



THREE LAKES WATER ASSOCIATION

2026 Annual Meeting

Tuesday, October 6, 2026

“Deliver safe drinking water, efficiently and reliably, to our members at a reasonable cost.”

A member-owned, nonprofit water utility • Snohomish County, Washington

Meeting Agenda

1 Call to Order, Roll Call & Quorum Determination

2 Introductory Comments

3 Trustee Nominations*

4 Officer and Manager Reports

5 New Business: Nominee Statements, Election, and Voting*

6 Adjournment

* We will jump to these topics from this slide deck to address Trustee Election and ByLaw Amendment Topics at various times to allow for preparations for voting.

Serving the Three Lakes Community Since 1964

Three Lakes Water Association is a member-owned, nonprofit water utility (Washington 501(c)(12)) formed in 1964, governed by a volunteer Board of Trustees and operated by a small professional staff, supported by engineering, legal, accounting, and emergency-repair contractors.

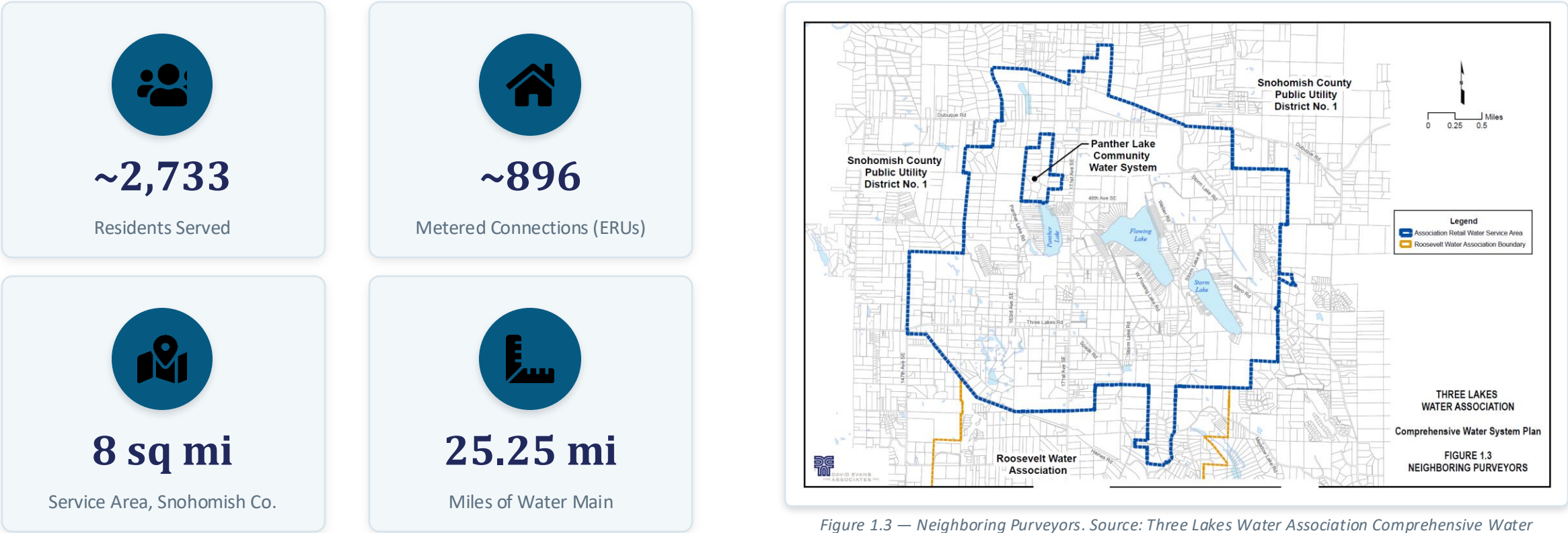


Figure 1.3 — Neighboring Purveyors. Source: Three Lakes Water Association Comprehensive Water System Plan, prepared by David Evans and Associates, Inc.

Serving Association Members



Current Board of Trustees

- Steve Lefebure — President
- Joey Martin — Vice President
- Marek Jedrzejewicz* — Secretary
- Steve Campbell — Treasurer
- John Mannix — Trustee
- Steve Heise* — Trustee
- Heidi Mann — Trustee

*Term Expires 2026



Association Staff

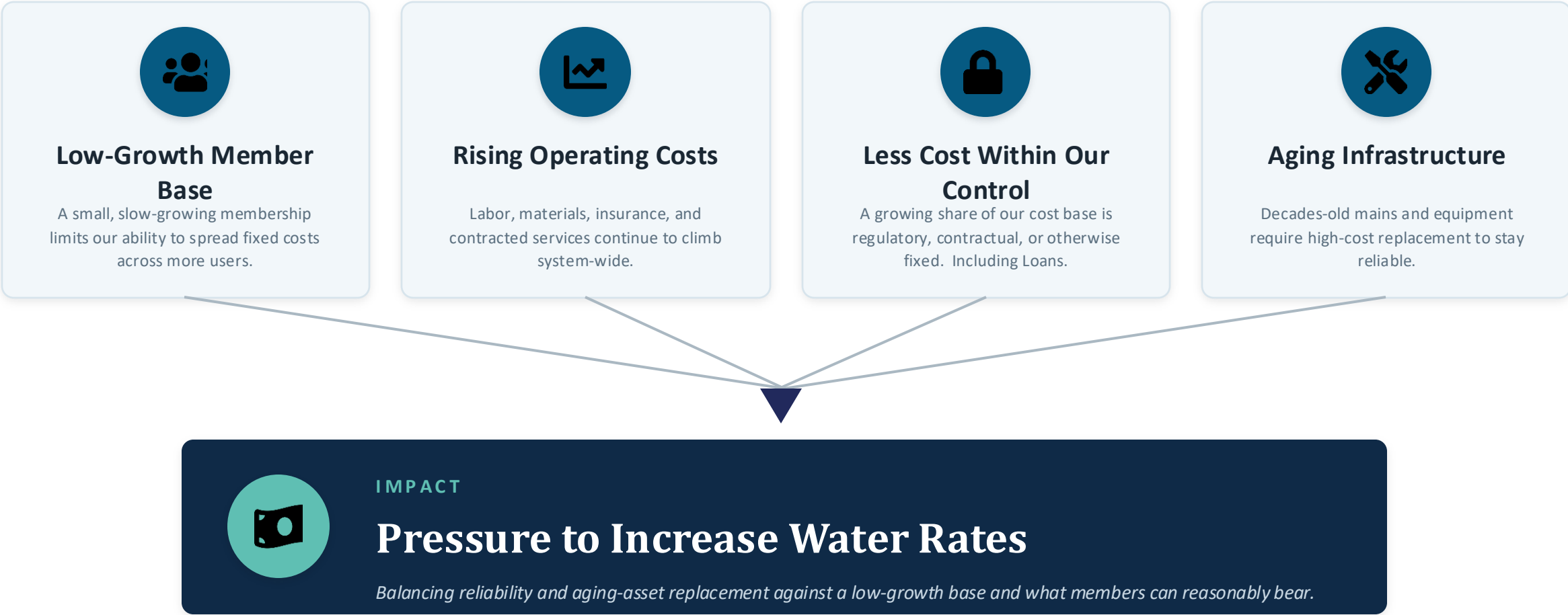
- Steven Butcher — General Manager (WDM2)
- Seth Way — Field Technician (WDM1)
- Jaeger Coryell — Part-Time Staff



Primary Contractors

- D&G Backhoe, Inc. — Water Main Work
- David Evans and Associates, Inc. — Engineering
- Bellingham CPA Taxes and Accounting, LLC — Accounting
- Systems Interface — Software

Our Strategic Challenge Remains



A Year of Transition — and Real Progress

- Within a week of last year's Annual Meeting, our Manager, Asst. Manager resigned without notice before your new trustees were seated — cutting operating staff in half overnight.
- Your Board of Trustees responded quickly: interim management, a manager search, and a new leader in place by January 1, 2026.
- Since then: modernized governance, strengthened financial controls, a leaner operating model, and continued investment in the infrastructure that keeps your water flowing.
- Water rate increase kept to approximately 6.5% — under projections from the prior year.



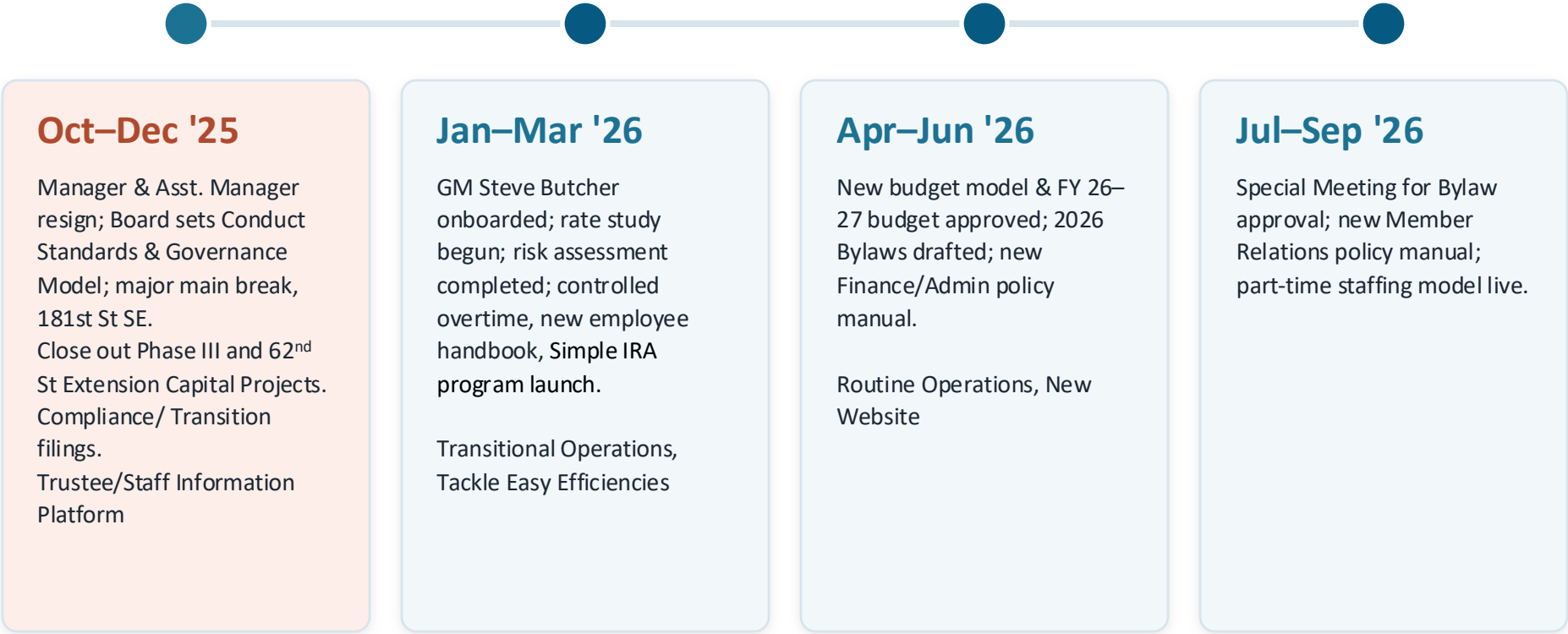
Welcoming General Manager

Steve Butcher

Serving as General Manager since January 1, 2026, bringing a forward-thinking, efficiency-driven leadership approach aligned with the Association's mission of delivering safe drinking water, efficiently and reliably, at a reasonable cost.

This report frames a challenging year honestly — and the steps taken in response.

A Year in Transition



Highlighted quarter: the leadership transition that reshaped the year.

From Confrontation to Collaboration

- New Governance Operating Model extending beyond baseline Washington nonprofit law (RCW 24.03A)
- Planned meeting agendas for board action and productivity
- Board Conduct Standards adopted
- Standing committees established for continuous action and expertise
- Cloud-based platform for secure, transparent collaboration
- E-signatures for Trustee actions

2026 Bylaws Revisions

- Special Member Meeting held in 2026 for Bylaw approval
- Better govern Association resources
- Enable efficiencies in the use of technology
- Support digital records, signatures, and communications
- Clarity on Trustee roles and expectations; more flexible response to emergencies

From Heavy to Light — and More Open

BEFORE

2 Managers + 2 full-time staff

- Heavy fixed payroll relative to system size
- Member calls often routed to voicemail
- Extensive use of and dependency on specialty contractors
- Excessive use of overtime



AFTER

1 Manager + 1 full-time staff, + 1 part time staff

- Plus 1 part-time, seasonal staff for routine maintenance OR promote 1 part-time staff to full-time
- More focused, targeted use of consulting & specialty services
- Simple IRA with employer match; new employee handbook
- Phones answered directly — open-gate policy to members
- Enhanced website; greater transparency and openness

Keeping the Trust



Regulatory Compliance

Maintained full compliance with Washington DOH regulations throughout the year.



Continuous Monitoring

Frequent water quality monitoring with independent laboratory testing.



Lead Service Line Inventory

Ongoing LSLI program per EPA and DOH requirements.



Preventive Maintenance

Routine scheduled maintenance, plus rapid response to main breaks and member concerns.

Our Battle Against Physics

Water Main Events (Nov '25 – Aug '26)

Nov '25	181st Street SE	Major
Jul '26	50th Street SE	Major
Aug '26	Storm Lake — vehicle accident	Major
Aug '26	Storm Lake Rd — service line leak	Minor
Aug '26	Dubuque Rd — contractor incident	Major
Seot '26	181 st and Adams Cabin Rd	Major

Addressing Deferred Maintenance

- Generator replacement to sustain operations during outages
- Freed multiple stuck/frozen valves; new pump seals
- Hydrant maintenance and flushing program
- Extensive inspection of assets and equipment
- Reconfigured SCADA/telecom alarms to catch real problems and reduce unnecessary overtime
- New antennas for hard-to-read meters; meter warranty cost recovery

Infrastructure & Technology Investment



Water Main Replacement

- Completed Phase III of the 171st St / 62nd St Extension water main replacement project this past fiscal year – Closed out project
- Replaces aging asbestos-cement (AC) main with modern ductile iron pipe along a critical supply corridor
- Funded through low-interest Washington State Drinking Water State Revolving Fund (DWSRF) loans
- Roughly 56% of our ~25 miles of water main now converted to modern ductile iron, with 44% (~11 miles) remaining as AC — at ~\$800K - \$1.1M per mile



SCADA, Telecom & Systems Technology

- Upgraded SCADA (Supervisory Control & Data Acquisition) telemetry system and its supporting computing equipment
- New backup generator to sustain operations during power outages
- New radio antennas to reach previously hard-to-read meters
- Reconfigured SCADA/telecom alarms to flag real problems, reducing after-hours callouts and overtime
- Enhanced member management system and computing upgrades for staff
- New platform for collaboration between staff and trustees, transparency

Working Smarter



Risk Assessment

Focused attention on the areas of greatest system risk.



Smarter Alerts

Reconfigured SCADA/telecom alarms to detect real problems and prevent unnecessary overtime.



Technology

Enhanced member management system and computing equipment upgrades for staff.



Forward Scheduling

Planning ahead to focus resources on issues with real impact.

Member Communications & Billing



Notifications & Billing

- Registered as a bulk mailer to reduce postage costs
- Postcard notifications linked to website materials
- Email bills and notices for members with email on file
- New, lower-cost website redesigned for member communication



Payment Modernization

- Expanded member autopay program
- New credit card payment option added
- Shifted to paperless billing where email is on file
- Meter-read time reduced through route efficiency
- Fewer read exceptions through better data

Cash Efficiency



ACH Payments

Drastically reduced check volume through ACH adoption.



Banking Consolidation

Simplified relationships and management of cash assets. From 7 banks to 2.



Investment Income

Idle cash moved into interest-bearing investment accounts.



New Budget Model

Adopted a new annual budgeting model and process.

The Association also sold an underused asset (pickup truck) as part of broader cost discipline.

From Accumulating Problems to Addressing Problems

- Several balance sheet accounts went unreconciled for years are being reconciled, with resulting adjustments to prior-year earnings to come*
- New policies adopted for budgeting, purchasing, accounting, and capital project justification.
- Periodic Treasurer review of detailed receipts and expenditures instituted
- Three new policy manuals adopted: Finance/Administration, Member Relations & Communications, and Employee

*In Progress



Financial Audit

Planned to begin January 2027

A CPA-prepared financial compilation report remains available to all members upon request.

Financial, Budget & Rate Snapshot

FY 26-27 Budget Highlights and Recent Cash Position

- Budget Gross Revenue \$1.3M (Program Revenue: \$1.170M)
- Budget Operating Expenses \$1.261M
 - COGS: \$933K (D&A: \$212K)
 - G&A: \$328K
- Current Cash on Hand (8/31/26) \$1.482M
 - Operating Funds - \$332K
 - Capital Funds - \$858K
 - Debt Funds - \$292K

FY 27 Budget Operating Expense Vs FY 26 Actuals – Increase 5%

- Increases
 - Financial Audit
 - Maintenance & Repair
- Decrease
 - Lower Labor Cost

~6.5%

Member Water Rate Increase, eff. 7/1/26

~6.6%

Everett Purchased Water Cost Rate Increase 2026

\$11M

Estimated cost to replace remaining AC pipe

< 50%

Percent of Budget within our control

From a Year in Transition to a Year of Stabilizing

FY 25–26 — Year in Transition

- 171st Phase III capital project & 62nd St Extension
- “A lost quarter” — crisis management
- Transition to a new Manager
- Modernize governance (Operating Model, Bylaws, Conduct, Policies)
- Seek efficiencies and simplify
- Lay groundwork for next year

FY 26–27 — Year of Stabilizing

- Stabilize with new bylaws, policies, modernized practices
- Realize long-term cost-structure efficiencies
- Operations excellence
- Capital investment in technology to support operations
- Operationalize decentralized governance (officers, standing committees, delegations)
- Improve insight into strategic, long-term system needs

How You As a Member Can Help



Report Suspicious Water

See standing water, a wet spot, or unusually low pressure? Contact us right away — it could be a main break.



Go Paperless With Us

Add your email to our records to receive bills and notices faster, and support the Association's move to lower-cost digital communication.



Visit Our Website

Policies, forms, meeting materials, and other informational resources are posted online for members, anytime.



Sign Up for Autopay

Enroll in autopay, or pay by credit card, to simplify your payments and help lower the Association's billing costs.

Questions about any of these? Have skills that might help tackle the challenges within a committee? Reach us at president@3lwa.org or the General Manager at gm@3lwa.org.

FY 2026–27 Priorities



Operationalize Governance

Officers, standing committees, and clear delegations of authority. Leverage modernized Bylaws and policies for efficiencies, tackle remaining policy issues.



Cost-Structure Efficiency

Pursue long-term efficiencies and operational excellence.



Technology Investment

Capital investment in SCADA/telemetry, metering, and office systems.



Strategic Risk Insight

Deepen understanding of sustainable capital replacement pace and risk.



Long-Term Sustainability

Build capital funding ahead of needs; strengthen financial controls.

THANK YOU

Join Us in Serving the Association

- None of this progress would be possible without the volunteer service of our Trustees and the dedication of our small staff.
- We are grateful for your continued trust and patience through a year of real change.
- Two Trustee positions are open for nomination and election at this meeting.
- Interested in serving as a Trustee, or have questions? Reach us at president@3lwa.org.



2026 Annual Meeting

Tuesday, October 6, 2026

7pm, Association Office

president@3lwa.org



Questions?

Thank you for attending — and for being part of the Three Lakes Water Association.