

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

June 28, 2018

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on June 28, 2018, 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 Curt Brees, 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.

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 June 14, 2018 were unanimously approved as circulated.

3.) PUBLIC COMMENT:

There was no members of the public present for comment at the meeting.

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	.06-055-.06-090	\$225,022.79
Sewer Maintenance	743 5418666	.06-020-.06-026	698,954.09
Sewer Capital Improve.	743 5448666	.06-006-.06-006	38,658.70
Water Capital Improve.	743 5468666	.06-009-.06-009	25,939.98
Revolving Check Fund		5988 - 6040	64,394.82
Total Warrants			\$1,052,970.38

b.) Staff Report – State Auditor’s Exit Conference Item

Mr. Nelson provided a verbal summary to the Board of Commissioners regarding a Staff report and attached brief outline and status of the five exit item recommendations provided by the State Auditor.

When the State Auditor concluded the audit for the fiscal period ended December 31, 2016, they provided five exit item recommendations for the District. The State Auditor’s reporting hierarchy for their concerns are: findings, management letter items, and exit items. Of the three, findings are the most significant action the auditor can issue. In addition, the auditor can issue a qualified opinion on the District’s financial statement, which means the information was limited in scope or the agency did not maintain/report under Generally Accepted Accounting Principles (GAAP). The District has never had a finding or a qualified opinion in its history.

The District reviews all management and exit items to determine if an improvement can or should be made. Such reviews can result in the Board of Commissioners authorizing or directing staff to modify procedures, set a new policy, or no change based on the completed review. The District has already updated its procedures for year-end expense accruals, journal entry review, and capital assets. These were straight forward changes to procedures where District staff concurred with the exit conference recommendation. District staff will be working on Financial Management Policy recommendations to address the auditor's concerns with procurement and contract change orders, and will be reporting to the Board with a recommendation at a later date.

With respect to the auditor's recommendations for self-insurance for unemployment, staff is not recommending any changes to the District's current business practices. The State of Washington provides unemployment insurance for its workers with the State of Washington being the insurer and employers paying the State. The State allows businesses to either pay a monthly rate or pay claims directly when they occur. The District has elected to pay as claims are submitted. For the last ten years, the State has received no claims for unemployment from former employees of the District. Staff estimates this has saved the District over \$250,000 in payments to the State or about \$25,000 per year.

In addition, staff does not see a benefit in hiring an actuary to determine the District's potential cost of future unemployment claims since actuarial studies are expensive and the District's unemployment costs have been nonexistent. Staff is not recommending establishing a reserve fund for future unemployment claims. There are two main reasons for this recommendation. First, as of May 31, 2018, the District has over \$45 million in cash and investments. Second, establishing a reserve fund would have no effect on the District's financial statements, since only legally restricted assets, such as Bond Reserve Funds, can be separated as restricted assets on the Financial Statements.

Staff requested the Board of Commissioners, if in agreement with the Staff recommendation, to not make any changes to the District's practice of paying unemployment claims when or if they occur (this practice has resulted in savings estimated at \$25,000 per year), and to determine there is no benefit to justify the cost of hiring a consultant to perform an actuarial study.

Following discussion, by motion made, seconded, and carried unanimously, the Board of Commissioners directed staff to take no further action on this matter.

5.) CAPITAL IMPROVEMENT PROJECT(S):

a.) Staff Report – Headquarters Project Update

Mr. Brees presented a verbal summary to the Board of Commissioners of a Staff report with attached Change Order Proposal No. 33 and Gray & Osborne, Inc. Construction Management Scope Amendment and Change Order No. 6, regarding the District's Headquarters Upgrade Project.

Current work on the site includes, installation of the overhead doors and work to complete the new laundry, restroom, sleeping quarters, and mezzanine areas in both Buildings "A" and "B". On Friday, June 22, 2018, initial paving work was completed. It is anticipated that the paving subcontractor will complete the scope of their work in three separate

mobilizations. The paving work completed last Friday will permit Petra, Inc. to close down the existing entry to the site as an alternate entry is now open from the intersection of 153rd Place SE and 41st Avenue SE to the customer parking lot. Staff anticipates the contractor will begin work on the customer parking lot which will include closing the current street entry in the coming week.

The ten month contract term for the project ended on June 10, 2018. The contractor is now forecasting substantial completion on July 20, 2018. Previously, Petra, Inc. requested an additional 21 calendar days to complete the work, alleging weather delays encountered in March and April of this year. The District's project team did not believe that 21 days were warranted as it was not shown that weather affected the "critical path" for the project. However, Petra, Inc., based on initial discussions with the District's project team, submitted Change Order Proposal No. 33 (COP #33) which would grant additional time to complete work as a part of a resolution that encompasses all of the other current unresolved claims. This would move the date of substantial completion to July 20, 2018. There is no direct cost to the District from Petra, Inc. associated with this request. However, the District is incurring additional expense associated with construction management and construction supervision of the project.

By extending the construction schedule beyond the ten months authorized by the contract, the District will incur additional costs to provide for Construction Management and supervision of the work. The Amendment to the Scope of Work by Gray & Osborne, Inc. totaling \$35,664.00 includes all costs associated with managing the project through the requested completion date of July 20, 2018. Page & Beard forecasted they currently have a remaining budget within the Scope of Work previously approved, based on a revised substantial completion date of July 20, 2018. Mr. Brees provided the Board of Commissioners with a project expenditure report reflecting all previously approved changes and the requested Change Order No. 6 for discussion purposes.

Staff requested the Board of Commissioners review Change Order No. 6, which includes COP No. 33, and the Amendment from Gray & Osborne, Inc., and if in agreement, by motion, approve Change Order No. 6 and the Amendment proposed by Gray & Osborne, Inc., to include the additional scope and budget for Construction Management to total \$35,664.00.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners approved Change Order No. 6.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners approved the Amendment proposed by Gray & Osborne, Inc. to include the additional scope and budget for Construction Management, in the amount of \$35,664.00.

b.) Staff Report – Reservoir No. 3 Improvement Project Update

Mr. Delfel presented a verbal summary to the Board of Commissioners of a Staff report regarding the Reservoir No. 3 Improvements Project update.

The Contractor has completed the electrical conduit installation beneath the floor slab in the new Booster Station. Pouring of the concrete slab is complete. Masonry work is complete and the roof trusses are being placed.

The stairs, catwalk, and handrail components have been delivered to the site and have been positioned and welded to the tank. The primer coating has shown separation and QCIC, G&O's specialty coating inspection firm, performed testing to determine if the application of the base primer was completed to specifications. Substantial mill scale was revealed beneath the primer and all of this metal fabrication will need to be field stripped by abrasives blasting and recoated prior to application of the color coatings to match the existing tank pattern. The failure was determined to be caused by improper preparation of the metal prior to application of the base primer. The metal fabricator is selecting a painting company to wet sand blast the metal and apply the base primer and top coats to the manufacturer's requirements. The wet sand blasting is a technique that will allow removal of the primer without release of sand blasted materials to neighboring properties. The interior blasting and preparation of the tank for coating is scheduled to be initiated by Coatings Unlimited this week. All of the additional work will be performed at no cost to the District.

c.) Developer Extension Agreement – Ruggs Lake-Four Lot Short Plat

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report and Vicinity Map regarding a Developer Extension Agreement for Ruggs Lake-4 Lot Short Plat.

Ruggs Lake-4 Lot Short Plat is located at 12621 Ruggs Lake Road SE. This project is a four lot subdivision located on the northerly side of Ruggs Lake Road. Sewer and water will be required for the plat needs extended from existing water and sewer facilities fronting the property. This parcel was originally proposed as a developer extension in 2008 under the name of Schreifels Short Plat, but the application expired. The Developer of the Ruggs Lake-4 Lot Short Plat is Crane Land Development Construction, LLC.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for Ruggs Lake-4 Lot Short Plat.

d.) Staff Report-Front Office Security Improvements

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report regarding Front Office Security Improvements.

The architect and District staff are conducting final review on plans and specifications prior to bidding to Contractors on the MRSC Small Works Roster. The preliminary schedule for the project is as follows:

1) Advertise for Bid – Submit to Contractors on MRSC Roster	July 3, 2018
2) Hold Pre-bid Conference	July 12, 2018
3) Bids Due	July 19, 2018
4) Award Contract	July 26, 2018 (tentative)
5) Construction	August – October (tentative)

6.) MAINTENANCE AND OPERATION REPORT(S):

a.) Staff Report-Lighting Retrofit Project

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report with an attached PUD Lighting Retrofit Summary regarding the Lighting Retrofit Project for the District Headquarters.

The initial construction of the District Headquarters was completed in 2006, and constructed to the then current energy code using efficient fixtures and controls that were available in 2006. The existing light fixtures are florescent in interior spaces or metal halide for exterior mounting locations. There is a master lighting controller that regulates the exterior lighting and overrides switches for interior lighting to shut everything down when the building is not in use. The existing fixtures typically have a bulb life of 8,000 - 15,000 hours and in many cases are at the end of their useful life on either the first or second re-lamp or the fixtures frequently need maintenance to replace ballasts.

Since 2006, lighting technology has changed dramatically with Light Emitting Diode (LED) fixtures now in wide spread use for all lighting applications found at the District's site. The LED fixtures offer better lighting quality, longer life, many LED's do not require a ballast (resulting in lower maintenance costs), and the energy use is about half of that of the existing fixtures. The current Headquarters project utilizes all LED lights for both interior and exterior fixtures. At the exterior locations they will be newer versions of the non-LED fixtures so they will match existing fixtures in appearance.

Currently, Snohomish County PUD (PUD) offers rebates to business customers that upgrade to LED lamps, fixtures, or controls. John Evertz and Richard Hoffer (the District's Electricians) recently participated in a retrofit project by helping to install fixtures at the Clearview Pump Station with Alderwood Water & Wastewater District personnel. This project was a retrofit project that utilized PUD rebates to offset some of the cost. Capitalizing on the experience of the Clearview project, John Evertz is currently working with North Coast Electrical Distributors (a distributor for the District's current light fixtures) on a retrofit proposal that would upgrade all of existing fixtures to LED lamps or fixtures. The estimated cost of the project is \$60,000 in materials and labor by District personnel. It is estimated that the project will result in a saving of 63% of the District's site electrical use, approximately 100,000 kwh/annually, which roughly approximates the typical energy use of ten households. The PUD would provide an incentive rebate in the amount of \$12,400 and annual energy savings is estimated at almost \$9,000 per year. The incentive and energy savings would result in a simple payback in just over five years (Materials Cost/Rebate + Energy Savings). District staff provided a project summary detailing the costs, energy use, and savings for the project prepared by the PUD.

To complete the purchase of materials required for the project and rebate, District staff reviewed the State of Washington Department of Enterprise Services contracts and determined that no current contracts include the specific fixtures and lamps required by the District to match the existing equipment, lamp sockets, poles, and mounting configurations. As the planned materials purchase exceeds \$40,000, competitive bidding would normally be required; however, RCW 39.04.280 permits an exemption to competitive bidding for special facilities or market conditions. It was the General Manager's opinion both circumstances applies to procure LED equipment now.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners approved and executed Resolution No. 761, waiving the competitive bidding requirements due to special facilities or special market conditions, and authorizing the purchase of LED fixtures, lamps, and equipment totaling \$59,450 plus applicable tax, from North Coast Electrical Company.

b.) Staff Report-Purchase Authorization of Additional Storage for Host Servers

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report regarding Purchase Authorization of Additional Storage for Host Servers.

Last year, the District purchased two servers to serve as hosting servers, replacing most of the District's physical servers with virtualized ones that reside on the host servers. The host servers are working well for this purpose and have proved to be very versatile in accomodating additional uses as well. Some of these current and planned uses are:

- Backup location for non-virtualized servers as well as virtualized servers.
- Location for new Phone System Servers.
- Location for Asset Management System (Lucity) Servers (planned for fall).
- Location for sewer CCTV inspection videos (planned for later this year).

The host servers are designed and currently configured so that if one server goes down the other will be able to run all of the District's applications until the other one is back online. When both servers are working they split the load of the various virtual servers. With the additional applications that are being added to the host servers in the near future, the District will not have sufficient storage to run all of the applications on a single server.

Staff proposed to purchase two direct attached storage devices that will increase the amount of storage on each host server. One device will be attached to each host server. These storage devices will also introduce two different tiers of storage. Each device will have 20 Terabytes of slower speed storage and 4 Terabytes of fast solid state storage. This amount of storage will enable the District to accommodate planned uses for the host servers as well as extra for unanticipated uses over the next 4-5 years, which is anticipated to be their intended useful life. However, if needed, the devices are expandable if the District ever requires further storage.

The faster SSD storage is more expensive, but will enable staff to speed up some of the District's applications, particularly GIS, which will enable a better user experience for District staff.

Three quotes for the two storage devices have been obtained. The most favorable quote, a customized quote from Dell is for \$29,971, plus sales tax. Staff is planning to use these storage devices for a minimum of five years. See below for quote summary:

Cost of two new direct attached storage devices (Dell PowerVault MD 1200) (without tax)	
Quote from Dell Representative	\$29,971
Comparison Quotes	
State Contract	\$47,408
Dell.com	\$31,993

Staff recommended that the Board of Commissioners, by motion, authorize the District's General Manager to purchase the storage devices provided on the quote from Dell.

Following discussion, by motion made, seconded, and passed unanimously, the Board of Commissioners authorized the General Manager to purchase the storage devices provided on the quote from the Dell Representative in the amount of \$29,971.00, plus applicable sales tax.

7.) INTERAGENCY REPORT(S)

a.) EWUC Meeting

Mr. Brees presented a verbal report to the Board of Commissioners of the Everett Water Situation Fact Sheet and Everett Water Storage Spada Elevation Graph, as of June 15, 2018.

Mr. Brees detailed how the City of Everett will be restarting a subcommittee of the user group specific to water quality professionals.

8.) STAFF REPORTS

a.) District Engineer:

No report.

b.) Finance Manager:

Mr. Nelson reported to the Board of Commissioners that the District has received notification from the State Auditor's Office of documentation that they are placing in each member agency of the Clearview Group regarding the joint venture reporting determination. District staff requested this documentation so that the large amount of work invested on this topic would not be lost in a future audit cycle.

Mr. Nelson reported on correspondence with various customers during the most recent shut off cycle. Mr. Nelson detailed how the various issues were handled by District staff specific to the different issues encountered.

Mr. Nelson also reported that the HRA VEBA Board has sent out a notification seeking a new board member position specific to a special purpose district. Following discussion, the Board of Commissioners expressed support for Mr. Nelson to apply for the position.

c.) **Attorney:**

Mr. Milne updated the Board of Commissioners on the status of the lawsuits pending in King County. The litigation concerning King County's attempt to assess rent for use of the right-of-way is scheduled for summary judgement motions on July 27, 2018. Mr. Milne's office is busy submitting and reviewing paperwork to support the opposing motions. The litigation challenging the excise tax levied by the City of Federal Way on utility providers has been scheduled for summary judgement motions on September 21, 2018.

d.) **General Manager:**

Mr. Brees reported that Shelley Stevens and Robin Engbrecht had completed records destruction for the records no longer relevant to the District and beyond records retention guidelines. This was a large effort that included sixty six boxes of paper records and twenty six computer hard drives.

Mr. Brees reported that Mr. Jose Cervantes has started work with the District as a Utility Maintenance Worker II. Mr. Cervantes was most recently employed with the City of Bothell where he worked for more than five years in utility maintenance. He holds several relevant certifications including his Commercial Driver's License.

This ends the Minutes of the June 28, 2018 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

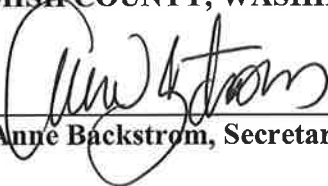
I, the undersigned, Secretary of the Board Commissioners of Silver Lake Water and Sewer District, Snohomish County, Washington (the "District"), hereby certify as follows:

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 June 28, 2018 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 July 12, 2018, 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 July, 2018.

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



Anne Backstrom, Secretary