

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

May 24, 2018

The regular meeting of the Board of Commissioners of the Silver Lake Water & Sewer District was held on May 24, 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, District Engineer Rick Gilmore, Finance Manager Brad Nelson; David Hoagland of Clifton Larson Allen; 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 May 10, 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.) 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	.05-033-.05-073	\$164,257.53
Sewer Maintenance	743 5418666	.05-010-.05-028	1,117,847.68
Sewer Capital Improve.	743 5448666	.05-008-.05-012	29,067.95
Water Capital Improve.	743 5468666	.05-010-.05-018	65,342.18
Revolving Check Fund		5947 - 5982	9,543.42
Total Warrants			\$1,386,058.76

b.) Staff Report – 2017 Financial Statements

Mr. Nelson provided a verbal summary to the Board of Commissioners regarding the 2017 Financial Statements. The statements are required to be submitted to the State Auditor's Office by May 30, 2018. The State Auditor's field audit will be scheduled for the fall of 2019.

The District's financial health remains strong for 2017 with a Net Contribution to Assets (Net Income) of \$7,272,531. Net Operating Income for 2017 was \$725,650, which was a decrease of \$300,705 from 2016. Increased water and sewer treatment costs and increased pension costs related to Government Accounting Standards Board (GASB) Statement No. 68 were the main reason for the decrease in Net Operating Income. The District's total

Cash and Investments were \$ 46,442,251, which included \$1,827,054 in Rate Stabilization Reserves. At this time, staff does not see the need to either transfer amounts to provide for bond coverage or recommend a transfer to increase to the reserves.

Contributed Capital, which is comprised of New Connection Fees and Developer's Bills of Sale totaled \$6,169,319. Staff expects contributed capital revenues to decrease over time as the District approaches buildout. Staff expects this issue to be one of several key financial points that the 2018 Utility Rate Study will outline to the Board of Commissioners later this year.

Mr. David Hoagland, with Clifton Larson Allen, provided the Board of Commissioners with his report on the 2017 Financial Statements with a discussion of GASB No. 14 on the Clearview Water Supply and GASB No. 75 on the District's participation in PEBB. Mr. Hoagland indicated that the District did not report a future obligation for PEBB related to GASB No. 14 as the District's participation was only for December of 2017. Mr. Hoagland and staff explained that clarification is being sought related to PEBB and GASB No. 14 as reporting it as a future obligation may not be a true reflection of the District's financial commitment as a participant of the program.

c.) Staff Report – State Auditor's Office – Exit Conference

Mr. Nelson provided a verbal summary to the Board of Commissioners of a Staff report regarding the State Auditor's Office Exit Conference for the fiscal period ended December 31, 2016.

Representatives of the State Auditor's Office (SAO), Commissioner Backstrom, and staff met on May 18, 2018, for the Exit Conference for the accountability and financial statement audit.

The District received a clean audit with no Findings or Management Letter items. There were five minor exit items which the SAO team identified. Staff has already addressed three of the items which related to date of expense accruals, recommendations related to journal entries, and ensuring donated capital assets are correctly valued. One recommendation related to the SAO opinion that the District's pay per claim for unemployment is "self-insurance", staff disagrees with this determination and will respond. And finally, the development of more formal procurement policies are recommended.

With respect to the Clearview Water Supply Association (CWSA) reporting status, staff requested a letter from the SAO stating the matter is concluded. At this time, while the District has an email to this effect, staff has not received confirmation that the SAO will provide the letter.

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 regarding the District's Headquarter Upgrade Project.

Snohomish PUD, Comcast, and Frontier have all completed their work to relocate utilities in the frontage of 41st Avenue SE that is being improved by the District as a condition of the Conditional Use Permit. The responsibility to coordinate and pay associated fees for

this work was not clearly defined in the contract. If the work had been delayed longer, it would have led to a claim for cost or extension of contract time. Mr. Brees thanked Rick Gilmore, District Engineer, for coordinating this work. Work is proceeding on the New Building “A” which is nearing completion. The current work includes: completing electrical, mechanical and fire sprinkler systems, installation of windows, and installation of the mezzanine. The Building “B” addition is also proceeding, with the current work focus on tying in the roof to the existing building and installation of the mezzanine above the new laundry, restroom, and sleeping quarters. Site work is focused on installation of curbing and preparation for paving.

The ten month contract term for the project is nearing its end. The scheduled date for substantial completion is June 10, 2018, with final completion required by July 10, 2018. The Contractor is forecasting completion a few weeks behind this schedule. The Contractor has requested an additional 21 calendar days to complete the work, contending there were weather delays in March and April of this year. The District’s project team does not believe that 21 days are warranted as it has not been shown that weather affected the “critical path” for the project. The District has reserved all rights regarding project completion requirements.

Change Order No. 5 is still in development for several minor changes to the contract. Pay Application No. 10 and Change Order No. 5 will be presented at the June 14, 2018 Board Meeting. A summary of the items currently known are:

- Minor modifications to the parking lot gates and access control (additional cost).
- Deletion of conduits for a future backup generator (credit).
- Excavation and export of unsuitable materials and import of replacement material for soft soils encountered in the new paved areas (additional cost).
- Changes to parking lot and sidewalk that improve ADA access and clarification of pavement restoration in parking lot (additional cost).
- Request for a 21 day extension to the project schedule (no cost).
- Adjustments to road grade and frontage directed by the County (additional cost).
- Minor modifications to Mezzanine structure to fit existing building (additional cost).

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

Mr. Gilmore 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 proposed floor slab in the new Booster Station. Pouring of the concrete slab was scheduled for May 14, 2018. Masonry work for the stem wall will begin the first week of June. Welding of the catwalk support brackets and rail system are being placed and finish welding is following behind the tacked placement of the supports and rails. The stair assemblies are tentatively scheduled for delivery the first week of June as well.

The District has received delivery of the flow meter and telemetry panel and completed under separate agreements with Systems Interface for fabrication and

programming/configuration by Infinium Engineering. This equipment will be delivered to RAZZ Construction when the station walls are in place and the panel can be installed.

District staff is finalizing discussions with the adjacent neighbors that will be impacted by the final placement of new fencing. The District's intent is to locate the fencing on the property lines unless a revocable license agreement is in place with the property owner to allow their current encroachment to continue, until the District requires the fence be moved to the property border, the property sells to another owner, or is needed by the District in the future.

c.) Developer Extension Agreement – Kenley Place

Mr. Gilmore provided a verbal summary to the Board of Commissioners of a Staff report and Vicinity Map regarding a Developer Extension Agreement for Kenley Place.

Kenley Place is located at 4428 141st Street SE. This project will extend sewer main into a five lot subdivision of an approximate one acre lot located on the south side of 141st Street, adjacent to the east right-of-way of Seattle Hill Road. This project will add four new water and sewer connections when completed. The developer is Pacific Ridge-DRH, LLC.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed the Developer Extension Agreement for Kenley Place.

6.) MAINTENANCE AND OPERATION REPORT(S):

a.) HRA VEBA Trust Update

Mr. Brees and Mr. Nelson provided a verbal report to the Board of Commissioners on the HRA VEBA Trust. Staff shared that the VEBA Board will be meeting in June to evaluate changes in the program that may address the District's concerns with designation of participant beneficiaries. Staff recommended preparing a letter from the District supporting changes that improve the process for beneficiary designation.

Following discussion, by motion passed unanimously, the Board of Commissioners directed staff to prepare a letter to the VEBA Board, supporting changes that improve the process for beneficiary designation.

7.) INTERAGENCY REPORT(S)

a.) WASWD – Section 3

Mr. Brees presented a verbal report to the Board of Commissioners of the Draft Washington Association of Sewer & Water Districts' 2019 Legislative Agenda, and of an email provided informing of the appointment of former Executive Director, Blair Burroughs, as its Interim Executive Director.

b.) Clearview Water Supply Agency

Mr. Brees provided a verbal summary to the Board of Commissioners of a Staff report regarding the Clearview Water Supply Agency (CWSA) and Resolution No. 19-2018.

This year, as a result of ongoing discussions between the CWSA members and the State Auditor's Office (SAO), the SAO has determined that if the CWSA approved a resolution

reaffirming what it is (an interagency entity) and what it is not (a joint venture), that the member agencies could proceed with preparing financial statements as they saw fit, showing the respective capital assets on each member's books with the cash or any perceived obligations of CWSA, held by CWSA, and not included in the financial statements of individual members. Resolution No. 19-2018 of the Clearview Water Supply Agency was approved on May 16, 2018.

A second topic discussed at the May 16, 2018 CWSA Board Meeting was the acceptance of the 2015 Reservoir Recoating Project. Originally, this project was scheduled for completion in 2015, but the contractor fell behind schedule. The final coating of paint, a clear coat, also appeared not to have cured properly on portions of the Reservoir requiring rework. Work continued in 2016 when weather conditions permitted. The contractor corrected many of the deficiencies but was not able to address all of them. Discussions were initiated in 2016 for the contractor to propose a settlement for not completing all contract work to the contract specifications or to provide additional warranty as a condition of acceptance.

In 2017, this discussion continued with the other minor punch list work being addressed. However, final resolution was not reached. Within the last few months, the President of the contractor/company has been in discussion with General Manager, Curt Brees, and General Manager, Mike Johnson (former and current project managers of the project). A separate inspection has been performed on the Reservoir, documenting that the coatings appear to be holding up and that the defects in the coating are only an appearance issue. The contractor has agreed to provide an additional two years of warranty on top of the two years required by the project contract from the date of acceptance. Additionally, the contractor has agreed to pay back charges, totaling nearly \$40,000, for additional contract inspection costs incurred by CWSA, due to the project delays. The CWSA Board expressed support to Cross Valley Water District, the contracting agency for this project, to accept the project as complete.

8.) **STAFF REPORTS**

a.) **District Engineer:**

No further report.

b.) **Finance Manager:**

Mr. Nelson reported that he and the General Manager have a meeting scheduled with the State Auditor's Office to discuss how the issues related to GASB Statement No. 14 will be memorialized. District staff have requested a letter from the State Auditor.

c.) **Attorney:**

Mr. Milne provided an update to the Board of Commissioners concerning the two lawsuits that are underway in King County that are of statewide significance. The first is between King County and water and sewer districts related to the requirement to pay rent for use of the right-of-way. Mr. Milne reported that six non-profit private water associations have joined the suit in opposition to King County. A hearing is scheduled for July 27, 2018, where summary judgement motions will be presented. The second suit is related to an

excise tax that has been levied by the City of Federal Way on several water and sewer districts. This suit is progressing and a date for motions will be set in the near future.

d.) General Manager:

Mr. Brees presented the Board of Commissioners with a Staff report for draft Resolution No. 760. This resolution declares an emergency, authorizing the purchase of an insertion water valve and waives competitive bidding requirements.

In late February of 2018, the District learned of an upcoming project from WSDOT to repave SR 96 within the District. This state route and project area bisects the District and is made up of 128th/132nd Street SE and portions of Seattle Hill Road.

The District's Comprehensive Water System Plan, adopted in 2017, includes a project for cast iron water main replacement, system looping, and operational flexibility (additional valves) along portions of Seattle Hill Road within the WSDOT project area. This project, titled "Seattle Hill Road Valves and Silver Cedars", Project D-9, was scheduled in the plan for 2020, at an estimated total cost of \$720,000. Due to the late notification the District received for this upcoming project, District staff are unable to complete the project prior to WSDOT's work, and the District will be prohibited from undertaking it for a period of several years following the completion of WSDOT's project, unless the District assume the obligation to perform a full road overlay.

While it typically takes several months to get a District project permitted within WSDOT Right-of-Way, District Engineer Rick Gilmore and O&M Manager Ron Berger have received preliminary approval from WSDOT project staff for a smaller project that achieves some of the District's goals, provided the work is complete prior to WSDOT's own work and does not create a conflict for WSDOT's project contractor.

A project that achieves some of the District's primary goals that could be completed on an expedited basis would be installation of three Insertion Valves on the existing 12" Cast Iron Main. This would reduce the spacing between the valves to approximately 1,000 feet. With the additional valves, the District would gain operational flexibility and the system's reliability would be improved by being able to isolate smaller areas which the District is not currently able to do, mitigating the risk of keeping the existing 12" Cast Iron Main in service. A map of the project area and a product sheet for the Insertion Valves was provided to the Commissioners. The General Manager recommended the Board declare an emergency and authorize the purchase and installation of the Insertion Valves as soon as possible.

Following discussion, by motion passed unanimously, the Board of Commissioners approved and executed Resolution No. 760, declaring an emergency, authorizing the purchase of Insertion Water Valves, and waiving the competitive bidding requirements.

Mr. Brees provided a brief update to the Board of Commissioners on the hiring process currently underway to fill a vacant Utility Maintenance Worker 2 position.

This ends the Minutes of the May 24, 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 May 24, 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 June 14, 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 14th day of June, 2018.

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



Anne Backstrom, Secretary