costs of \$158,520 from 2015. This would increase total future replacement costs from \$2,445,370 to \$2,603,890 over the next twenty years.

For 2016, staff recommended purchasing \$123,520 of new equipment and no replacement of existing equipment (new meaning vehicles and equipment not previously approved by the Board of Commissioners; replacement meaning vehicles and equipment which have been previously approved by the Board).

Staff recommended the purchase of an Articulating Loader (sized like R-420S, \$65,000). This Loader will provide better removal and cleanup of material in the Vactor decant area and would be used to move larger pieces of pipe, load gravel into the smaller trucks, and provide smaller sweeps of the parking lot and job sites. The existing trailer can be used to transport the proposed Loader to a job site.

The State of Washington adjusted the Fall Protection Regulations to include heights of four feet or greater. The old Fall Protection Regulations applied to changes in elevation of more than ten feet. Staff researched solutions to meet the regulations and is recommending a combination of Vehicle Equipped Fall Protection Gear (\$11,855) and Mobile Fall Protection Gear stored at the District Headquarters (\$5,165).

Staff also recommended purchasing seven Back-up Cameras for larger District vehicles and the Sprinter Van for (\$7,000); this price includes installation. The Back-up Cameras will improve vehicle safety when backing up the District's larger vehicles. Staff confirmed the monitor and equipment can be installed without impacting air bag deployment. Mr. Curran advised the Commissioners initially staff would have one Back-up Camera installed and test its effectiveness for a few weeks to confirm the camera device's effectiveness before proceeding to install the additional six cameras.

Finally, last year the Board of Commissioners authorized staff to purchase a Water Valve Exerciser for \$10,435. However, before the unit was purchased, staff saw a Truck Mounted Water Valve Exerciser demonstrated at Sammamish Plateau Water District. Staff believes this unit would better fit the District's needs. This unit's cost is \$28,500 and, if approved, would be installed on the 2008 F-250 Utility 4x4 (Truck #42) and incorporated into the Fire Hydrant Replacement Program.

In addition to 2016 Equipment Replacement Assumptions, staff also recommended two operating capital purchases for 2016. The first is the installation of davits and ship ladders for the 17 water vault locations to meet new fall protection regulations, with the total cost of this work estimated to be \$44,785, with staff performing the installation. The second is staff requested to replace the existing plotter with a new plotter/scanner capable of printing higher quality maps and scanning large format drawings, at a cost of \$8,800. The 2009 Plotter/Printer would be sold.

Following discussion, by motion passed unanimously, the Board of Commissioners approved the purchase of the Articulating Loader (65,000); Fall Protection Gear for Trucks #46 & #55 (\$11,855); Mobile Fall Protection Gear (\$5,165); Backup Cameras for seven trucks (\$7,000); Truck Mounted Valve Exerciser (\$28,500); and Emergency Lighting (\$6,000); totaling \$123,520.

The Board also approved two operating capital purchases; the installation of davits and ship ladders for 17 water vault locations with staff performing the installation (\$44,785) and the replacement of the existing plotter with a new plotter/scanner (\$8,800).

d.) Staff Report – Third Quarter Financial Reports-September 30, 2015 (Pre-closing)

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report regarding Third Quarter Financial Reports-September 30, 2015 (Pre-closing), for their review.

e.) Financial Management Policies-Resolution No. 714

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report regarding Financial Management Policies and Resolution No. 714, for their review. Staff proposed updating the District's Financial Management Policies to address these changes: 1) authorizing the General Manager to issue credit/purchasing cards to District employees, with the exception of the Finance Manager; 2) continue authorization of a Costco Business Credit/Purchasing Card with a credit limit of \$10,000; and 3) some minor clarifications for third party payment processors. Staff is recommending a card be issued to the Standby Duty person to allow them to make emergency purchases when the office is closed, and also recommended issuing District cards to the District's Electrician and Field Lead.

The District will retain Travel Card "A" and "B". These cards will continue to be issued to employees and Commissioners for specific purchases or travel needs. The total credit limit for all District credit/purchasing cards will remain at \$55,000 and split between the cards issued to the General Manager, Accountant, Field Supervisor, Field Lead, District Electrician, Travel Card "A" and "B", and the Standby Duty Card. Staff also recommended waiting for Costco to announce who their new credit card provider will be and their terms for opening an account before proceeding with Costco cards. Once Costco announces their new business credit/purchasing card, staff would like authority to proceed with applying for its card.

Following discussion, by motion passed unanimously, the Board of Commissioners adopted and executed Resolution No. 714, adopting Financial Management Policies and repealed Resolution No. 683. The Board approved issuing credit cards to the Standby Duty person (for emergency purchases when the office is closed), and for the District's Electrician and Field Lead. They also approved for staff to apply for the Costco Business Credit/Purchasing Card once Costco announces who their new credit card provider will be.

f.) Transfer Master Meter No. 10 to Alderwood-Resolution No. 715

Mr. Curran presented a verbal summary to the Board of Commissioners regarding Resolution No. 715 (Approving the Transfer of Certain Assets to Alderwood Water & Wastewater District in Accordance with the Terms and Conditions of the Agreement dated April 25, 2013, Between Alderwood and the Silver Lake Water and Sewer District, Concerning Wholesale Water Supply) and Exhibit "A" (Bill of Sale-Water) for their review.

Following discussion, by motion passed unanimously, the Board of Commissioners, approved and executed Resolution No. 715 and the Bill of Sale, approving the transfer of certain assets (Master Meter No. 10) to Alderwood Water & Wastewater District.

g.) Department of Revenue-Excise Tax Audit

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report and draft Scope of Work provided by the FCS Group, for their review. On September 21, 2015, staff reported to the Board of Commissioners the status of the Department of Revenue Audit. In addition to underreporting certain water and sewer revenue accounts, the Department of Revenue (DOR) changed the methodology of allocating sewer revenues between collection and distribution. The reason the calculation method is so important is the Sewer Collection Revenues are taxed at 3.85% while the Sewer revenues relating to transmission and treatment are taxed at 1.5%. Staff outlined the basic appeal process as well. The total amount of tax the DOR alleges is owed is \$366,520 plus interest.

Since that meeting, staff reviewed documents related to the Ronald Wastewater appeal, and spoke with the District's Attorney, Mr. John Milne. One of the supporting documents provided by the DOR in the Ronald Wastewater appeal was the FCS Group report that supported the calculation method being used by the DOR. However, contacts with FCS Group indicate their belief that the report they issued was not intended to communicate the method outlined by the State. The date for filing the appeal is November 6, 2015, which is a tight timeline to get material reviewed and completed.

The author of the report that the State used, Mr. Gonzales, is currently on vacation until October 26, 2015; however, FCS Group provided the draft Scope of Work for District staff's review and to help them prepare an appeal to present to the Board of Commissioners. The total cost of this work would not exceed \$16,760.

Staff requested the Board of Commissioners authorize the General Manager to prepare a Contract for Services not to exceed \$25,000 with FCS Group, and depending on the recommendation by FCS Group, file an appeal with DOR on or before November 6, 2015. Mr. Nelson stated staff is requesting additional spending authority since Mr. Gonzales was not available when the proposal was developed and the deadline for filing the appeal is before the next Board of Commissioners meeting.

Following discussion, by motion passed unanimously, the Board of Commissioners authorized the General Manager to prepare a Contract for Services, approved the additional spending authority not to exceed \$25,000 and depending on the recommendation by FCS Group, file an appeal on or before November 6, 2015.

4.) **CAPITAL IMPROVEMENTS**

a.) **Purchase and Sale Agreement – Goodman Homes**

Mr. Curran presented a verbal summary to the Board of Commissioners of documents; Notice of Award of Contract to Purchase Surplus Property (Saeed Abtahi), a Withdrawal of Bid for Surplus Real Property (Bright Star Children's Center, LLC), a Real Estate Purchase & Sale Agreement (Signed by Goodman Real Estate, Inc.) and a letter to First American Title Company regarding an Escrow Account (Goodman Real Estate's Bid Deposit), for their review.

b.) **Report to the Board-Silver Acres Water Main Project Phase 2**

Mr. Gilmore presented a verbal summary to the Board of Commissioners of a Staff report regarding the Silver Acres Water Main Improvements Phase 2 Project, for their review. The Contractor, Earthwork Enterprises, has signed and the General Manager has executed, Change Order No. 1 to the construction contract for this project. This change order modified Schedule "C" payment and added Schedule "D" an additional side sewer repair for a total net increase to Earthwork Enterprises contract of \$15,606.32, without Washington State Sales Tax.

The water main has been installed and two new valve clusters installed for connection of the new main to the District's water mains (one on Freeway Place and one at Silver Lake Road) are schedule for this week. Services will be constructed from the new main to the existing meter boxes, currently served from Everett's parallel main. No transfer of services or tie to the connection clusters will occur until water main testing is complete and purity results are achieved.

c.) **Report to the Board-2015 Sewer Rehabilitation Project**

Mr. Gilmore provided a verbal summary to the Board of Commissioners of a Staff report and Gray & Osborn's (G&O) certified bid tabulation, evaluation of bids, and bid award recommendation regarding the 2015 Sewer Rehabilitation Project, for their review. Staff advertised the project for bid solicitation in the Everett Herald and Seattle Daily Journal of Commerce. Plans and specifications were posted for on-line access using the Builder's Exchange of Washington's website and the Bid Opening was held on October 15, 2015, at 2:00 p.m. Two bids were received with the lowest bid submitted by Insituform Technologies, LLC.

The two bids received were significantly higher than the Engineers Construction Estimate of \$449,000. G&O performed an analysis of the low bidder's cost breakout and found only two bid items, traffic control and bypass pumping that were significantly higher from unit costs used by G&O. They also communicated with the low bidder, to identify the Contractor's reasoning and believe that discussions of their traffic control and bypass pumping plans during the submittal process has potential for alternative approaches that could reduce the costs to the District.

The recommendation from G&O is to accept the bids as presented, and identify Insituform Technologies, LLC as the lowest responsible bidder, and to award this project to Insituform Technologies, LLC.

Staff requested the Board of Commissioners accept the bid submittals and direct staff to award a contract for construction to the lowest responsible bidder, Insituform Technologies, LLC. The Board was also requested to authorize the General Manager to execute a contract with Insituform Technologies, LLC when they are compliant with the contract requirements for this work, for an amount including Washington State Sales Tax totaling \$582,811.56.

Following discussion, by motion passed unanimously, the Board of Commissioners accepted the bid submittals and directed staff to award the contact to the lowest responsive responsible bidder Insituform Technologies, LLC. The Board also authorized the General Manager to execute a contract with Insituform Technologies, LLC when they are compliant with the contract requirements for this work, for an amount totaling \$582,811.56, including Washington State Sales Tax.

5.) MAINTENANCE AND OPERATION REPORT(S)

a.) Reschedule November 26th, 2015 Commissioner Meeting

By motion passed unanimously, the Board of Commissioners determined to cancel the regular meeting of November 26, 2015, which falls on Thanksgiving Day, and to schedule a special meeting of the Board of Commissioners on Monday, November 23, 2015, at 5:30 p.m. at the District Administration Building to consider all business that may come before the Board.

b.) Reschedule December 24th, 2015 Commissioner Meeting

By motion passed unanimously, the Board of Commissioners determined to cancel the regular meeting of December 24, 2015, which is Christmas Eve, and to schedule a special meeting of the Board of Commissioners on Wednesday, December 23, 2015, at 11:00 a.m. at the District Administration Building to consider all business that may come before the Board.

c.) District Surplus Report-Declare Property as Surplus-Resolution No. 716

Mr. Curran presented a summary to the Board of Commissioners of a resolution declaring certain District personal property to be surplus and detailing the terms of sale or disposal of such property, Attachments "A" (listing of items for sale & photos), "B" (listing of recycle scrap & photos), "C" (technology listing), and "D" (listing of items to be destroyed) for their review.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed Resolution No. 716, directing District staff to sell at a private auction the property listed in Attachment "A" in accordance with a process determined by the General Manager; to sell the property listed in Attachment "B" at a private sale to a scrap metal vendor that provides the best economic benefit to the District; to sell at a private auction the technology products listed in Attachment "C" in accordance with a process determined by the District's General Manager; to destroy and dispose of the property listed in Attachment "D" (for technology products that have memory storage devices or hard disk drive, such devices are to be removed and physically destroyed prior

to disposal); and each item or lot set for Sections 1 through 5 are to be sold “as is where is”.

6.) STAFF REPORTS

a.) District Engineer:

No further report.

b.) Finance Manager:

No further report.

Attorney:

No further report.

c.) General Manager:

Mr. Curran reported on the Everett Water Utility Pilchuck River Crossing Project which has shut down Everett’s Water Transmission Line #5, depriving the Clearview Water Supply Agency with water for 24 hours. Silver Lake is meeting its water demands by using its reservoir storage.

Mr. Curran provided a report on the status of Everett’s water supply and drought plan.

The General Manager advised there were no matters to be discussed in Executive Session.

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

This ends the Minutes of the October 22, 2015 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 October 22, 2015 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 November 12, 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 12th day of November 2015.

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



Anne Backstrom, Secretary