



Mission Statement: Meeting the challenge of protecting the environment and providing quality sewer service to the community.

**FINAL AGENDA  
COMMISSIONER MEETING  
DECEMBER 22, 2022 at 9:00 AM**

**IN PERSON /VIRTUAL MEETING:**

**Please join our meeting at 1106 Vernon Rd, James B Mitchell Conference Room** or join virtually via **Go To Meeting:** (You will be asked to identify yourself for our sign in sheet)

**<https://global.gotomeeting.com/join/646704685>**

**You can dial in using your phone:**

United States (Toll Free): [1 877 309 2073](tel:18773092073)

United States: [+1 \(312\) 757-3129](tel:+13127573129)

**Access Code:** 646-704-685

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. State Auditor’s Office 2021 Financial and Accountability Audits Exit Conference
4. PUBLIC FORUM – Non-action Items (please limit comments to 3 minutes)
5. AGENDA APPROVAL
6. **CONSENT ITEMS** (The Commissioners have previously reviewed these in detail):

	<b>AMOUNT</b>	<b>CHECK #'s</b>
A. Minutes: October 26 & Dec 8 <sup>th</sup>		
B. Lien Placements (0)	NA	
Lien Releases (0)	NA	
Lien Foreclosure Lawsuit (0)	NA	
C. Investments	\$9,981.97	
Withdrawals	\$29,882.86	
Transfers	\$4,556.27	
D. Payroll	NA	
E. 40 – Maintenance	\$173,101.54	10495-10527
	\$32,595.04	EFT 166
F. 48 – SRF Principle & Interest Payment	NA	
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	\$29,882.86	10528-10530
I. 60 – PWTF Principle & Interest Payment	NA	
J. Housekeeping - Refunded and reissued check	\$1,308.00	10393 to 10494

**7. OLD BUSINESS**

- A. FCS Group presentation, 2022 Commercial Rate & GFC Review
- B. CLA Contract Extension and Rate Increase

**8. NEW BUSINESS**

- A. Board elections for 2023 President and Secretary
- B. Resolution 1039 – Reconfirming Regular Board Meetings and Location
- C. Resolution 1040 – Declaring an Emergency Related to the Cross-Bore of Fiberoptic Conduit Through a Common Sewer Lateral

B. Assistant General Manager

10. CITY REPORT
11. COMMISSIONERS' REPORT
12. EXECUTIVE SESSION
13. CONCLUDE

**NOTICE: All proceedings of this meeting are audio recorded, except Executive Sessions**

\*\*PLEASE NOTE: The Lake Stevens Sewer District will accept verbal citizen comments during the regular meetings in-person or virtually. Citizen comments submitted prior to the meeting to [management@lkssd.org](mailto:management@lkssd.org) will be addressed during the public comment period.



**LAKE STEVENS  
SEWER DISTRICT**  
Serving You Since 1957

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*Mission Statement: Meeting the challenge of protecting the environment and providing quality sewer service to the community.*

**MINUTES  
OF SPECIAL MEETING  
BOARD OF COMMISSIONERS**

**October 26, 2022**

**Utility Committee**

**By Remote Participation via GoToMeeting.com and in person at  
1106 Vernon Rd, Lake Stevens, WA 98258**

**Attendees:** Commissioners Dan Lorentzen, Kevin Kosche and Andrea Wright; Staff: Mariah Low and Johnathan Dix.

**Guests from the City of Lake Stevens:** Councilmembers Gary Petershagen and Marcus Tageant; Mayor Brett Gailey; and City Staff: Gene Brazel, Russ Wright, Anya Warrington and Aaron Halverson.

- 1. Called to Order** at 4:02PM by Commissioner Lorentzen. He moved into the meeting agenda item "Utility Committee Meeting".
- 2. Utility Committee Meeting** – The Committee discussed mutual projects and planning for the Lake Stevens UGA and Comp Plan.
- 3. Conclude** – There being no further business, the meeting was concluded at 5:24PM.

Signed at a regular open public meeting this 22 day of December 2022

\_\_\_\_\_  
Dan Lorentzen, President and Commissioner

\_\_\_\_\_  
Andrea Wright, Commissioner

\_\_\_\_\_  
Kevin Kosche, Secretary and Commissioner



Mission Statement: Meeting the challenge of protecting the environment and providing quality sewer service to the community.

**MINUTES OF  
COMMISSIONER MEETING  
DECEMBER 08, 2022, at 9:00 AM**

**Attendees:** Commissioners Dan Lorentzen, Andrea Wright and Kevin Kosche, District Staff: Mariah Low, Johnathan Dix and Melonie Grieser. District Engineer: Leigh Nelson and Barry Baker, G&O, Legal Counsel: Jordan Stephens City: Gene Brazel, City Administrator

1. **CALL TO ORDER** – At 9:00 AM Commissioner Lorentzen called the meeting to order.
2. **PUBLIC FORUM** – Non-action Items (please limit comments to 3 minutes) Commissioner Lorentzen asked if there were any public comments or questions submitted. No questions submitted and no one in attendance had questions.
3. **AGENDA APPROVAL** – Commissioner Wright moved to approve the agenda as submitted. Commissioner Kosche seconded the Motion. The Motion passed.
4. **CONSENT ITEMS** (The Commissioners have previously reviewed these in detail) – Commissioner Wright moved to approve Consent Items A through J. Commissioner Kosche seconded the Motion. The Motion passed.

	<b>AMOUNT</b>	<b>CHECK #'s</b>
A. Minutes: Nov 19 <sup>th</sup> , 22 <sup>nd</sup> & 30 <sup>th</sup>		
B. Lien Placements (51)	NA	
Lien Releases (64)	NA	
Lien Foreclosure Lawsuit (0)	NA	
C. Investments	\$847,578.63	
Withdrawals	NA	
Transfers	\$4,796.92	
D. Payroll	\$252,599.96	
E. 40 – Maintenance	\$145,169.20	10438 - 10489
F. 48 – SRF Principle & Interest Payment	NA	
G. 50 – City of Lake Stevens Bond Payment	NA	
H. 58 – Capital Expenditures	\$15,040.18	10490 - 10493
I. 60 – PWTF Principle & Interest Payment	NA	
J. Housekeeping – Reissuing	\$3000.25	10212 to 10437

**5. OLD BUSINESS –**

- A. Ratifying the Memorandum of Agreement Regarding 2023 Re-Opener to the 2021-2025 Collective Bargaining Agreement – Mariah Low stated that this MOA to the CBA for staff and changed where five positions fall on the pay grid and ratified the COLA for 2023 to 7.5%. Staff asked for approval for the General Manager to execute the MOA. The MOA was reviewed by legal and recommended for approval by staff. Commissioner Wright made a Motion to ratify the

MOA and authorize the GM to sign the MOA. Commissioner Lorentzen seconded the Motion. The Motion passed.

- B. Meyer Revised Variance Request – Johnathan Dix stated that this variance has come before the board previously. Applicant needed to make a few revisions and this version addresses the boards concerns. The variance is to code 7.20.100 that says side sewers cannot be over 200 feet long and must be 4-inches or greater in size and code 7.20.110 which states sewer building elevations. District staff recommends approval with the following conditions: a DEA is required to extend the portion of the 8-inch gravity main, must receive City approval by ROW permit, coordination with the City and District throughout the project, and owner agreement to maintain, at their own expense, the private pump system in perpetuity. District staff recommends approval. Commissioner Wright made a Motion to approve the Meyer Revised Variance Request. Commissioner Kosche seconded the Motion. The Motion passed.

## **6. NEW BUSINESS –**

- A. Fagerlie DEA – Johnathan Dix stated that this DEA includes 69 residential units, reimbursables and a lift station; therefore, requires Board approval. There is still an ownership issue that is being worked through. It has been reviewed by staff and recommended by legal. District staff is asking the board to approve the DEA in form, without any substantial changes, until ownership is confirmed and asking permission for the General Manager to execute the final DEA. Commissioner Wright made a Motion to approve the Fagerlie DEA in a form substantially presented and to approve the General Manager to execute the DEA once legal ownership has been confirmed. Commissioner Kosche seconded the Motion. The Motion passed.
- B. Authorization to add Tracy Sambrano to District bank accounts at First Financial and Columbia Bank – Mariah Low stated that a new employee, Tracy Sambrano, senior accountant, is starting Monday. This role requires access to bank accounts. Commissioner Wright made a Motion to authorize Tracy Sambrano to be added to the District bank accounts. Commissioner Kosche seconded the Motion. The Motion passed.

## **7. MANAGERS' REPORTS**

- A. General Manager – Mariah Low stated that flows at the Plant are 2.9 MGD and Total Inorganic Nitrogen (TIN) is currently at 69% (87,314lbs) of the 127,000 annual maximum. Mariah had a virtual meeting with Jacobs Engineering who were awarded a contract through an AWC grant for PSNGP TIN Analysis Report and AKART Reports that are due soon. The District met with Snohomish County Executive and his staff to discuss the Snohomish County Transfer Station trash prohibition. There will also be a SWAC meeting on Friday to discuss. Caring by Sharing currently has \$145.62, enough to help one family.
  - B. Assistant General Manager – Johnathan Dix stated that year to date there are 125.8 connection fees collected and 230 permits issued. Tuesday, one District truck had a hole drilled into the fuel tank and fuel stolen. The repairs are underway. Lift Station 7 Shirewood Generator Replacement Project was advertised on MRSC.
- 8. CITY REPORT –** Gene Brazel stated that Christmas tree lighting was a great success. The LSHS football team won state championship and there will be a parade this upcoming weekend.

- 9. COMMISSIONERS' REPORT** – Commissioner Kosche stated that the inorganic nitrogen percentages are fantastic right now. Mariah Low stated that the current annual limit is 127,000 pounds but Districts must also meet future limits which are expected to be lower. He appreciates the work and effort from staff and engineers to meet this need. Commissioner Kosche also mentioned that accurate, up to date, monthly legal expenses for the District and the City should be included with the consent items monthly and he would like to make sure that is being done. Commissioner Lorentzen thanked staff for their continued hard work. Everyone is looking forward to the holiday lunch to celebrate with staff.
- 10. EXECUTIVE SESSION** – Jordan Stephens stated the Commission will now recess into Executive Session at 9:22 AM and excused the General Public; it is estimated the executive session will last until 9:42 AM. The purpose of the Executive Session, under RCW 42.30.110(1)(i), is to discuss pending litigation. At the conclusion of the Executive Session, there will not be action taken by the Board of Commissioners and no announcement will be made. At 9:42 AM, Commissioner Lorentzen extended the Executive Session until 10:00 AM. Commissioner Lorentzen closed the executive session at 10:00 AM.
- 11. CONCLUDE** – Commissioner Kosche made a Motion to adjourn the Board Meeting. Commissioner Wright seconded the Motion. The Motion passed at 10:00 AM.

Signed at a regular open public meeting this 22nd day of December 2022

\_\_\_\_\_  
Dan Lorentzen, President and Commissioner

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Andrea Wright, Commissioner

\_\_\_\_\_  
Kevin Kosche, Secretary and Commissioner

**To:** Mariah Low, Lake Stevens Sewer District

**Date:** December 19, 2022

**From:** Chris Gonzalez, Senior Project Manager  
Angie Sanchez Virnoche, Principal

**RE** Commercial Sewer Rate & General Facilities Charge Review

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The Lake Stevens Sewer District (District) engaged FCS GROUP earlier this year to evaluate its commercial sewer rate and general facilities charge (GFC) policies, building on the financial plan developed as part of the recently completed General Sewer/Wastewater Facility Plan. This memo documents the key questions considered as part of the evaluation, summarizing our findings and recommendations.

***Question #1: How consistent is the District's current methodology for assigning equivalent residential units (ERUs) to commercial users with the policies and practices used by other utilities?***

We conducted a survey of the commercial sewer rates and GFCs imposed by a group of cities and water/sewer districts in Washington. With the goal of providing the District with a greater understanding of the policies and practices that other utilities use to recover costs equitably from customers, we focused on a group of FCS GROUP clients who are local or otherwise comparable to the District. The survey compiled the following information:

- Methodology used to calculate the GFC per ERU, which can be conceptually separated into:
  - » “Average-cost” methodology, which divides the total cost of existing and future facilities by the ERU capacity of the system to arrive at an average system cost per ERU
  - » “Growth-pays-for-growth” methodology, which includes a proportionate buy-in to existing facilities plus a direct allocation of costs related to future facilities needed to serve growth
- Basis for assigning ERUs to commercial users for the purpose of calculating GFCs
  - » Water meter size
  - » Square footage
  - » Other metrics used to estimate wastewater flow (e.g. seats, occupants, fixtures)
- Basis for charging commercial users for ongoing sewer service
  - » Fixed ERU assignment
  - » Water consumption

**Exhibit 1** summarizes the findings of our survey:

**Exhibit 1: Survey of Sewer Rate/GFC Practices**

Jurisdiction	GFC Methodology	Basis for Assigning ERUs to Commercial Users	
		Sewer GFCs	Sewer Rates
Lake Stevens Sewer District	Average Cost	Varies by Business Type	Water Consumption
City of Bothell	Average Cost	Plumbing Fixture Units	Water Consumption
City of Bremerton	Hybrid <sup>1</sup>	Water Meter Size	Water Consumption
Coal Creek Utility District	Average Cost	Developed Acreage	Water Consumption
Douglas County Sewer District	Average Cost	Plumbing Fixture Units	Water Consumption
Lake Whatcom Water & Sewer District	Average Cost	Water Meter Size	Plumbing Fixture Units
City of Monroe	Average Cost	Water Meter Size	Water Consumption
Mukilteo Water & Wastewater District	Average Cost	Water Meter Size	Water Consumption
City of Olympia	Hybrid <sup>1</sup>	Building Floor Area	Water Consumption
Sammamish Plateau Water	Average Cost	Water Meter Size	Water Consumption
City of Shoreline	Average Cost	Plumbing Fixture Units	Water Consumption
City of Walla Walla	Average Cost	Water Meter Size	Water Consumption

<sup>1</sup>Bremerton and Olympia use a hybrid methodology that allocates the cost of future growth-related projects directly to growth (as in the growth-pays-for-growth method) while allocating all other costs to all ERUs (as in the average-cost method).

Consistent with the majority of the sewer utilities shown in **Exhibit 1**, the District’s sewer GFC is based on the average-cost methodology. Of the utilities surveyed,

- Six (50%) impose sewer GFCs on commercial users based on water meter size, which is commonly used for sewer GFCs as a representation of potential wastewater flow. It is also readily known at the time of connection and promotes consistency in the scaling of sewer GFCs with the applicable water GFCs.
- Three (25%) of the utilities assign ERUs to commercial users based on plumbing fixture units, with Bothell and Shoreline directly using King County’s residential customer equivalency form to determine ERUs. Because water meters are typically sized for reasons unrelated to wastewater generation (e.g. fire flow, peak capacity for irrigation), fixture units are sometimes used to assign sewer ERUs to capture the potential wastewater flow generation of a connection more accurately.
- Coal Creek Utility District imposes commercial GFCs based on developed acreage, which it defines to include “that area that comprises all structures, parking, Code-required buffers, and other frequently used areas.” Acreage is a relatively uncommon basis for determining ERUs in our experience, considering that its correlation with water usage is weak at best (e.g. a standalone parking lot is unlikely to have fixtures that would generate wastewater).
- The City of Olympia uses building floor area (which can be more closely linked to water consumption than acreage) to assign ERUs, with the specific ERU assignment per 1,000 square feet varying by the type of business.

Section 9.05.060 of the Lake Stevens Sewer District Code assigns ERUs to commercial users based on various metrics as summarized below:



- Small retail/financial/service businesses (under 3,000 square feet), the Lake Stevens Fire Department, and Snohomish County Parks are assigned a fixed number of ERUs, generally ranging from 1 – 2.
- Drive-in restaurants are assigned ERUs based on the estimated number of cars per day; taverns are assigned ERUs based on the number of seats/booths/stools.
- Churches, halls, and health clubs are assigned ERUs based on the number of seats or legal occupants.
- Most other business types are assigned ERUs based on building square footage, though the Code specifies that the ERUs assignments are subject to negotiation for certain types of businesses:
  - » Breweries
  - » Electroplating/Silicon Chips
  - » Funeral Parlor
  - » Industrial Complexes
  - » Large Bakeries
  - » Laundromats
  - » Motels/Hotels
  - » Shopping Centers
  - » Swimming Pools

Compared to the other utilities that we surveyed, the District’s policy of assigning ERUs to commercial users is relatively complicated and data-intensive. The District could potentially simplify its GFC structure by using a single metric to assign ERUs to all commercial users (with exceptions as appropriate for large and/or unique service connections).

Virtually all of the utilities in the survey group charge commercial users for ongoing sewer service based on water consumption.

- Most of them impose a base charge that includes a specified amount of water usage and consumption charges for any additional water usage. The amount of water consumption included in the base charge varies by utility:
  - » Monroe: 500 cubic feet
  - » Olympia: 700 cubic feet
  - » Bothell, Coal Creek UD, Lake Stevens SD, SP Water, Shoreline: 750 cubic feet
  - » Walla Walla: 6,000 gallons (≈ 800 cubic feet)
- Douglas County Sewer District assigns ERUs to commercial users based on their water consumption during the prior year, dividing the user’s total consumption by 10,800 cubic feet (900 cubic feet per month). The District assigns commercial users a minimum of one ERU, updating the ERU assignment annually.
- Bremerton and Mukilteo Water & Wastewater District impose a monthly base charge plus a consumption charge that applies to all water usage, with the specific charges varying depending on the wastewater strength class that the business is assigned to. Summarized below, the wastewater strength classes are defined based on the average daily concentration of biochemical oxygen demand (BOD) and, in Bremerton’s case, total suspended solids (TSS).

Commercial Wastewater Strength Classes	
Bremerton	Mukilteo WWD
I: 0 – 200 mg/L BOD/TSS	I: 0 – 300 mg/L BOD
II: 201 – 400 mg/L BOD/TSS	II: 301 – 900 mg/L BOD
III: 401 – 600 mg/L BOD/TSS	III: 901 – 1,500 mg/L BOD
IV: 601 – 800 mg/L BOD/TSS	IV: Over 1,500 mg/L BOD
V: 801 – 1,000 mg/L BOD/TSS	
VI: 1,001 – 1,200 mg/L BOD/TSS	
VII: 1,201 – 1,800 mg/L BOD/TSS	

- Lake Whatcom Water & Sewer District assigns ERUs to commercial users based on plumbing fixture units, defining an ERU as 18 fixture units.

The District’s sewer rate structure assigns ERUs to commercial users in a manner consistent with how the majority of the utilities that we surveyed assign ERUs. The District’s current ERU definition of 750 cubic feet of water usage per month is also the most common definition used by the utilities in the survey group.

**Question #2: How equitably do the District’s current charges recover costs from commercial users?**

We considered this question in the context of two perspectives:

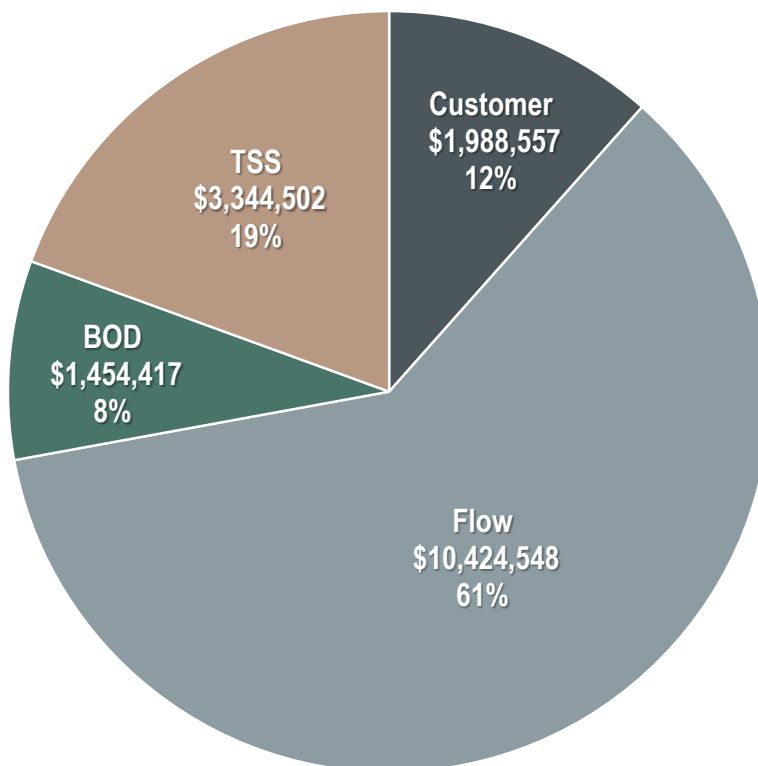
**A. How equitably do the District’s charges recover costs among the District’s customer classes?**

In order to assess the relative equity in cost recovery among the District’s customer classes (which is primarily relevant for the discussion of sewer rates), we developed a cost-of-service analysis. Under the general methodology approved by the American Water Works Association (AWWA), Water Environment Federation (WEF), and other industry associations, this analysis involved allocating costs to functions of service and then to customer classes. We allocated the District’s annual revenue requirement to the following functions of service:

- **Customer:** Fixed costs that do not vary with the volume or strength of wastewater generated, such as utility billing and customer service costs.
- **Flow:** Fixed and variable costs associated with providing capacity to convey wastewater flows to (and through) the District’s wastewater treatment plant. Examples include labor costs for field employees and maintenance of sewer mains and lift stations.
- **BOD:** Fixed and variable costs associated with providing capacity to treat wastewater of varying strength, measured in terms of biochemical oxygen demand. Examples include a portion of labor costs for employees at the treatment plant and chemicals used in the treatment process.
- **TSS:** Fixed and variable costs associated with providing capacity to treat wastewater of varying strength, measured in terms of total suspended solids. Examples include a portion of labor costs for employees at the treatment plant and chemicals used in the treatment process.

**Exhibit 2** summarizes the allocation of the 2023 revenue requirement.

**Exhibit 2: Functional Allocation of 2023 Revenue Requirement**



The costs assigned to each function shown in **Exhibit 2** would then be allocated to the District’s customer classes based on their demands and service characteristics. Costs assigned to the customer function are generally allocated based on the number of accounts served; costs assigned to the flow function are allocated based on estimated flows, and costs assigned to the BOD/TSS functions are allocated based on estimated BOD/TSS loadings. Because the District (like other sewer utilities) does not measure BOD/TSS loadings for its customers directly, we had to complete a mass-balance analysis to estimate the flows and loadings by customer class. The mass-balance analysis included the following steps:

1. **Estimate average flows and loadings received at the treatment plant.** Based on 2020 average dry-weather flow (ADWF, representative of the wastewater received from customers with minimal inflow and infiltration) and annual-average influent loadings reported in the District’s 2022 General Sewer Plan (GSP), we estimated current ADWF of 2.37 million gallons per day (mgd), average BOD loadings of 5,792 pounds per day (ppd), and average TSS loadings of 5,027 ppd.
2. **Estimate residential flows and loadings.** The 2022 GSP specifies that an ERU contributes an average of 173 gallons per day (gpd) of wastewater with an average BOD loading of 0.44 ppd and an average TSS loading of 0.39 ppd. These loading assumptions equate to average concentrations of 373 milligrams per liter (mg/L) of BOD and 331 mg/L of TSS, which is

higher than what we typically see in this kind of analysis. Reviewing the GSP further, we found that these values were determined by dividing total flows and loadings by the total number of ERUs served by the system (including commercial ERUs). While this methodology might be appropriate for the purpose of forecasting future flows and loadings in aggregate, it fails to capture meaningful differences in flows and loadings by customer class for the purpose of allocating costs. For this reason, we defined an ERU as contributing 141 gpd of flow (based on the average winter water consumption of a single-family home documented in the GSP) and 0.35 ppd of BOD and TSS. The BOD/TSS loading estimates assumed an average concentration of 300 mg/L, which is near the upper end of the typical range for residential wastewater specified by the Washington State Department of Health.

3. **Estimate flows and loadings for other significant users.** The District has a septage filtrate disposal contract with Tenelco, and under the terms of that agreement the septage that Tenelco sends to the District should not exceed 400 mg/L of BOD and 450 mg/L of TSS.

**Exhibit 3** summarizes the findings of the mass-balance analysis:

**Exhibit 3: Wastewater Mass-Balance Analysis (Based on 2020 Data)**

	Flow	BOD	TSS
Average Daily Flows/Loadings Received at WWTP <sup>1</sup>	2.37 mgd	5,792 ppd	5,027 ppd
Estimate of Residential Contribution			
Assumed Domestic-Strength Concentration		300 mg/L	300 mg/L
Unit Flows/Loadings per ERU	141 gpd	0.35 ppd	0.35 ppd
Estimated Residential Flows/Loadings @ 12,767 ERUs <sup>2</sup>	1.80 mgd	4,515 ppd	4,515 ppd
Estimated Tenelco Contribution			
Estimated Loading Concentration (Contract Limits)		400 mg/L	450 mg/L
Estimated Tenelco Flows/Loadings	0.05 mgd <sup>3</sup>	176 ppd	197 ppd
Net Commercial/School Contribution	0.11 mgd <sup>3</sup>	1,102 ppd	315 ppd
Average Commercial Wastewater Strength		1,233 mg/L	352 mg/L
<i>Net Remaining Flow</i>	<i>0.41 mgd</i>		
<i>Percent Inflow &amp; Infiltration</i>	<i>17%</i>		

<sup>1</sup>Estimated flow based on 2020 average dry-weather flow. Loadings based on 2013 – 2020 average values because the 2020 values were abnormally high.

<sup>2</sup>2020 residential ERUs based on an average of the monthly ERUs billed by the District.

<sup>3</sup>Flows for non-residential users (including Tenelco) were estimated based on 2020 actual water consumption.

Because most utilities do not measure wastewater loadings from specific customers (aside from significant industrial users and perhaps other special contract customers), the amount of data that is available to estimate the average concentrations of BOD/TSS in commercial wastewater is relatively

limited. One of the few sources that is available, the California Water Resources Control Board's *Revenue Program Guidelines for Wastewater Agencies, 1983*, specifies average BOD loadings of 800 – 1,000 mg/L and average TSS loadings of 600 – 800 mg/L for restaurants and supermarkets, which are likely to contribute the highest-strength wastewater in the District's service area (aside from Tenelco). **Exhibit 3** shows an aggregate average BOD loading of 1,233 mg/L for the District's commercial users, which appears to be unreasonably high when compared to the range outlined above. Considering the other elements of the mass-balance analysis,

- The estimated residential loadings are likely to be conservatively high. As previously noted, the assumed average BOD/TSS concentrations of 300 mg/L are at the upper end of the typically accepted ranges for domestic-strength wastewater.
- The stated residential flows are also likely to be conservatively high, for two reasons:
  - » Though the GSP states that the average winter water consumption of a single-family home is 141 gpd, it also estimates that a single-family home generates a net wastewater flow of 134 gpd after accounting for consumptive uses (e.g. drinking water).
  - » The District currently assigns 1 ERU per dwelling unit to multi-family residential users with dwellings larger than 600 square feet. Based on how the average water usage of a multi-family dwelling unit typically compares to the winter-average water usage of a single-family home, many sewer utilities assign multi-family users 0.6 – 0.8 ERUs per dwelling unit.

Reducing the flows attributed to single-family residences and the ERUs assigned to multi-family users would reduce the estimated residential flows and related BOD/TSS loadings, further increasing the loadings attributed to commercial users.

- Tenelco's contract limits the strength of the septage discharged into the District's system to 400 mg/L of BOD and 450 mg/L of TSS. Direct measurements of BOD and TSS discharged from Tenelco were not available for this study, though District staff indicated that Tenelco's discharges have reached over 1,000 mg/L of BOD. The California guidelines referenced above estimate the average concentration of BOD for septage haulers at 5,400 mg/L, suggesting that Tenelco's BOD concentrations could be even higher than 1,000 mg/L unless Tenelco has been implementing pretreatment best-management practices. We would recommend that the District more closely monitor loadings received from Tenelco, considering enforcement measures and/or revisiting how costs are allocated to Tenelco as appropriate.

For the reasons outlined above, we would not recommend that the District use the mass-balance analysis shown in **Exhibit 3** as a basis for changing how it allocates costs among its customer classes. However, we would recommend revising the District's definition of an ERU to reflect the water usage of a typical single-family home. **Exhibit 3** indicates that an average single-family home uses 141 gpd of water during the winter months, which equates to approximately 575 cubic feet per month. Based on this information, we recommend that the District consider changing its ERU definition from 750 to 600 cubic feet of water usage per month – this change would increase what most commercial users pay but would improve the overall equity in cost recovery under the District's rate structure.

**B. How equitably do the District’s charges recover costs within the commercial class?**

To evaluate the relative equity of cost recovery within the commercial class, we evaluated the water usage patterns of the majority of the District’s commercial accounts. Based on discussions with District staff, we focused this analysis on evaluating differences in the average monthly water consumption per 1,000 square feet. The District provided historical water consumption data from 2017 – 2021 for each of the District’s 178 commercial accounts and provided parcel measurements for 162 out of the District’s 178 accounts. **Exhibit 4** summarizes the historical average monthly water consumption of this data set for each type of business served by the District:

**Exhibit 4: Average Monthly Water Usage per 1,000 Square Feet (SF)**

Average Monthly Usage in Cubic Feet (cf)	2017	2018	2019	2020	2021	Avg.
Food-Service Establishments	114 cf	125 cf	135 cf	113 cf	118 cf	117 cf
Mixed-Use Commercial				108 cf	111 cf	110 cf
Government	177 cf	91 cf	84 cf	10 cf	17 cf	91 cf
Grocery/Convenience Store	68 cf	60 cf	63 cf	82 cf	75 cf	70 cf
Assisted Living	38 cf	45 cf	40 cf	39 cf	47 cf	42 cf
Medical/Dental	32 cf	38 cf	39 cf	31 cf	35 cf	35 cf
<b>Aggregate/Total</b>	<b>27 cf</b>	<b>29 cf</b>	<b>28 cf</b>	<b>23 cf</b>	<b>27 cf</b>	<b>28 cf</b>
Other Commercial	29 cf	26 cf	29 cf	20 cf	26 cf	25 cf
Industrial/Auto Repair	14 cf	17 cf	16 cf	11 cf	17 cf	18 cf
Retail Store	24 cf	20 cf	21 cf	14 cf	13 cf	18 cf
Office Building	12 cf	11 cf	14 cf	15 cf	15 cf	14 cf
Worship Center	9 cf	9 cf	9 cf	5 cf	8 cf	8 cf
School	9 cf	8 cf	8 cf	4 cf	5 cf	7 cf
Bank/Credit Union	4 cf	4 cf	5 cf	6 cf	13 cf	7 cf
Warehouse/Storage					4 cf	4 cf

**Exhibit 4** suggests that food-service establishments, groceries/convenience stores, and mixed-use commercial accounts use considerably more water than the majority of the other commercial users. Note that the “government” category fell in this category as well during 2017 – 2019, when it included a senior apartment complex – the subsequent reclassification of that account resulted in the sharp decrease in the average water consumption of that customer type shown for 2020 and 2021. Noteworthy limitations in this data set include:

- The square footage estimates provided by the District represent the gross area of each parcel according to the records maintained by the Snohomish County Assessor. Considering that a parcel can include significant amounts of undeveloped land (or even developed land with few if any water fixtures), the correlation between gross parcel area and water usage is relatively weak.
- The District serves shopping centers, which typically include multiple sewer accounts (often representing a variety of business types) on the same parcel. With only the total gross square footage by parcel available, it was unclear how much square footage was attributable to a given

account (or how much square footage was not attributable to any specific account, such as a shared parking area).

To provide another basis of evaluating the water usage patterns of various business types, District staff measured the building area of 15 accounts. **Exhibit 5** summarizes the five-year average usage per account for these accounts by business type, providing the equivalent usage per 1,000 SF of gross parcel area shown in **Exhibit 4** for comparative purposes:

**Exhibit 5: 2017 – 2021 Average Water Use per 1,000 SF**

Average Monthly Usage per 1,000 SF	Per Business Measurements	Per Parcel Measurements
Food-Service Establishments	943 cf	117 cf
Grocery/Convenience Store	724 cf	70 cf
Other Commercial	661 cf	25 cf
Retail Store	66 cf	18 cf
Bank/Credit Union	54 cf	7 cf

**Exhibit 5** shows a considerable difference between the average water usage per 1,000 SF of building area and the average water usage per 1,000 SF of gross parcel area, suggesting that the defensibility of using the latter metric as a basis for imposing sewer rates and charges would be questionable at best. **Exhibit 5** does, however, appear to support the conclusion that food establishments, grocery stores, and convenience stores use materially more water than other business types and would merit a different assignment of ERUs as a result. Based on this, we would recommend that the District group its commercial users into two categories:

- High Users: Food-Service Establishments, Groceries, and Convenience Stores
- All Other Commercial Users

The “other commercial” group shown in **Exhibit 5** includes only a single account, a gas station that shares a parcel with a coffee stand – this account would logically be included in the high-user group. **Exhibit 6** summarizes the five-year usage history in terms of these two commercial user groups:

**Exhibit 6: 2017 – 2021 Commercial Water Usage by Proposed User Category**

	2017	2018	2019	2020	2021	Average
High Users						
Average Monthly Water Usage per 1,000 SF	653 cf	684 cf	761 cf	743 cf	770 cf	<b>722 cf</b>
ERUs per 1,000 SF @ 750 cf per ERU	0.87	0.91	1.02	0.99	1.03	<b>0.96</b>
ERUs per 1,000 SF @ 600 cf per ERU	1.09	1.14	1.27	1.24	1.28	<b>1.20</b>
All Other Commercial Users						
Average Monthly Water Usage per 1,000 SF	148 cf	121 cf	122 cf	71 cf	113 cf	<b>115 cf</b>
ERUs per 1,000 SF @ 750 cf per ERU	0.20	0.16	0.16	0.10	0.15	<b>0.15</b>
ERUs per 1,000 SF @ 600 cf per ERU	0.25	0.20	0.20	0.12	0.19	<b>0.19</b>



**Exhibit 1** suggests that square footage is less commonly used as the basis for imposing sewer charges than other metrics such as water meter size, fixture units, and water consumption. We were, however, able to find a couple of jurisdictions that impose commercial sewer GFCs based on square footage:

**A. Olympia, WA**

The City of Olympia assigns ERUs to commercial users based on building square footage, with the specific ERU assignment varying based on the type of business. **Exhibit 7** summarizes these ERU assignments in terms of Olympia’s ERU definition (700 cf per month) and the District’s ERU definition, including the current value of 750 cf and the proposed value of 600 cf.

**Exhibit 7: 2017 – 2021 Average Water Use per 1,000 SF**

Number of ERUs per 1,000 SF	Olympia ERU	District ERU Definition		Number of District Accounts	Proposed District User Category
	700 cf	Current: 750 cf	Proposed: 600 cf		
Auto Repair	0.28	0.26	0.32	9	Other User
Auto Sales	0.35	0.32	0.40		
Bank	0.22	0.20	0.26	6	Other User
Church	0.12	0.11	0.14	8	Other User
Grocery Store	0.68	0.63	0.79	5	High User
Hotel/Motel	1.32	1.24	1.55		
Medical Clinic	0.16	0.15	0.18	10	Other User
Mini-Mart	1.45	1.35	1.69	6	High User
Nursing Home/Rest Home	2.38	2.22	2.78	1	Other User
Office	0.15	0.14	0.18	61	Other User
Pub Tavern	0.82	0.77	0.96		
Restaurant <sup>1</sup>	1.98	1.85	2.31	38	High User
Retail Store	0.06	0.06	0.07	17	Other User
School	0.19	0.18	0.23	16	Other User
Service Station	1.94	1.81	2.26		
Storage Unit/Warehouse	0.03	0.03	0.04	1	Other User
<b>Average ERUs per 1,000 SF</b>					
<b>High Users</b>	<b>1.78</b>	<b>1.66</b>	<b>2.08</b>		
<b>Other Users</b>	<b>0.17</b>	<b>0.16</b>	<b>0.20</b>		

<sup>1</sup>Reflects an averaging of the ERU assignments for high-service restaurants and low-service restaurants, given that the District’s food-service establishments were not readily separable into those categories.

**Exhibit 7** indicates that after adjusting for differences in how Olympia and the District define an ERU, the high-user group (food-service establishments, grocery stores, and convenience stores) would be assigned 1.66 ERUs per 1,000 SF under the District’s existing ERU definition of 750 cf and 2.08 ERUs per 1,000 SF under the proposed ERU definition of 600 cf. While somewhat higher than the 1.20 ERUs per 1,000 SF shown in **Exhibit 6**, this appears to be of the same order of magnitude. The District’s other commercial users would be assigned 0.16 – 0.20 ERUs per 1,000 SF depending



on the ERU definition used, which is very close to the 0.15 – 0.19 ERUs per 1,000 SF shown for these customers in **Exhibit 6**.

## **B. Orange County Sanitation District (OCSD), CA**

OCSD currently imposes the following GFC structure on its sewer customers:

- Standard Residential: \$5,719 per ERU
- Low-Demand Commercial (Nurseries, Warehouses, Churches, Truck Terminals, RV Parks/Storage Yards, Lumber/Construction Yards, and Public Storage Buildings): \$360 (0.06 ERUs) per 1,000 SF
- High-Demand Commercial (Food/Beverage Establishments, Supermarkets, Car Washes, Coin Laundries, Amusement Parks, Shopping Centers with Food Service Establishments/Food Courts, Food Processing Facilities, Textile Manufacturers, Breweries): \$5,309 (0.93 ERUs) per 1,000 SF
- Average-Demand Commercial (All other business types): \$2,234 (0.39 ERUs) per 1,000 SF

The effective assignment of 0.93 ERUs per 1,000 SF to high-demand commercial users appears to be consistent with the 0.96 ERUs per 1,000 SF shown for high users in **Exhibit 6**. OCSD's structure appears to validate the proposed "high user" group, both in terms of the types of businesses included in it as well as the effective ERU assignment per 1,000 SF. OCSD's ERU assignment to other commercial users is roughly twice what we came up with for other users (0.39 vs. 0.19 ERUs per 1,000 SF), but that difference can possibly be explained by differences in the makeup of local businesses lumped into the "average-demand" classification (OCSD's service area has a considerably larger tourism sector than the District's service area).

Based on the relatively limited number of data points that we were able to find, the ERU assignments shown in **Exhibit 6** appear to be within reasonable bounds for the purpose of imposing GFCs. These ERU assignments should be based on building square footage rather than parcel square footage, which District staff indicated will be available for new development in most cases.

We have found that virtually all jurisdictions charge commercial customers for ongoing sewer service based on some variation of water usage, whether it is current billed usage or usage reported for the previous year. Equating building square footage to water consumption would require knowing the building square footage for all commercial customers, which would likely be cumbersome to generate and maintain over time. Consequently, we would recommend that the District continue to assign ERUs to commercial users based on water consumption – given that the District bills commercial customers for a minimum of 1 ERU, adopting the proposed ERU definition of 600 cf per month would enable the District to recover costs more equitably within the commercial class.

**Question #3: Considering various objectives such as revenue stability, affordability, equity, and simplicity, is the current ERU-based sewer rate structure still the best fit for the District?**

We believe that the District's current sewer rate structure is still the best fit for the District, given that it has a relatively established process for obtaining and processing water consumption data. As

shown in **Exhibit 1**, water consumption is by far the most common basis for imposing sewer rates on commercial users. While building square footage can provide a reasonable estimate of commercial wastewater flow generation for GFCs, it is objectively inferior (from the perspective of equitable cost recovery) to actual water consumption for ongoing service rates.

Though a couple of utilities that we surveyed charge different rates for customers in designated high-strength user categories, that appears to be relatively uncommon given the data requirements and the necessary reliance on a variety of assumptions. The District could further consider a high-strength commercial rate alternative in the future but doing so would likely require a concerted effort on the District's part to monitor and collect the necessary data to administer it. A high-strength sewer rate structure also arguably requires an appeal program for customers classified as high-strength users, as the lack of such a program could undermine the District's efforts to encourage businesses to implement pretreatment best-management practices. There would also need to be a process for monitoring customers that qualify to be reclassified under the "normal" strength category, ensuring that they undertake the maintenance needed to keep their pretreatment equipment operating as intended. Overall, the introduction of a high-strength rate class would improve equity in cost recovery but would significantly complicate the administration of the District's rate structure.

### **Summary of Findings & Recommendations**

We recommend that the District revise its ERU definition from 750 to 600 cf of monthly water usage. While multiple jurisdictions use 750 cf to define an ERU, that benchmark is relatively dated and does not account for the long-term decline in water consumption that has been observed in the Puget Sound region. Reducing the ERU from 750 to 600 cf per month will increase what most commercial customers pay, but more accurately capture the difference in impacts that businesses have on the system versus a typical single-family residence.

The District can consider simplifying its GFC structure, assigning ERUs to new commercial development based on building square footage. Based on the values shown in Exhibit 6, we would suggest assigning 1.20 ERUs per 1,000 SF to restaurants, grocery stores, and convenience stores, and 0.19 ERUs per 1,000 SF to all other commercial users. We recommend compiling a more comprehensive inventory of commercial building square footage over time, periodically revisiting these ERU values to ensure that they remain accurate and representative of the District's customer base.

## **RESOLUTION NO. 1039**

A RESOLUTION OF THE BOARD OF SEWER COMMISSIONERS OF LAKE STEVENS SEWER DISTRICT, SNOHOMISH COUNTY, WASHINGTON, RECONFIRMING THE SCHEDULE AND LOCATION OF THE COMMISSIONER MEETINGS

**WHEREAS**, the Open Public Meetings Act, Chapter 42.30 RCW, provides for the governing body of a public agency to designate the schedule for its regular meetings; and

**WHEREAS**, the Board of Commissioners of the Lake Stevens Sewer District, through this Resolution, is reconfirming the schedule and location for its regular meetings.

**NOW THEREFORE, BE IT HEREBY RESOLVED BY THE BOARD OF SEWER COMMISSIONERS OF LAKE STEVENS SEWER DISTRICT; SNOHOMISH COUNTY, WASHINGTON AS FOLLOWS:**

Section 1: The regular meetings of the Board of Commissioners of the Lake Stevens Sewer District shall continue to be held on the second and fourth Thursdays of each calendar month, commencing at 9:00 a.m., in the James Mitchell Conference Room, located at 1106 Vernon Road, Lake Stevens, Washington.

Section 2: The Board of Commissioners may adjust this schedule, from time to time, as scheduling needs require, which would, or could include holding regular meetings of the Board of Commissioners of the Sewer District during other hours at such times as the Board of Commissioners deems appropriate, and it may hold special meetings pursuant to RCW 42.30.080, as it determines to be in the interest of the Sewer District.

Section 3: Nothing in this Resolution shall be deemed to restrict the powers of the Board of Commissioners as those powers are authorized by law.

**ADOPTED** by the Board of Sewer Commissions, Lake Stevens Sewer District, Snohomish County, Washington at a regular open public meeting held on the 12th day of January 2023, the following Commissioners being present and voting.

LAKE STEVENS SEWER DISTRICT:

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Dan Lorentzen, President and Commissioner

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Andrea Wright, Commissioner

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Kevin Kosche, Secretary and Commissioner

## **RESOLUTION NO. 1040**

A RESOLUTION OF THE BOARD OF SEWER COMMISSIONERS OF LAKE STEVENS SEWER DISTRICT, SNOHOMISH COUNTY, WASHINGTON, DECLARING AN EMERGENCY RELATED TO THE CROSS-BORE OF FIBEROPTIC CONDUIT THROUGH A COMMON SEWER LATTERAL

**WHEREAS**, the Lake Stevens Sewer District operates a sewerage system in the vicinity of Lake Stevens, Snohomish County, Washington; and

**WHEREAS**, efficient operation of the District's sewerage system is critical to the proper performance of essential functions of the District and to protect the health, safety and welfare of the citizens of Lake Stevens; and

**WHEREAS**, the controlled collection of sanitary waste in pipelines dedicated for that use is a vital component of the District's sewerage system and necessary for public health and safety; and

**WHEREAS**, on Saturday, December 10<sup>th</sup>, District staff responded to a call from a customer that was concerned about their fixtures draining slowly; and

**WHEREAS**, District staff determined that a contractor conducting pipeline boring had bored fiberoptic conduit through and into a sanitary sewer lateral (side sewer) serving 4 residents' homes and allowing sanitary waste to leave the pipeline and allowing soil and rocks to enter into the sewer; and

**WHEREAS**, the District Manager declared that an emergency situation existed after District staff determined that immediate action was necessary to protect public health, safety and welfare and to protect the public's sanitary sewer collection system and that delaying the repair would result in a wastewater spill that would become an immediate danger to public health and safety and would require that the District incur additional costs to set up a bypass operation while awaiting additional quotes;

**WHEREAS**, the District Manager has secured GregCo Excavating’s services to effectuate the necessary repairs for a cost estimated at \$23,000; and

**WHEREAS**, Resolution 977 “Policies for Purchasing and Contracting” and RCW 39.04.280 state that competitive bidding requirements may be waived if the General Manager declares an emergency situation exists and the Commission makes a written finding of the existence of the emergency.; and

**NOW, THEREFORE**, BE IT HEREBY RESOLVED BY THE BOARD OF SEWER COMMISSIONERS OF LAKE STEVENS SEWER DISTRICT, SNOHOMISH COUNTY, WASHINGTON AS FOLLOWS:

The Board of Commissioners of the Lake Stevens Sewer District hereby declare an emergency in connection with the cross-bore through and into a sanitary sewer lateral serving four residents in the vicinity of 10815 Vernon Rd and that immediate action was necessary and in the best interest of public health, safety and welfare, and as such, excuse District staff from soliciting additional quotes from contractors..

**ADOPTED** BY THE BOARD OF SEWER COMMISSIONERS, LAKE STEVENS SEWER DISTRICT, Snohomish County, Washington, at a regular open public meeting held on the 22nd day of December 2022, the following Commissioners being present and voting.

LAKE STEVENS SEWER DISTRICT:

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Andrea Wright, Commissioner

---

Kevin Kosche, Secretary & Commissioner

---

Dan Lorentzen, President & Commissioner



**LAKE STEVENS  
SEWER DISTRICT**  
Serving You Since 1957

1106 Vernon Road · Suite A  
Lake Stevens, WA 98258  
(425) 334-8588 · Fax (425) 335-5947  
Web Address: [lkstevenssewer.org](http://lkstevenssewer.org)

FIRST AMENDMENT TO  
AGREEMENT FOR CONSULTING SERVICES

The Lake Stevens Sewer District, a Washington municipal corporation ("District") and CliftonLarsonAllen LLP ("Consultant") do hereby agree to modify and amend the Agreement for Consulting Services entered into by the parties on December 23, 2021 ("Agreement") as set forth herein. Section 2 of the Agreement contemplates that the parties may extend the Term of the Agreement. The purpose of this First Amendment is to clarify how the Agreement may be extended.

Paragraph 14 shall be amended to read as follows:

14. Term. This Agreement shall commence with the year-end accounting services as outlined in Section 1 (Scope of Consulting Services) above and shall terminate upon completion of the year-end accounting services if the parties have not mutually agreed to extend the Agreement. Any extension shall be for a one-year term. The Agreement may be renewed for four (4) additional one-year terms.

Except as modified herein, the terms and conditions of the original Agreement for Consulting Services shall remain in full force and effect. This First Amendment shall be effective upon full execution of the parties.

Consultant:

CliftonLarsonAllen LLP

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

District:

Lake Stevens Sewer District

By: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_



EXHIBIT A  
SCOPE OF WORK

The services to be provided by the consultant shall include, but are not limited to, the following:

**A. Review and Preparation**

- Review monthly financial statements
- Prepare annual financial statements which comprise the statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows and all related notes
- Perform a review with respect to those financial statements
- Prepare the Management's Discussion and Analysis (MD&A)
- Prepare supplementary information as required by the Governmental Accounting Standards Board (GASB)

**B. Accounting Services**

- Prepare adjusting journal entries as needed

**C. Board Meeting Attendance**

- Attend a District Board meeting to present the completed annual financial statements and MD&A. The Board meets the second and fourth Thursday of each month at 9:00 AM.

**D. Timing**

- All work for annual financial statements is required to be completed and presented to the District's Board of Commissioners on or before the fourth Thursday in April, at a regular Board meeting.
- All work for monthly financial reviews is required to be completed within two weeks of District submittal.

## Exhibit A

### Professional fees

Our fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

We estimate our fees as follows:

Monthly review of your internal financial statements.	\$600 per month <b>650</b>
Preparation of your annual financial statements, including the related notes, MD&A and RSI and performance of a review engagement. This includes preparing all journal entries and all anticipated accounting services. Also included is preparation of the schedules required by the Washington State Auditor and issuing a compilation report on those schedules.	\$24,500 <b>26,450</b>
Attendance at board meeting to present the financial statements.	Included above
Attendance at additional board meetings as requested.	Based on hourly rates. Typical charge would approximate \$400. <b>425</b>

### Key assumptions regarding the fee proposal

Our estimated fees are based on our prior experienced with similar Districts and on conversations with District personnel regarding significant anticipated accounting related services, such as assistance with accounting for the Districts participation in the Public Employees Retirement System. Additionally, the scope of work indicated in the request for proposal as listed above excludes the preparation of your state schedules required by the Washington State Auditor and our compilation report on them. If these services were omitted, our fees would be approximately \$5,000 lower than indicated above.

### Billing for phone calls, questions, and special projects

It is not our policy or practice to bill our clients every time we receive a phone call. In the course of providing our services to you, we will regularly consult with you regarding accounting, financial reporting, and significant issues. If a specific project is complex or requires significant time or resources, we will discuss the scope of the project and its fee with you first to make sure there are no surprises. While it is difficult to establish an exact policy for billing in these situations, we commit to discussing the request with you in advance of performing our services if we believe the time requirement to provide you the desired assistance is other than routine. We will discuss the scope of the project and our estimate to complete it prior to commencing work.

***Our last word on fees — we are committed to serving you. Therefore, if fees are a deciding factor in your selection of an accounting firm, we would appreciate the opportunity to further discuss our fees.***

***At CLA, it's more than just getting the job done.***



## Statement of Work - Review Services

December 14, 2022

This document constitutes a statement of work ("SOW") pursuant to our Agreement for Consulting Services ("AFCS") as amended, made by and between CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") and Lake Stevens Sewer District ("you," "your," or "the entity").

This SOW communicates, among other things, certain matters required by our professional standards, confirms our understanding of the scope and objectives of the engagement, identifies the responsibilities of both CLA and the entity as it relates to the conduct of a review, and describes the nature and limitations of the services we will provide to you, including accounting services.

David G. Hoagland, CPA is responsible for the performance of the review engagement.

### **Review and preparation services**

We will prepare the financial statements of Lake Stevens Sewer District, which comprise the financial statements identified below, and the related notes to the financial statements (collectively, the "financial statements"), and perform a review engagement with respect to those financial statements.

Statement of Net Position

Statement of Revenues, Expenses, and Changes in Fund Net Position

Statement of Cash Flows

The Financial Accounting Standards Board (FASB) provides for certain required supplementary information (RSI) about future major repairs and replacements to accompany the entity's basic financial statements. Such information, although not a part of the basic financial statements, is required by the FASB who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context.

The RSI will not be subjected to the review engagement.

### **Accounting services**

We will also provide the following accounting services:

-

Preparation of a trial balance.

- Preparation of adjusting journal entries

### **Engagement objectives**

The objectives of our engagement are to:

- a. Prepare financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) based on information provided by you.
- b. Obtain limited assurance, primarily by performing analytical procedures and inquiries, as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with U.S. GAAP.
- c. Report on the financial statements as a whole and communicate as required by professional standards.
- d. Apply accounting and financial reporting expertise to assist you in the presentation of RSI without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the RSI in order for it to be in accordance with U.S. GAAP.

### **Our responsibilities**

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care. Those standards require us to be independent of the entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our review engagement. Those standards also require that we plan and perform the review engagement with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated.

### **Engagement procedures and limitations**

A review engagement includes performing primarily analytical procedures and making inquiries of entity management to obtain sufficient appropriate review evidence as the basis for a conclusion on the financial statements as a whole. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or

noncompliance with laws and regulations. However, we will inform the appropriate level of management or those charged with governance, as appropriate, of any material misstatements and of any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred or is suspected to have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our review procedures regarding identified or suspected noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You agree that we shall not be responsible for any misstatements in the entity's financial statements that we may not identify as a result of misrepresentations made to us by you.

### **Our report**

We will issue a written report upon completion of our review of the entity's financial statements. We cannot provide assurance that an unmodified accountants' review report will be issued. There may be circumstances in which our report may differ from its expected form and content based on the results of our review engagement. Depending on the nature of these circumstances, it may be necessary for us to report known departures from U.S. GAAP, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our report is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our report will include a paragraph stating accounting principles generally accepted in the United States of America require that the information about future major repairs and replacements of common property be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the FASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The report will state the information is the responsibility of management. The report will also state that we did not perform a compilation, review, or audit of the required supplementary information, and, accordingly, the report will not express an opinion, a conclusion, nor provide any form of assurance on the required supplementary information.

### **Management responsibilities**

The engagement to be performed is conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that our role is to prepare financial statements in accordance with U.S. GAAP and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements in order for the statements to be in accordance with U.S. GAAP. Management, and those charged with governance, as appropriate, have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARs:

- The selection of U.S. GAAP as the financial reporting framework to be applied in the preparation of the financial statements.
- The preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

- The inclusion of all informative disclosures that are appropriate for financial statements prepared in accordance with U.S. GAAP.
- The preparation and fair presentation of the RSI.
- The exercise of judgment in making accounting estimates that are reasonable in the circumstances and the selection and application of appropriate accounting policies.
- The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- The prevention and detection of fraud.
- To ensure that the entity complies with the laws and regulations applicable to its activities.
- To evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for one year after the date the financial statements are available to be issued.
- To inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.
- The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- To provide us with the following:
  - a. Access to all information relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters.
  - b. Additional information that may be requested for the purpose of the engagement.
  - c. Unrestricted access to persons within the entity of whom we determine it necessary to make inquiries.
  - d. At the conclusion of the engagement, a letter that confirms certain representations made during the review.

**Responsibilities and limitations related to accounting services**

For all accounting services we may provide to you, including the preparation of your financial statements, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or

experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

### **Use of financial statements**

The financial statements and our review report thereon are for management's use. If you intend to reproduce and publish the financial statements and our report thereon, they must be reproduced in their entirety. Inclusion of the financial statements in a document, such as an annual report or an offering document, should be done only with our prior approval of the document. You are responsible to provide us the opportunity to review such documents before issuance.

With regard to the electronic dissemination of financial statements that have been subjected to a review engagement, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

### **Engagement administration and other matters**

A list of information we expect to need for our review and the dates required will be provided in a separate communication.

The workpapers supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we retain our workpapers in accordance with our record retention policy that typically provides for a retention period of seven years.

Pursuant to authority given by law or regulation, we may be requested to make certain workpapers available to Washington State Auditor's Office for their regulatory oversight purposes. We will notify you of any such request. Access to the requested workpapers will be provided to the regulators under the supervision of CLA personnel and at a location designated by our firm. Furthermore, upon request, we may provide copies of selected workpapers to such regulators. The regulators may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

### **Fees**

Fees and finance charges will be as indicated in the First Amendment to our Agreement for Consulting Services dated December 23, 2021.

### **Unexpected circumstances**

We will advise you if unexpected circumstances require significant additional procedures resulting in a substantial increase in the fee estimate.

**Agreement**

Please sign, date, and return this SOW to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our review of your financial statements and the parties' respective responsibilities.

Sincerely,

**CliftonLarsonAllen LLP**



CLA  
CLA

*David Hoagland*

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David Hoagland, Principal

**SIGNED** 12/14/2022, 2:54:48 PM PST

**Client**  
Lake Stevens Sewer District

SIGN:

---

Mariah Low, General Manager

DATE:

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December 14, 2022

### **Statement of Work - Compilation Services**

This document constitutes a statement of work ("SOW") pursuant to our Agreement for Consulting Services ("AFCS") as amended, made by and between CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") and Lake Stevens Sewer District ("you," "your," or "the entity").

This SOW communicates, among other things, certain matters required by our professional standards, confirms our understanding of the scope and objectives of the engagement, identifies the responsibilities of both CLA and the entity as it relates to the conduct of a review, and describes the nature and limitations of the services we will provide to you, including accounting services.

David G. Hoagland, CPA is responsible for the performance of the compilation engagement.

#### *Year-end financial statements*

We will prepare the financial statements of Lake Stevens Sewer District, which comprise the financial statements identified below, to be included in the form prescribed by Washington State Auditor's Office, and perform a compilation engagement with respect to those financial statements.

Schedule 1 - Schedule of Revenues, Expenditures, Expenses.

Schedule 9 - Schedule of Liabilities.

Schedule 15 - Schedule of State Financial Assistance.

Schedule 16 - Schedule of Expenditures of Federal Awards.

Schedule 19 - Schedule of Labor Relations Consultants.

Schedule 21 - Schedule of Local Government Risk Assumption.

#### **Other accounting services**

We will also provide the following other accounting services:

- Preparation of a trial balance.
- Preparation of your financial statements and the related notes.

- Preparation of adjusting journal entries.

### **Engagement objectives**

The objectives of our engagement are to:

- Prepare the financial statements in accordance with the requirements prescribed by the Washington State Auditor's Office based on information provided by you.
- Apply accounting and financial reporting expertise to assist you in the presentation of the financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the requirements prescribed by the Washington State Auditor's Office.

### **Our responsibilities**

We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants (AICPA) and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

### **Engagement procedures and limitations**

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion, a conclusion, nor provide any assurance on the financial statements and any supplementary information.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You agree that we shall not be responsible for any misstatements in the entity's financial statements that we may not identify as a result of misrepresentations made to us by you.

### **Our Report**

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them.

Our report will indicate that the financial statements are prepared in accordance with the requirements prescribed by the Washington State Auditor's Office, and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

The report will include a statement that the report is intended solely for the information and use of management, those charged with governance, others within the entity, Washington State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

There may be circumstances in which the report may differ from its expected form and content. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

### **Management responsibilities**

The engagement to be performed is conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledges and understands that our role is to prepare financial statements in accordance with the requirements prescribed by the Washington State Auditor's Office and assist management in the presentation of the financial statements in accordance with the requirements prescribed by the Washington State Auditor's Office. Management, and those charged with governance, as appropriate, have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARs:

- The selection of the financial reporting framework to be applied in the preparation of the financial statements and determining that the financial reporting framework is acceptable in the circumstances.
- The preparation and fair presentation of the financial statements in accordance with the requirements prescribed by the Washington State Auditor's Office.
- The inclusion of all informative disclosures required to be included in the form prescribed by the Washington State Auditor's Office, if applicable.
- The presentation of the supplementary information, if applicable.
- The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- The prevention and detection of fraud.
- To ensure that the entity complies with the laws and regulations applicable to its activities.
- The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- To provide us with the following:
  - Access to all information relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - Additional information that may be requested for the purpose of the engagement.
  - Unrestricted access to persons within the entity with whom we determine it necessary to communicate.

### **Responsibilities and limitations related to accounting services**

For all accounting services we may provide to you, including the preparation of your financial statements, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

### **Use of financial statements**

The financial statements and our compilation report thereon are for management's use. If you intend to reproduce and publish the financial statements and our report thereon, they must be reproduced in their entirety. Inclusion of the financial statements in a document, such as an annual report or an offering document, should be done only with our prior approval of the document. You are responsible to provide us the opportunity to review such documents before issuance.

With regard to the electronic dissemination of financial statements that have been subjected to a compilation engagement, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue a preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

### **Engagement administration and other matters**

A list of information we expect to need for our engagement and the dates required will be provided in a separate communication.

Our engagement ends on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific SOW for that service.

### **Fees**

Fees and finance charges will be as indicated in the First Amendment to our Agreement for Consulting Services dated December 23, 2021.

### **Changes in accounting and SSARs**

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the SOW increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work.

### **Agreement**

Please sign, date, and return this SOW to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our engagement to prepare your financial statements and to perform

a compilation engagement with respect to those same financial statements, and the parties' respective responsibilities.

Sincerely,

**CliftonLarsonAllen LLP**

CLA  
CLA

*David Hoagland*

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David Hoagland, Principal

**SIGNED** 12/14/2022, 2:52:34 PM PST

**Client**

Lake Stevens Sewer District

SIGN:

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Mariah Low, General Manager

DATE:

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