

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

November 12, 2015

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on November 12, 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 and Finance Manager Brad Nelson; 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 22, 2015 were unanimously approved as circulated.
- 3.) **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	.11-001-.11-051	\$459,299.52
Sewer Maintenance	743 5418666	.11-001-.11-017	630,544.00
Sewer Capital Improve.	743 5448666	.11-001-.11-004	176,926.06
Water Capital Improve.	743 5468666	.11-001-.11-004	183,740.28
Revolving Check Fund		4370 - 4408	54,703.58
Total Warrants			\$1,505,213.44

b.) **2016 Contracted Service Rates – Water & Sewer**

Mr. Nelson presented a verbal summary to the Board of Commissioners of a Staff report regarding 2016 Contracted Service Rates for Water & Sewer, for their review. Since the District has one water basin, the net cost of water to the District is a blend between the water costs for Clearview Water Supply Agency (CWSA), the City of Everett, and as a wholesale water customer of Alderwood Water & Wastewater District (AWWD). Staff anticipates a 2% water demand growth in 2016. The District's total increased CWSA costs would be approximately \$150,290. District staff believes the District's entire water demand can be met via CWSA and Master Meter #10.

The 2016 forecast estimates the District will begin reducing direct water purchases from the City of Everett and anticipates that by the end of 2016, the District will discontinue to use the west end meter. With the completion of Master Meter #10 the District began to purchase water from AWWD and expects this trend to continue until water from Master Meter #10 replaces direct water purchases from the City of Everett. For 2016, staff expects the AWWD Wholesale Rate to be approximately half of the City of Everett's

Water Rate. Overall, it's anticipated the net water rate to increase approximately \$.04 per unit to \$.96 per blended water unit in 2016, depending on how much water is purchased directly from the City of Everett and AWWD. For the contracted water rate increase between 2015 and 2020 (CWSA, AWWD, City of Everett) staff expects per unit water rates to increase at an annualized rate of 1.46% with an annualized increase in consumption of 3.57% over the next five years.

The District purchases sewer treatment services from the City of Everett and AWWD. Both sewer rates are determined by long term contract. The forecast for 2016 is based on the new contract formula which reduced the District's 2015 rate below the 2014 rate by \$.54. The City of Everett estimates their 2016 treatment rate at \$30.75; an increase of \$.62 or 2%; \$.08 above the 2014 treatment rate of \$30.67.

In 2015 King County Metro adopted a new sewer ordinance that slowed its sewer rate increase and based on this ordinance, the District is not expecting a 2016 rate increase for sewer customers in the AWWD Basin.

Staff continues to be uncertain about the forecast estimates for both the Everett and Alderwood Basins. For customers within the Everett Basin, the most significant impacts will be the capital costs if the existing treatment plant is required to upgrade, due to new discharge regulation.

For customers within the Alderwood Sewer Basin the most significant impacts are the capital costs associated with the Brightwater Treatment Plant in relationship to the economic downturn and the projects reliance on future connection fees.

Staff anticipates the 2016 Water Rate increase to be \$.05 per water unit as a pass-through. For the 2016 Everett Sewer Basin Rate, staff anticipates \$.10 per ERU as a pass-through. And finally, staff anticipates no increase to the Alderwood Sewer Basin Rate for 2016.

4.) CAPITAL IMPROVEMENT PROJECT(S)

a.) Staff Report-Silver Acres Water Main Improvements Phase 2 Project

Mr. Delfel presented a verbal summary to the Board of Commissioners of a Staff report and Gray & Osborne's Progress Estimate No. 1 regarding the Silver Acres Water Main Improvements Phase 2 Project, for their review. All of the water main has been installed, pressure tested, and passed the purity testing. All services were transferred from the parallel Everett water main to the newly installed District main.

The District was informed by Gray & Osborne staff that they will request an increase to their Contract for Services to account for the additional construction inspection and documentation for the side sewer added under Change Order No. 1 to this project, and they will present this request for increase based on actual inspection time when known.

Staff requested the Board review and approve Progress Payment Request No. 1, and direct staff to process a payment to Earthworks Enterprises as identified. In addition, staff requested the Board, by motion, authorize Gray & Osborne to proceed with construction inspection and documentation of the work identified in Change Order No. 1 and to

identify the Gray & Osborne contract for providing these services to the Silver Acres Water Main Improvements Phase 2 Project to be increased, based on actual inspection time incurred.

Following discussion, by motion passed unanimously, the Board of Commissioners approved Progress Payment Request No. 1 and directed staff to process a payment to Earthworks Enterprises in the amount of \$154,667.05. The Board also authorized Gray & Osborne to proceed with construction inspection and documentation of the work identified in Change Order No. 1 and to identify that Gray & Osborne's Contract for providing these services to the Silver Acres Water Main Improvements Phase 2 Project will increase based on actual inspection time incurred.

b.) Vintage at Mill Creek DEA

Mr. Delfel presented a verbal summary to the Board of Commissioners of a Staff report regarding the Vintage at Mill Creek Developers Extension Agreement, for their review. This site was occupied by Molbak's Nursery and is west of the 132nd Street Office Building. The project is a water and sewer extension project that will serve Senior Housing for those 55 and older. It will be three buildings, all four stories over one level of parking. The project proposes 216 living units and 7,000 square feet of commercial space incorporated in the buildings. The Developer is Vintage Housing Development, Inc.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for Vintage at Mill Creek Project.

c.) Report-One Year Inspection-Reservoir No. 2 Coating System

Mr. Delfel presented a verbal summary to the Board of Commissioners regarding a Staff report and One Year Inspection Report on Reservoir No. 2 (Coating System) for their review. The Reservoir was emptied and the one year inspection performed on the Reservoir. The inspection of the coating system was performed by Quality Coating Inspection & Consulting, Inc. (QCIC). Their report identified a few minor surface blemish type defects.

The investigation presented a very positive review of the condition of the coating system. The results did not identify any problems extensive enough to require immediate repair. At the recommendation of Gray & Osborne and QCIC, the District will restore the Reservoir to service and all repairs will be made following the two-year final inspection.

5.) INTER-AGENCY REPORT(S)

a.) Pilchuck River Crossing Shutdown

Mr. Curran gave a verbal report to the Board of Commissioners regarding the Pilchuck River Crossing Shutdown which was completed in a timely manner.

b.) Everett Drought Response Report

Mr. Curran presented a verbal summary to the Board of Commissioners regarding the Everett Drought Response Report, for their review.

6.) STAFF REPORTS

a.) District Engineer:

No further report.

b.) Finance Manager:

No further report.

c.) Attorney:

No further report.

d.) General Manager:

Mr. Curran reminded the Commissioners that the next Commissioner Meeting is scheduled for Monday November 23, 2015 at 5:30 p.m. at the District Administrative Office.

Mr. Curran reported that attorney Mr. Mike Jonson has agreed to represent the District regarding the State Department of Revenue tax audit findings. He has filed for an extension to the appeal deadline to allow better preparation of the appeal documents. The deadline is now December 8, 2015.

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 6:07 p.m., Commissioner Anderson advised that the Executive Session would be concluded at 6:10 p.m. The Executive Session concluded at 6:10 p.m. and the open public meeting reconvened.

The Commissioners discussed concerns regarding the Goodman Real Estate, Inc. purchase offer due to ambiguities and internal inconsistencies in the document and due to terms unacceptable to the District. The General Manager noted that another party, Mr. Saeed Abtahi, had also submitted an offer to buy the property which was compliant with District requirements, but had a lower purchase price than the offer submitted by Goodman. Following discussion, the Commissioners authorized the General Manager to negotiate further with Mr. Saeed Abtahi, and, if his offer exceeds Goodman's offer, the General Manager was authorized to accept the offer and proceed to close the purchase and sale.

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

This ends the Minutes of the November 12, 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

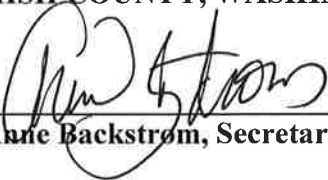
I, the undersigned, Secretary of the Board of Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

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 12, 2015 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 23, 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 23rd day of November 2015.

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



Anne Backstrom, Secretary