PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 07/11/17
2. Approval of Minutes 06/27/17
3. Ratification of Vouchers 07/04/17
4. Approval of Vouchers 07/11/17
5. Project Acceptance: Skagit Farmers Supply, Avon Allen Road (Mount Vernon)

AUDIENCE COMMENTS

OLD BUSINESS
6. Manager’s Report
7. Quarterly Report – Customer Service/Community Relations/Meters

NEW BUSINESS
8. Governance Policy Revisions – Action
9. Commission Priorities and Goals for 2018 Budget – Discussion
10. Judy-Mount Vernon Transmission Pipeline Project – For review prior to 07/25 Discussion
   Skagit Environmental Bank Draft Agreements

MISCELLANEOUS

COMMISSIONER COMMENTS

ADJOURNMENT

JUDY RESERVOIR ELEVATION
MINUTES OF THE REGULAR MEETING OF THE COMMISSION
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

June 27, 2017

The regular meeting of the Commission of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, on June 27, 2017.

The meeting was called to order at 4:30 PM. Those Commissioners in attendance were: Robbie Robertson, President; Eron Berg, Vice President; and Al Littlefield Secretary. Also in attendance were: George Sidhu, General Manager; Mark Handzlik, Engineering Manager; Sally Saxton, Finance Manager/Treasurer; Peter Gilbert, Attorney; and Kim Carpenter, Clerk of the Board; Audience: Judy Littlefield, Bruce Johnson, Stewart & Bev Thomas, Stuart Affleck, Liz Herseth, Phil Kuyper, Dave Olson, Doug Nesbit, Stacy & Erin Roux; and District Employees: Mike Fox, Kevin Tate, Gary Chrysler, Luis Gonzalez, Mark Semrau.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for June 27, 2017:

1. Approval of Agenda 06/27/17
2. Approval of Minutes 05/23/17
3. Ratification of Vouchers
   No. 2734, Voucher Nos. 9502-9559, Payroll Check Nos. 18579-1868 ($417,486.40) 05/30/17
   No. 2735, Voucher Nos. 9560-9593 ($121,022,372) 06/06/17
   No. 2736, Voucher Nos. 9594-9654, Payroll Check Nos. 18659-18739 ($690,884.31) 06/13/17
   No. 2737, Voucher No. 9655 (06/13); 2738 ($21,934.00) 06/13/17
   No. 2738, Voucher Nos. 9656-9702 ($1,323,142.88) 06/20/17
4. Approval of Vouchers No. 2739
   Voucher Nos. 9703-9766, Payroll Check Nos. 18740-18820 ($2,341,882.31) 06/27/17
5. Project Acceptance:
   Burlington North Marketplace, Haggen Drive (Mount Vernon)
   Nevitt Road Holiday Sports Expansion (Burlington)
   Skagit Highlands Parkway, 4-Lot Short Plat, POD E (Mount Vernon)
   Frazier Heights Avon Allen Road (Burlington)
6. Recommendation to Authorize Work Order for Cayenta Upgrade

The motion passed.

Treasurer Saxton presented the Treasurer’s Report for the month of May 2017.

There were no audience comments.

Under Old Business:
7. Manager’s Report - Manager Sidhu reported on the following items:
   - County Community Fiber – IT Manager Chrysler, Attorney Gilbert and I met with Sara Young of the Port of Skagit County and their attorney, Brad Furlong, on Friday to work out the details of the interlocal agreement, such as an ownership model, construction and management.
   - IT Manager Chrysler and I also attended a meeting on Monday with the Skagit County Commissioners and representatives from the County, City of Anacortes, City of Mount Vernon, and Port of Skagit County. It was a broad discussion regarding interlocal for other agencies based on the District’s interlocal with the Port. Also discussed the 2005 Network Consortium which is still in place, but not pertinent to what is being done today. The meeting is available on TV21 if interested. Discussion ensued regarding various aspects of the community fiber project.
   - Goals – Working toward expanding the Intership Program from Bellingham Technical College, which currently focuses on refineries, for positions at the WTP. DOH is interested and work will continue with the program.
   - Published a Request for Proposals (RFP) for a compensation study for non-represented employees. The goal is better defined salary ranges and how and when salaries are adjusted. Will be interviewing two firms that submitted proposals.
   - Will publish a Request for Qualifications (RFQ) this week for architectural Consulting Services that will include a needs analysis, current property, and properties available to move to. Qualifications are due by July 14.
   - Have invited local agencies to tour the District’s WTP and have received good response. The tour is scheduled for August 24 at 1:00 PM and will include the WPT, Judy Reservoir and Gilligan Intake. It looks like approximately 20 people will participate and the Commission is welcome to attend.

8. Quarterly Report – Engineering
   Engineering Manager Handzlik presented a quarterly update regarding the Engineering Department, including status and progress regarding the following projects: Third Street Pump House; Township, Judy Reservoir-Mount Vernon Transmission Pipeline, Interlocal with Skagit County for Centennial Trail right-of-way; Best Road, Division Street Tank (recently toured by the Skagit Valley Herald), and Mundt Creek Intake. Also discussed new technology regarding leak detection using satellite imaging. Commissioner Robertson indicated his support for the new technology and suggested that perhaps the City of Anacortes and Swinomish may be interested in cost sharing.

Under New Business:
9. Wheeling Water to Lake Samish - Discussion
   General Manager Sidhu stated that DOH Regional Engineer JoLynn Leslie would be listening in to this discussion via conference call. General Manager Sidhu presented background regarding the request for water service from the Shallow
Shores Community and the District’s reluctance to serve water outside of Skagit County. He stated that Stewart Thomas will speak on behalf of the group. Mr. Thomas gave background information as to the water situation in the Shallow Shores area of Lake Samish, the need for water service and the District’s reluctance to serve water outside of Skagit County. He distributed copies of maps identifying the area of discussion.

Discussion ensued regarding various aspects of the request, including transfer of water rights, Alger Well capacity, Friday Creek, Water Resource Inventory Area 3 (WRIA), forming a joint operating agreement with Whatcom PUD, LUD process, and a future work session including the District, residents, DOH, DOE, Whatcom PUD and Lake Samish Water District, and potential funding sources.

Dave Olson, special consultant to Whatcom PUD, clarified the request put forth by Mr. Thomas regarding a commitment or willingness by the District to provide service outside of Skagit County. He suggested mitigation for a new right on a new well and giving up rights on Lake Samish which would go into trust for DOE and could be applied to Friday Creek.

Under Audience Comments:
Bruce Johnson, Allen Road, Bow commented on transfer of water rights in the Carpenter Creek area, including point of diversion being downstream, new site required metering, and mitigation being key.

Jo Lynn Leslie, DOH, commented that she was interested in the proposed work session and that she is working with Calmor Cove and they are continuing on their way to replace their WTP. This community needs to come together and agree they want to do this and DOH is supportive.

Commissioner Robertson thanked the residents for their attendance.

10. Draft Safety Policy – Discussion
General Manager Sidhu stated that the District has had an onsite consultant for nine months and is now at the point of preparing new and revised policies.
Discussion ensued regarding various aspects of the drug policy language, including interpretation and CDL restrictions. General Manager Sidhu stated that the AP&P’s provide guidance and details and the policy sets out the testing requirements. He asked that the Commission please review the drafts provided of Policies #1026 & 1013 and let him know if there are any questions, as action will be placed on an upcoming agenda.

11. Revisions to Governance Policy – Discussion
General Manager Sidhu stated that the Commission has copies of the track changes document and asked that the Commission review the changes and contact him if they have any questions or comments.

12. Proposed 2018 Budget Timeline – Discussion
General Manager Sidhu provided a proposed timeline for the 2018 Budget which he reviewed. He indicated that department managers are working on submitting their operating budgets. He stated that the District will again be working the FCS Group as a consultant on the preparation of the budget; however, this budget will
not include a rate study. Discussion ensued regarding debt options and rate increases.

Under Miscellaneous, the Commission notebooks include articles from the Skagit Valley Herald and the H20 Ops newsletter.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of June 27, 2017 was adjourned at 7:16 PM.

Respectfully submitted:

______________________________
Kim Carpenter
Clerk of the Board
July 11, 2017

Board of Commissioners
Public Utility District No. 1 of Skagit County
Post Office Box 1436
1415 Freeway Drive
Mount Vernon, WA  98273-1436

RE:  Project Acceptance

Name of Project:  Skagit Farmers Supply, Avon Allen Road, P21078
Reference:  C.O. #4945, Project # 3653
Location:  Mount Vernon
Developer:  Skagit Farmer Supply
Contractor:  Welch Brothers Construction

Gentlemen:

The District has approved the plans and specifications and has inspected the installation of the new water plant within the above project. The Engineering Department has received satisfactory pressure and bacteriological test results. All documentation for this project has been completed.

I recommend that the Commission of the District accept this project.

Respectfully submitted,

Mark Handzlik, P.E.
Engineering Manager

cmp

Attachment

cc:  George Sidhu, P.E., General Manager
     Michael E. Demers, Engineering Technician
July 5, 2017

TO: Commission
FROM: George Sidhu, P.E., General Manager
SUBJECT: Governance Policy Revisions

Requested Action:
Motion to adopt the Governance Policy as revised.

Background:
The Commission received proposed revisions to the Policy adopted on February 24, 2015 at the meeting of June 27 for review. I received no comments or questions regarding the proposed revisions; however, I have made an additional change to Section 7.2.2. I propose to adopt the policy as revised.

Fiscal Impact:
There is no fiscal impact.

kac
Public Utility District No. 1 of Skagit County

Policy on Governance and Management

February 24, 2015

June 27, 2017
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Section 1.  INTRODUCTION

1.1 Public Utility Districts Authorized.

During the heart of the great depression, the people of this state facilitated rural utility service through the creation of public utility districts (commonly known as “PUDs”). At the general election in 1930, the people passed their first-ever voter-approved initiative to the legislature. That initiative approved the creation of PUDs, and was then legislatively documented as Chapter 1, Laws of 1931, and later codified in the Revised Code of Washington (RCW) at Title 54.

Public Utility Districts are nonprofit, locally regulated municipal corporations that are created by a vote of the people. RCW 54.04.020; 54.12.010. Unlike private utilities, public utility districts are run by an elected, nonpartisan board of commissioners who are directly accountable to the voters. Under state law, the purpose of PUDs is “to conserve the water and power resources of the State of Washington for the benefit of the people thereof, and to supply public utility service, including water and electricity for all uses.” Section 1, Chapter 1, Laws of 1931.

1.2 PUD No. 1 of Skagit County.

Skagit PUDPublic Utility District No. 1 of Skagit County (“District”) was created by vote of the people of Skagit County in 1936. On approximately the third anniversary of the District’s formation of Skagit PUD—November 4, 1939—the District formally went into the water business with 3,000 customers. In 2007, Skagit PUDthe District won accolades for its great tasting water, placing best in the Pacific Northwest and fourth in the nation at American Water Works Association taste test competitions.

By 2013, Skagit PUDthe District operated the largest water system in the County, providing nine million gallons of piped water to approximately 65,000 people every day. The PUD District maintains nearly 600 miles of pipelines and has over 31 million gallons of storage volume.

1.3 PUD Management.

In a case involving Ferry County PUD, the Washington Court of Appeals has summarized the management structure of a PUD, as follows:

Title 54 RCW governs the operation of public utility districts and dictates the relative roles of a district’s commission and its district manager. While the powers of the district are exercised through the members of the commission, see RCW 54.12.010, commissioners are required to appoint and may remove an experienced executive as district manager, who shall be the chief administrative officer of the district, in control of all administrative functions and shall be responsible to the commission for the efficient administration of the affairs of the district placed in his or her charge. RCW 54.16.100.

Steinbock v. Ferry County PUD No. 1, 165 Wn. App. 479, 491 (2011). Under law, the Commissioners oversee a district manager. It is the district manager that is responsible for all
administrative functions of the PUD. In Skagit PUD At the District, the district manager is called the “General Manager.”

1.4 Purpose for Governance and Management Policy.

The purpose of this Policy is to assure that the PUD’s District’s service to the residents and businesses in Skagit County are consistent with law and sound management principles.

1.5 References.

1.5.1 RCW 54.12.010:

A public utility district that is created as provided in RCW 54.08.010 shall be a municipal corporation of the state of Washington, and the name of such public utility district shall be Public Utility District No. . . . . of . . . . . County.

The powers of the public utility district shall be exercised through a commission consisting of three members in three commissioner districts, and five members in five commissioner districts.

(1) If the public utility district is countywide and the county has three county legislative authority districts, then, at the first election of commissioners and until any change is made in the boundaries of public utility district commissioner districts, one public utility district commissioner shall be chosen from each of the three county legislative authority districts.

(2) If the public utility district comprises only a portion of the county, with boundaries established in accordance with chapter 54.08 RCW, or if the public utility district is countywide and the county does not have three county legislative authority districts, three public utility district commissioner districts, numbered consecutively, each with approximately equal population and following precinct lines, as far as practicable, shall be described in the petition for the formation of the public utility district, subject to appropriate change by the county legislative authority if and when it changes the boundaries of the proposed public utility district. One commissioner shall be elected as a commissioner of each of the public utility district commissioner districts.

(3) Only a registered voter who resides in a commissioner district may be a candidate for, or hold office as, a commissioner of the commissioner district. Only voters of a commissioner district may vote at a primary to nominate candidates for a commissioner of the commissioner district. Voters of the entire public utility district may vote at a general election to elect a person as a commissioner of the commissioner district.

(4) The term of office of each public utility district commissioner other than the commissioners at large shall be six years, and the term of each commissioner at large shall be four years. Each term shall be computed in accordance with RCW 29A.20.040 following the commissioner's election. All public utility district commissioners shall hold
(5) A vacancy in the office of public utility district commissioner shall occur as provided in chapter 42.12 RCW or by nonattendance at meetings of the public utility district commission for a period of sixty days unless excused by the public utility district commission. Vacancies on a board of public utility district commissioners shall be filled as provided in chapter 42.12 RCW.

(6) The boundaries of the public utility district commissioner districts may be changed only by the public utility district commission, and shall be examined every ten years to determine substantial equality of population in accordance with chapter 29A.76 RCW. Except as provided in this section or RCW 54.04.039, the boundaries shall not be changed oftener than once in four years. Boundaries may only be changed when all members of the commission are present. Whenever territory is added to a public utility district under RCW 54.04.035, or added or withdrawn under RCW 54.04.039, the boundaries of the public utility commissioner districts shall be changed to include the additional or exclude the withdrawn territory. Unless the boundaries are changed pursuant to RCW 54.04.039, the proposed change of the boundaries of the public utility district commissioner district must be made by resolution and after public hearing. Notice of the time of the public hearing shall be published for two weeks before the hearing. Upon a referendum petition signed by ten percent of the qualified voters of the public utility district being filed with the county auditor, the county legislative authority shall submit the proposed change of boundaries to the voters of the public utility district for their approval or rejection. The petition must be filed within ninety days after the adoption of resolution of the proposed action. The validity of the petition is governed by the provisions of chapter 54.08 RCW.

1.5.2 RCW 54.16.010:

The commission, by resolution introduced at a regular meeting and adopted at a subsequent regular meeting, shall appoint and may remove at will a district manager, and shall, by resolution, fix his or her compensation.

The manager shall be the chief administrative officer of the district, in control of all administrative functions and shall be responsible to the commission for the efficient administration of the affairs of the district placed in his or her charge. The manager shall be an experienced executive with administrative ability. In the absence or temporary disability of the manager, the manager shall, with the approval of the president of the commission, designate some competent person as acting manager.

The manager may attend all meetings of the commission and its committees, and take part in the discussion of any matters pertaining to the duties of his or her department, but shall have no vote.
The manager shall carry out the orders of the commission, and see that the laws pertaining to matters within the functions of his or her department are enforced; keep the commission fully advised as to the financial condition and needs of the districts; prepare an annual estimate for the ensuing fiscal year of the probable expenses of the department, and recommend to the commission what development work should be undertaken, and what extensions and additions, if any, should be made during the ensuing fiscal year, with an estimate of the costs of the development work, extensions, and additions; certify to the commission all bills, allowances, and payrolls, including claims due contractors of public works; recommend to the commission compensation of the employees of his or her office, and a scale of compensation to be paid for the different classes of service required by the district; hire and discharge employees under his or her direction; and perform such other duties as may be imposed upon the manager by resolution of the commission. It is unlawful for the manager to make any contribution of money in aid of or in opposition to the election of any candidate for public utility commissioner or to advocate or oppose any such election.
Section 2. THE PUD DISTRICT COMMISSION

2.1 Commission. Skagit PUD The District is governed by a 3-member Commission. RCW 54.12.010 ("The powers of the PUD shall be exercised through a Commission consisting of three members in three commissioner districts.").

2.2 Commission’s Purpose. The PUD District Commission’s purpose is to

2.2.1 Identify and define the purpose, values and vision of the District and communicate them in the form of policies.

2.2.2 Adopt comprehensive and facility plans, budgets and rates and charges for the PUD’s District’s utility services.

2.2.3 Hire, evaluate, and terminate the General Manager; and, oversee certain operational decisions.

2.2.4 Ensure accountability for financial oversight by a Commission-designated member’s participation in the year-end financial exit audit performed by State Auditor.

2.3 Commission Leadership. The Commission’s governance primarily focuses on:

- Strategic leadership more than administrative detail.
- Encouragement of diversity in viewpoints.
- Recognition of Commission and General Manager Roles.
- Collaborative decision making.
- A focus on the future, with recognition of the PUD’s District’s history.
- Being proactive rather than reactive.

Specifically, the Commission will direct and evaluate the organization through the careful establishment of written policies reflecting the Commission’s values and vision. The Commission’s major policy focus will be on Skagit County PUD No. 1’s District’s long-term impacts outside the organization, not on the administrative or programmatic means of achieving those effects.
Section 3.  MEETINGS AND AGENDA

3.1  Open Public Meeting Act.  The Commission acts only through open meetings in compliance with the state Open Public Meeting Act.  Chapter 42.30 RCW.  All meetings are either regular or special.  Regular meetings are fixed as to date, time and place by the Commission and posted on the PUD’s District’s web page at www.skagitpud.org.

Special Meetings, normally held for purposes of discussing specific topics, will be noticed in accordance with RCW 42.30.080.  The call and notice shall specify the time and place of the special meeting and the business to be transacted.  This notice may take the place of an agenda for special meetings.

In the event of a natural disaster, attack or notice of imminent attack, where it becomes imprudent, inexpedient or impossible to conduct the affairs of the District at the regular or usual place, the Commission may meet at any place within or without its territorial limits on the call of the Commission President or any two members of the Commission.  After any emergency relocation, the affairs of the District shall be conducted at such emergency temporary location for the duration of the emergency.  RCW 42.14.075.

3.2  Commission’s Actions.  All proceedings of the Commission are by motion or resolution, recorded in the Commission’s minute books.  Those minute books are public records available to the public.  RCW 54.12.090.

3.3  Commission Agenda.  The agenda for a Commission meeting identifies in general terms the topics that may be considered by the Commission.  The Agenda is typically developed and managed as follows:

3.3.1 The General Manager shall prepare and issue an agenda for each regular Commission Meeting.

3.3.2 Members of the Commission, General Manager, or designee, may request matters be placed on Commission agendas.  At each regular Commission Meeting, time will be set aside under “Miscellaneous” for any Commission Member, the General Manager, or designee, to bring before the Commission any business that should be discussed or deliberated upon.  Under “Commissioner Comments” any Commission Member will have the opportunity to discuss/recommend business for placement on future agendas.

3.3.3 Items may be placed on either the business agenda or on the consent agenda.  An item placed on the consent agenda may be moved to the business agenda at the request of any Commission member during a Commission Meeting and prior to the motion to approve the consent agenda.  The moved item will be placed on the business agenda for further discussion.
Section 4. COMMISSION OFFICERS

4.1 Commission President. The President of the Commission shall:

4.1.1 Ensure that the Commission jointly and consistently adheres to its own rules and policies, and those imposed upon it by the laws of the State of Washington.

4.1.2 Ensure that deliberation is fair, open and thorough, but also timely, orderly and kept to the point. The President of the Commission shall preside over and facilitate all Commission Meetings in accordance with this Policy and Roberts Rules of Order (Version 10) as needed.

4.1.3 Schedule and coordinate evaluations of the General Manager.

4.1.4 Preside over and facilitate Commission meetings.

4.1.5 Have no authority to supervise or administratively direct the General Manager, apart from authority expressly granted the President by the Commission.

4.1.6 Assume responsibility of the Commission that is not specifically assigned to another Commission member.

4.1.7 Be authorized to delegate his or her authority, but remains accountable for its use.

4.1.8 Call Special Meetings of the Commission in the event of a business need as provided for in RCW 42.30.080.

4.2 Commission Vice-President. The Vice-President of the Commission shall:

4.2.1 Perform such duties as are assigned by the President.

4.2.2 Have all the power and duties of the President in the absence or inability of the President to act.

4.2.3 Have all the powers and duties of the Secretary in the absence or inability of the Secretary to act, when not acting as the President.

4.3 Commission Secretary. The Secretary of the Commission shall:

4.3.1 Attest all contracts, bonds, deeds, leases and other instruments and documents duly authorized by the Commission unless otherwise delegated by the Commission.

4.3.2 Perform all duties incident to the office of Secretary as may from time to time be required by law or assigned to such office by motion, rule or resolution of the Commission.

4.3.3 Have all of the powers and duties of the President in the absence or inability of both the President and the Vice-President to act.
Section 5. COMMISSION COMMITTEES

5.1 General. The Commission may establish ad hoc advisory and standing committees. All committees should include designation of members, chair and a mission statement describing the committee’s purpose. The Commission will review the committees at least annually to determine whether they should continue.

5.2 Committee Conduct.

5.2.1 Committees will ordinarily assist the Commission by gaining education, considering alternatives and implications, and preparing policy alternatives.

5.2.2 Commission committees may not speak or act for the Commission, except when formally given such authority for specific and time-limited purposes.

5.2.3 Commission committees cannot exercise authority over staff nor interfere with the delegation from the Commission to the General Manager.

5.2.4 Participation in committee meetings shall be in compliance with the provisions of the Open Public Meetings Act (i.e., if two or more Commission members are present, then the meeting must be properly noticed as a public meeting).

5.2.5 This policy applies to any group which is formed by Commission action, whether or not it is called a committee.
Section 6. TRAINING, ORIENTATION

The Commission shall ensure that its skills are sufficient to assure excellence in governance of the PUD District subject to available resources, new Commission members shall receive training and orientation in Commission governance, policies and procedures; an orientation on the District’s Strategic Positioning Plan, Water System Plan and other comprehensive plans, and with other commissioners, receive training in the skills of effective communication and decision-making. The Commission President shall receive training in the facilitation of public meetings. (RCW 42.56.150)
Section 7. COMMISSION CODE OF CONDUCT

7.1 Commissioners are Trustees. Our courts have held that public office is synonymous with public trust and that a public officer’s relationship with the public is that of a fiduciary. *Northport v. Northport Townsite Co.*, 27 Wash. 543, 548-50 (1902). Commissioner loyalty is to the interests of the PUD’s District’s residents and ratepayers. This loyalty supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Commission member acting as a consumer of the District’s activities. Additionally, holding the public trust requires maintaining high ethical standards.

7.2 State Code of Ethics. The State of Washington has adopted a “Code of Ethics” that applies to all municipal officers. Chapter 42.23 RCW. The declared purpose of the Code of Ethics is to make uniform the laws of the State concerning the transaction of business by municipal officers in conflict with the proper performance of their duties in the public interest, and to promote the efficiency of local government by prohibiting certain instances and areas of conflict while at the same time sanctioning, under sufficient controls, certain other instances and areas of conflict. RCW 42.23.010. The obligations under the state’s ethics laws, and other laws impacting local government officials, include:

7.2.1 Commission members are strictly prohibited by law from entering into or engaging in any activity defined by Chapter 42.23 RCW as a conflict of interest with their official duties as a Skagit County PUD No. 1 District Commissioner.

7.2.2 On an annual basis At the first regular meeting of each year and in a public forum, each Commissioner shall acknowledge their obligation to disclose any conflicts of interest as defined in Chapter 42.23 RCW.

7.2.3 On a case by case basis, each Commission member will disclose to the other Commission members, in a public forum, any remote conflicts of interest as defined under Chapter 42.23 RCW. Disclosure will be noted in the District’s official minutes which are public records. A Commissioner with such remote interest will not participate in any discussion and/or debate concerning such interest, will not vote on the matter, and will do nothing to influence any other Commissioner concerning their decision on the matter.

7.2.4 This Policy incorporates the PUD’s District’s Conflict of Interest Code and Code of Ethics Policy #1010 adopted by the Commission. Consistent with that Policy, Commissioners shall conduct themselves with civility and respect at all times with one another, with staff, and with members of the public.

7.2.5 Commission members will adhere to the Skagit County PUD No. 1 District policy on appropriate use of District Resources.

7.2.6 Commission members will become familiar with their individual and joint obligations pertaining to the District’s directive on reporting alleged improper governmental action, including actions required of the Commission regarding employee complaints of alleged
improper governmental actions and/or employee claims of retaliation for reporting alleged improper governmental actions.

7.2.7 Commission members understand that all records (including but not limited to letters, memoranda, e-mail and/or interactive computer or electronic information), the subject of which relates to the conduct of the District or the performance of any District function, are public records and may also be subject to disclosure under the Washington Public Records Act, Chapter 42.56 RCW. Any such public record shall be provided to the Public Records Officer for inclusion in the District’s records management program.

7.2.8 Commission members will refrain from accepting a gratuity, compensation or reward because he or she is a PUD-District Commissioner, subject to PUD Employee Handbook; Sections 104 and/or 108 District policy.

7.2.9 Commission members shall work with staff through the General Manager, and shall not attempt to or exercise individual authority over PUD-District staff, except as explicitly set forth and authorized in Commission policies.

7.2.10 In interactions with the public, press or other entities, Commission members must recognize the same limitation and the inability of any Commission member to speak for the Commission except to repeat explicitly stated and adopted Commission decisions. Commission members are at liberty to exercise their individual freedom of expression, as long as the exercise of this freedom does not put the District at a legal disadvantage or conflict with the Commissioners fiduciary duties to the PUDDistrict.

7.3 Washington’s Open Public Meetings Act. Under Washington’s Open Public Meetings Act, Commission members:

7.3.1 shall not meet outside of Commission-called public meetings to take any action regarding the business of the District, including discussions or decisions, as defined in Chapter 42.30 RCW;

7.3.2 shall not meet as a quorum outside of a Commission-called public meeting for the purpose of gathering PUDDistrict-related information;

7.3.3 understand that the requirements of the Washington Open Public Meetings Act applies to communications via telephone, e-mail, instant messaging or other forms of electronic communications. Any exchange of communication between any two Commission members may constitute an official meeting of the Commission and be in violation of the Act.

7.3.4 may send information to other members of the Commission on an informational basis; however, replies and/or exchanges of communications regarding District business must not occur outside of an official public meeting of the Commission. Any such e-mail sent for informational purposes as described above, by any member of the Commission, shall be sent individually, not as group e-mail. Commissioners will not “reply” to any e-mail received by another member of the Commission.
7.3.5 shall respect the confidentiality appropriate to issues regarding national security personnel, real estate transactions, proprietary matters, and attorney-client privileged communications, including those requirements listed under RCW 42.30.110, executive sessions and including any other confidential information gained by reason of the Commissioner’s position. See RCW 42.23.070 (4) (“No municipal officer may disclose confidential information gained by reason of the officer's position, nor may the officer otherwise use such information for his or her personal gain or benefit.”).

7.4 Commission Access to Public Records.

7.4.1 The PUD-District has a duty to comply with appropriate public records requests as required by the Washington Public Records Act, chapter 42.56 RCW. Commissioners, by reason of their office, do not give up their status as members of the public and therefore can request public records.

7.4.2 Because of the special status conferred upon the Commission as elected representatives, the following protocols are established:

- Commission member requests to inspect District documents that do not meet the criteria of a “public record” under RCW 42.56 and/or which may be confidential in nature, shall be forwarded directly to the General Manager, who will provide the requested files, as allowed by law, for review on District premises.

- No confidential or original documents shall be taken from District premises except with the authorization of the General Manager.

- Commission members shall adhere to the same confidentiality requirements applicable to employees when dealing with the District’s records and other documents. District employee personnel files will not be subject to Commission review, consistent with the District’s directive relating to Employee Records Confidentiality and Access.

- Access to District public records may be achieved by providing a “Request for Public Records” to the General Manager.
Section 8. COMMISSION, NOT COMMISSIONER, ACTION

8.1 General. The Commission acts through a majority of its members. Only decisions of the Commission acting as a body are binding upon the General Manager, the General Counsel, the District Auditor, or District Treasurer.

8.2 Commissioner Communications.

8.2.1 Decisions or instructions of individual Commission members are not binding on the General Manager, General Counsel, the District Auditor, or District Treasurer or other PUD District staff except in instances when the Commission has specifically authorized such exercise of authority.

8.2.2 In the case of Commission members requesting information or assistance without Commission authorization, the General Manager, General Counsel, the District Auditor, or District Treasurer or other PUD District staff must refuse such requests that may be a conflict of interest between the District and the Commissioner requesting the information or assistance.

8.2.3 Commission member may communicate directly with District employees or contractors. However, the Commission as a body and the Commission members will never give direction to persons who report directly or indirectly to the General Manager, with the exception of the General Counsel, District Auditor or District Treasurer. If a Commissioner is dissatisfied with the response received, the Commissioner may seek resolution through the Commission.

8.2.4 The Commission and its members will refrain from evaluating, either formally or informally, the job performance of any District employee other than the General Manager.
Section 9.  COMMISSION STAFF RELATIONSHIPS

9.1  General Manager.  The General Manager is responsible for the following:

9.1.1  All operations of the District, as well as the business affairs of the District.

9.1.2  Achieving the results established by the Commission within the appropriate and ethical standards of business conduct set by the Commission.

9.1.3  Enforcing District resolutions, administering directives, staff policies and procedures, hiring and terminating all employees, attending meetings of the Commission and reporting on the general affairs of the District, and keeping the Commission advised as to the current and future business needs of the District.

9.1.4  Appointing a person to serve as the District’s chief financial officer. This person may be the District Auditor, District Treasurer, or other person with sufficient education and experience to fulfill the duties of the position. Together with the chief financial officer, the General Manager shall ensure that, to the best of their knowledge and belief, financial reports are complete and reliable in all material respects.

9.1.5  Ensuring the smooth continuous operation of the District in the event of the planned or unplanned absence of the General Manager. As required under RCW 54.16.100, the General Manager shall designate a competent person as Acting General Manager whenin his absentee. The Treasurer/Chief Financial Officer was designated as Acting General Manager effective July 2, 2014, (see Memorandum to Commission dated 7/2/14). If the Treasurer/Chief Financial Officer is unable to assume that responsibility the following positions were designated to act in that capacity in the order given: Auditor, Engineering Manager, and Community Relations Manager or as revised due to changes in personnel. On an annual basis, the General Manager shall provide to the Commission a written designation of the order of positions to perform in this capacity.

9.1.6  Interacting with the public and other utilities and government agencies, pursuant to policies and direction adopted by the Commission.

9.1.7  Performing other responsibilities as may be appropriately directed by the Commission.

9.2  Evaluating the General Manager’s Performance.

9.2.1  The General Manager’s job performance shall be evaluated by comparing the PUD’s District’s operations and results and the General Manager’s performance to the policies and direction established by the Commission. The Commission shall evaluate the General Manager’s performance on an annual basis.

9.2.2  The General Manager shall propose performance criteria in December prior to acceptance of the budget for the following year twelve months that represents his or her
reasonable interpretation of achieving the goals identified by the Commission. The Commission shall accept or modify the criteria.

9.3 General Counsel.

9.3.1 The General Counsel provides legal counsel to the District and to the Commission. The General Counsel reports both to the Commission and to the General Manager.

The Commission is ultimately responsible for hiring (or contracting for) and terminating the General Counsel. As a general practice, the Commission with the General Manager may participate jointly in hiring and terminating the General Counsel.

The General Counsel shall advise the Commissioners regarding potential conflict of interest issues or other ethical matters. General Counsel shall provide assistance to individual Commissioners in complying with applicable statutes and laws only when such advice does not conflict with the General Counsel’s obligations to the District or to specific direction of the Commission.

9.3.2 With respect to the Commission, the General Counsel shall:

- Provide advice or counsel whenever required by the Commission.
- Inform the Commission of material legal issues impacting the District or the Commission known to the General Counsel.
- When necessary, act independently of the General Manager.
- The General Counsel shall not provide legal counsel to Commission members except as it relates to their role as PUD-District Commission members.

9.4 Auditor & Treasurer.

9.4.1 The District Auditor (Auditor) and District Treasurer (Treasurer) serve in the capacity set forth by Title 54 of the Revised Code of Washington.

9.4.2 The General Manager shall recommend the appointments of Auditor and Treasurer for approval by the Commission. The Commission may interview the recommended individual for the position of Treasurer or Auditor prior to confirming resolution. The Commission, by resolution, shall designate an Auditor and this person shall-may be a District employee other than the General Manager or Treasurer, or it may be a contracted consultant. The Commission, by resolution, may designate some other person having experience in financial or fiscal matters as Treasurer and this person shall be other than the General Manager or Auditor. The Auditor and Treasurer shall perform those duties specified by RCW 54.24.010 and shall be granted direct access to the Commission as necessary in the performance of these duties.

9.4.3 The General Manager may assign additional duties to the Auditor and Treasurer as long as these duties do not interfere with the Auditor and Treasurer duties as specified by law.
The General Manager shall consult with the Commission in advance regarding his or her intention to terminate the Auditor or Treasurer.

9.4.4 The Treasurer shall provide monthly reports to the Commission summarizing cash and investment activity, and current financial analysis of the district at a minimum of quarterly and preferably monthly.

9.4.5 The Auditor shall issue warrants for claims against the District. As soon as practical after issuance of such warrants, the Auditor shall provide a list of all warrants issued, and shall certify to the Commission that such disbursements satisfy just, due and unpaid obligations of the District, in a manner specified by the State Auditor. In order that the Auditor may provide such certification, the Auditor shall conduct internal reviews and audits that provide reasonable assurance as to the internal control systems that provide for the safeguarding of assets from unauthorized use or disposition, adherence to plans, policies, and procedures, and compliance with applicable laws and regulations.

9.4.6 If the Commission disapproves a claim on the District, the Auditor shall recognize the claim as a receivable of the District and pursue collection.

9.4.7 The Auditor, in the performance of his or her duties, shall have unlimited access to all activities, records, property and personnel of the District.

9.4.8 At the direction of the Commission, the Auditor shall serve as the chief liaison with all external audit agencies, shall coordinate the proper independent audit of annual financial statements, and shall ensure that the results and findings of such audits are reported to the Commission. In acting in this capacity, the Auditor does not relieve the Commission of its financial oversight responsibilities.
Section 10. GENERAL MANAGER AS CHIEF ADMINISTRATIVE OFFICER

10.1 General. By law, the General Manager is the chief administrative officer of the PUD District. The Commission will instruct the General Manager through written policies, normally in the form of resolutions, motions, or minute entries, that define the goals and objectives the PUD-District is to achieve, and describe the authority of the General Manager.

10.2 General Manager Authority.

10.2.1 The General Manager is authorized to establish all policies, make all decisions, take all actions, establish all practices, and develop all activities to achieve the goals set forth by the Commission for the District.

10.2.2 The General Manager must bring to the Commission’s attention circumstances that affect the goals established by the Commission and may request the Commission to take appropriate actions.

10.2.3 The Commission may change its direction to the General Manager at any time, thereby expanding or limiting the authority of the General Manager (except where specifically provided by law). See Section 1.5.2. Whenever a particular direction is in place, the Commission will abide by the General Manager’s decisions in those areas.
Section 11.  BUDGET & PROCUREMENT

11.1 General.

By resolution, the Commission shall set forth the authority of the General Manager to manage and expend District funds in accordance with financial policies and budgetary limits. Procurement of goods and services shall take place in accordance with applicable legal requirements in a fair, competitive and inclusive manner to maximize the benefit to the District’s ratepayers/customers.

11.2 Financial Policies.

The Commission, by resolution, shall adopt financial policies that provide guidance to the General Manager in managing the finances of the District and in developing budgets, financial plans and rates. At a minimum, these policies shall 1) provide for sufficient liquidity relative to the District’s risk profile, 2) provide for adequate coverage to meet debt covenants, 3) establish criteria for debt and rate – financed capital expenditures, 4) require that budgets be developed based on conservative and prudent assumptions consistent with standard industry practice, and 5) establish budgetary and procurement controls over expenditures.

11.3 Budgetary Authority.

The Commission, by resolution, shall approve the District’s budget prior to the start of each calendar year. The District’s financial transactions shall be recorded within proprietary fund(s) adopted by the Commission. As such, the District does not have governmental funds with legally adopted budgets that carry the force of law. The General Manager shall manage the District’s operations within the approved budget levels consistent with authority levels set forth in the financial policies.

11.4 Procurement Authority.

The Commission, by resolution, shall establish procurement authorities and guidelines for the General Manager consistent with state laws and regulations. The General Manager shall establish procurement controls that provide reasonable assurance that the procurement of goods and services are made for a valid business purpose and within authorized budget levels.

It is District policy that procurement decisions be made free from actual or perceived conflicts of interest consistent with the District’s Code of Ethics.

It is District policy that due diligence and prudent judgment be exercised in the making of procurement decisions, including conducting a risk assessment. If the General Manager reasonably determines that a procurement activity presents, regardless of the size of the financial commitment, either: (i) a unique and significant operational risk to the District; or (ii) a significant impact to customers, the General Manager shall inform the Commission.
RESOLUTION NO. 2219-15

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ADOPTING A POLICY ON GOVERNANCE AND MANAGEMENT

WHEREAS, The Commission of PUD No. 1 of Skagit County PUD No. 1 values the responsibilities and authorities granted it through the legislature in the form of laws codified in large part under Title 54, RCW; and

WHEREAS, The Commission of PUD No. 1 of Skagit County PUD No. 1 recognizes the responsibilities placed upon it by the citizens of Skagit County in guiding the District through the use of established policies, values and vision, for the betterment of its customers and the community in which it serves; and

WHEREAS, The Commission of PUD No. 1 of Skagit County PUD No. 1 understands that effective board governance can be accomplished through strategic leadership, collaborative decision-making, and the recognition of appropriate board-staff relationships; and

WHEREAS, annually the Governance and Management Policy will be reviewed to ensure appropriate laws, fiduciary responsibilities, Commission and staff-delegated authorities are in alignment with Commission expectations and business needs.

NOW THEREFORE BE IT HEREBY RESOLVED that the Commission adopts the Policy on Governance and Management attached hereto as a part of this resolution.

ADOPTED by the Commission of Public Utility District No. 1 of Skagit County, Washington, at a regular open meeting held this 24th day of February, 2015 27th day of June, 2017.

__________________________
Al Littlefield Robbie Robertson, President

__________________________
Jim Cook Eron Berg, Vice President

ATTEST

__________________________
Robbie Robertson Al Littlefield, Secretary
July 5, 2017

TO:        Commission
FROM:      George Sidhu, P.E., General Manager

SUBJECT:   Commission Priorities and Goals for 2018 Budget - Discussion

Requested Action:
No action required.

Background:
I would like to receive Commission input regarding your priorities and goals for the 2018 Budget

Attached is a brief questionnaire for you to fill out and return to me anytime before the meeting of July 25. I have included the summary of Commissioner goals that was completed as part of the 2017 Budget process as a reference.

Fiscal Impact:
There is no fiscal impact at this time.

kac
2017 COMMISSIONER GOALS SUMMARY

This brief questionnaire is meant to solicit your opinions and ideas as we approach the 2017 budgeting season. Your responses are important because the decisions that are made and the direction that the District takes should include your vision of the District. Staff will also develop goals and priorities for their departments and, together with your goals, they will be used to provide a framework for the 2017 budget.

MISSION
The mission of Skagit PUD is to provide quality, safe, reliable and affordable utility services to our customers in an environmentally-responsible, collaborative manner.

VISION
The vision of Skagit PUD is to be recognized as an outstanding regional leader and innovative utility provider that embodies environmental stewardship and sound economic practices.

CORE VALUES
- Quality
- Reliability
- Environmental Responsibility
- Responsive Service
- Low Cost
- Economic Responsibility
1. **Financial Goals**

   a) Are you interested in continuing to pursue state and federal funding for our capital projects?

   J.C. – Yes – Be careful about how far in debt we take the PUD.

   R.R. – Absolutely – Every opportunity for attractive funding is what we should pursue. We should eventually have an active database of all those financing opportunities available that could meet any of our projects at any given time.

   A.L. – Yes

   b) Are you interested in building up our reserve account?

   J.C. – Yes – PUD has lots of needs, we have to keep a balance. Two trains of thought – either save for a project or borrow the money.

   R.R. – As long as we maintain operational reserves that meet or exceed good financial management then any excess funds can be allocated to specific items such as Rate Stabilization, etc.

   A.L. – Yes

   c) What are your thoughts on our historical rate increases and the increases set out in our financial plan?

   J.C. - The Commission hasn’t done their job – example: little or no rate increases on election years. 2. We spent the majority of the 2016 rate increase on operations instead of infrastructure. Our wish list outpaces our rate increases.

   R.R. - Rate increases need to be sufficient enough to meet operational requirements based upon our existing CIP and any longer term issues that might present themselves. Historically we have been focused on year to year needs whether fully vetted or not.

   A.L. - I think we should stay at 7-8 percent----not go down, like I think the plan went 8-6-5-4-3-2.....stay at 7 to pay down debt----build up some reserves

2. **Operational Goals**

   a) What are your feelings about our pipe replacement program?

   J.C. - We need to improve. We have only met the commission’s goals once in 11 years.

   R.R. - It’s more than pipes!! Continue advancing our Asset Management Program.

   A.L. - Replace as needed and do the best we can with our crew
b) Are you concerned about deferred maintenance across our system, or do you want to focus on capital programs

J.C. - Maintenance concerns me the most.

R.R. - I think our major projects are pretty much covered for now and more emphasis needs to be put on deferred maintenance at this time.

A.L. - I’m concerned about maintenance capital projects first

c) What kind of operational issues have you learned about lately that we should look into? (security, safety program, watershed land purchase, reclaimed water, etc)

J.C. - My biggest concern is good clean water at affordable rates.

R.R. - Watershed land purchase, Front lobby security windows. Full data analysis of highest and best use for our facilities and grounds, its’ conditions and estimated potential costs to rehabilitate existing buildings vs. potential for new administration facilities on site and either raze the old brick buildings and modify the newer building to accommodate operations or sell the property and build new elsewhere. Continue advancing our Asset Management Program.

d) Are you interested in partnering with county agencies to build our fiber network and improve high speed communication throughout the county?

J.C. - Only if it is cost effective. I don’t believe we have managed the fiber optics we already have, effectively. I don’t believe we have the staff to operate fiber optics.

R.R. - Maybe, Ownership and cost sharing have been major roadblocks in the past. Let’s keep the door open to opportunities that don’t indebt the PUD without a proper funding model.

A.L. - Yes, if there are any grants out there---if not, let’s do capital projects first

e) Are you interested in improving the fleet and purchasing new or updated equipment?


R.R. - Depends on numerous things such as our current and projected CIP, Strategic plan, and actual life expectancy of the equipment. Certainly we need operational vehicles that will support our efforts and provide the crews with the equipment they need to do their jobs in the best possible manner.

A.L. - Try to keep up with what we have and start saving on a project for new. Also put money away for a new vac truck in the near future.
3. **Safety and Security Goals**

a) Are you concerned about building security at each of our sites? Specific issues include theft of items from our yard and employee safety at the workplace

J.C. - No

R.R. - Absolutely! We have a $145MM net asset operation, it is imperative that each and every part of our operation is secure and our employees and visiting customers have a safe environment to conduct business. Given the current attitude in the country and the world, just because we have not been challenged yet, that is not to say we won’t be. I prefer to err on the side of safety and concern for our employees and customers in protecting us as much as possible.

A.L. - Do a little at a time as funds come available

4. **Mission/Vision/Values**

a) Are you in favor of developing a Strategic Plan to more clearly establish our short-term and long-term goals?

J.C. - No – not at this time. I will only be here 5 months. The new G.M. and Commission should formulate that together.

R.R. - A review of our Strategic Plan is in order and should be reviewed and amended if need be every 4-5 years.

A.L. - Carry on as we are

b) Are you interested in continuing to look at land purchases in the Gilligan Creek watershed to improve our ability to protect our water sources?

J.C. - Only if we have grants or excess funds.

R.R. - Yes, but I would like to see actual contributions of sorts from the county and the various conservancy and environmental groups. If people are really concerned and caring about our water sources then there should be no problem reaching out to the various interest groups for their contributions to ensuring long term safety and availability of our water.

A.L. - Yes

c) Would you like to look at more environmentally responsible practices such as renewable energy (solar panels), reclaimed water, energy efficient facilities in the main building, hybrid vehicles, etc?

J.C. - No – not at this time. We have more critical things to do. Low on my priority list.
R.R. - Energy efficiency in operations facilities, administration buildings and plant buildings. Solar no, unless there is clear cost effectiveness with real beneficial payback time. No Hybrid Vehicles at this time given that technology continues to advance in this endeavor and given that there is no identified network for recharging batteries and Puget is not giving any breaks for onsite charging stations. Let’s wait and see how the whole Hybrid thing advances.

d) Additional Comments:

J.C. - We have already started several large projects with our leadership in turmoil. First thing PUD needs is to hire a GM to take the helm. Most of these plans should wait until that person is on board. The Commission needs to appoint a new treasurer and auditor.

R.R. - As we have a new Commission being seated in 2017 and given that the major projects we have entered into along with the completion of our software programming, it may be time to take a year or two to allow for proper database building and full disbursement to our field technicians. Given the upheaval of the past year, and the fact that our most disruptive and dysfunctional Commissioner will no longer be on the commission, I feel as if we all need to take some time to rebuild the confidences of our staff, community and doubters. We do have some major clean up to do from all of the past commissioners bridge destruction of goodwill and favorable feelings about the PUD that we have worked so very hard to present. So my feelings now are slow and steady wins the race, and we certainly can rebuild a solid path for the future given the elimination of the major problems created by the two financial positions and one commissioner slot.

A.L. - I think our crews and staff are doing an excellent job...keep up the good work
This brief questionnaire is meant to solicit your opinions and ideas as we approach the 2018 budgeting season. Your responses are important because the decisions that are made and the direction that the District takes should include your vision of the District. Staff will also develop goals and priorities for their departments and, together with your priorities, they will be used to provide a framework for the 2018 budget.

The following pages each include a table that lists a number of issues that relate to District Operations. We are interested in your view of each of these items and how you would prioritize them in relation to the other items in the table, and the other tables contained in this document. You may select the same priority for each item, or you may assign them different priorities based on their relative importance. Also, you may add additional items to the table if you believe that other items should be included.

And as a reminder, below are the District’s Mission, Vision and Values to help you in this process.

**MISSION**
The mission of Skagit PUD is to provide quality, safe, reliable and affordable utility services to our customers in an environmentally-responsible, collaborative manner.

**VISION**
The vision of Skagit PUD is to be recognized as an outstanding regional leader and innovative utility provider that embodies environmental stewardship and sound economic practices.

**CORE VALUES**
- Quality
- Reliability
- Environmental Responsibility
- Responsive Service
- Low Cost
- Economic Responsibility
### MISSION / VISION / VALUES PRIORITIES

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Please provide comments on your selection of the Mission/Vision/Values Priorities that are listed above, or about the District mission as a whole.

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### COMMUNITY PRIORITIES

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Please provide comments on your selection of the Community Priorities that are listed above, or about community issues at the District as a whole.

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### Operational Priorities

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Please provide comments on your selection of the Operational Priorities that are listed above, or about operational issues at the District as a whole.

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## FINANCIAL PRIORITIES

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Please provide comments on your selection of the Financial Priorities that are listed above, or about financial issues at the District as a whole.

_________________________________________________________________
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July 7, 2017

TO: George Sidhu, P.E., General Manager
FROM: Mark Handzlik, P.E., Engineering Manager
BY: Mark Semrau, P.E., Capital Project Manager

SUBJECT: Judy Reservoir to Mount Vernon Transmission Line Project
Proposed Easement Agreements with Environmental Bank

Requested Action:
No action requested at this time.

Background:
Included in the District’s 2013 approved Water System Plan is the Judy Reservoir to Mount Vernon Transmission Line Project. This project will complete the construction of a 36 inch diameter transmission line from College Way to the Judy Reservoir Water Treatment Plant. The proposed transmission line will provide increased capacity to replace the function of the existing transmission line.

Several workshops were conducted to select the preferred alignment alternative. The selection was based on a weighted evaluation of considerations related to constructability, environmental impacts, community impacts, and operational functionality. The resulting preferred alignment includes a section where easement acquisition is required through the Skagit Environmental Bank.

The attached documents introduce the agreements Engineering Staff anticipate are necessary to complete the easement acquisition. Additional discussion and action are intended to take place at the regularly scheduled July 25, 2017 meeting of the Commission.

Fiscal Impact:
Funding for these easement acquisitions are included in the budget forecast for the Judy Reservoir to Mount Vernon Transmission Line Project.

kac
Skagit Environmental Bank
Easement Acquisition Strategy

Date: July 7, 2017
W.O. 14-03549
For: Skagit PUD Commissioners
Project: Judy-Reservoir to Mount Vernon Transmission Line – Phase 2

The alignment for the proposed Judy Reservoir to Mount Vernon Transmission Line was selected through a detailed scoring of three viable options. The scoring considered long-term operational needs, constructability, community impacts, and environmental impacts. The best alternative selected through this process requires the District to acquire several easements across property owned by the Clear Valley Environmental Farm.

Governing Structure

The number of stakeholders involved in the property owned by the Clear Valley Environmental Bank is extensive, and the governing structure of the entity is complicated by its intended purpose – to provide off-site environmental mitigation credits for impacted wetlands and wetland buffers.

The Clear Valley Environmental Farm owns and manages the Skagit Environmental Bank (herein referred to as the “SEB”). The purpose of the SEB is to establish mitigation credits as specified by the Mitigation Banking Instrument, which is managed by the Interagency Review Team [IRT]. In addition, the SEB has a Conservation Easement overlay that is held by Forterra, a Seattle-based land trust.

To acquire easements across the property, both the Mitigation Banking Instrument and the Conservation Easement require amendments to their existing permitted banking area.

Stakeholder Analysis

The following is a summary of the stakeholders having an interest in, and are impacted by the District’s acquisition of easements for the proposed transmission pipeline.

Clear Valley Environmental Farms, LLC. The limited liability company is a group of investors that have provided the investment capital for the formation of the Skagit Environmental Bank. The managing director is Jeff Poetsch. Jeff has been acting as the spokesman for the group of stakeholders and will coordinate with the regulatory agency on behalf of the stakeholders.

Army Corp of Engineers. The Corps is co-chair of the Interagency Review Team, which oversees the implementation of the Mitigation Banking Instrument.

Department of Ecology. This State agency is the other co-chair of the Interagency Review Team and works with the Corps on issues regarding the Mitigation Banking Instrument.

Skagit County. Skagit County is a member of the Interagency Review Team.
Indian Tribes and Local Organizations. The tribes and various local organizations such as Friend of Skagit County are members of the Interagency Review Team.

Forterra. This non-profit organization is the trustee of the Conservation Easement.

Easement Acquisition Strategy

The easement acquisition will directly impact the Clear Valley Environmental Farms in two distinctive ways.

First, the Mitigation Banking Instrument and the Conservation Easement will require amendments to the permits that allow the bank to exist and potential amendments to the bankable area. Both of these instruments have mechanisms to incorporate amendments, but it does require administrative efforts to prepare the amendments, facilitate stakeholder buy-in, and recording of the amended instruments. As is typical, the expectation is that the District will pay for all expenses related to developing these amended instruments. Jeff Poetsch has provided a preliminary estimate of $14,400 for this effort. Internal estimates project this cost could increase by 50%, or $21,600.

Second, the underlying land that will be encumbered by the easements will not be measured by its current assessed value, but by its “best and highest use.” For the Clear Valley Environmental Farms, the best and highest use is the equivalent mitigation credits that the encumbering easement represents. Currently, a mitigation credit is valued at $145,000 per credit.

There are three new easements that will encumber the Clear Valley Environmental Farm property. The first easement will extend across Nookachamps Creek. This easement will be approximately 1,120 feet long by 30 feet wide, encompassing approximately 0.8 acres. Additional temporary construction easements may also be needed.

The second easement will extend along the old railroad right-of-way. This easement will be approximately 1,330 feet long by 25 feet wide, encompassing approximately 0.8 acres.

The third easement is along the existing transmission pipeline. This easement, located in the SW¼ of Section 11 on parcel P24533, was never recorded in 1961. This easement encompasses 0.509 acres.

Our research indicates that there is an existing easement that was recorded in 1961 on parcel P24535 that has not been incorporated into the Mitigation Banking Instrument or the Conservation Easement. This easement was recorded under Auditor’s File Number 604947 and encompasses 0.165 acres. Since this is an existing recorded easement, the District will not have to pay any mitigation credits for this additional encumbrance.

Financial Reimbursement Strategy

The District and Clear Valley Environmental Farm have proposed to make the transaction through a two-part reimbursement agreement.

The first reimbursement cost will be for the preparation of the amendments and recording the revised Mitigation Banking Instrument and Conservation Easement. Mr. Poetsch has prepared a Cost
Reimbursement Agreement for District review. The District will provide a deposit of $5,000 and will reimburse Clear Valley Environmental Farm, LLC monthly for actual costs incurred.

The second reimbursement will be for the mitigation credits that are removed from the bank associated with the three new easements. The total area of these three easements is approximately 2.1 acres. At this time it is not known how many mitigation credits these easements represent.

Mr. Poetsch has prepared a draft Mitigation Credit Purchase and Sale Agreement that has an option to lock in a purchase price for our mitigation credits. The fixed purchase price is $145,000 per mitigation credit. This purchase price is good through July 2017. The District has been informed that the Clear Valley Environmental Farm will consider increasing the mitigation credit purchase price during their meeting on August 15, 2017.

**Recommendation**

District staff recommends that the District proceed with executing the Cost Reimbursement Agreement and Mitigation Credit Purchase Agreement. These instruments will authorize the Clear Valley Environmental Bank to proceed with preparing the amendments to the Mitigation Banking Instrument and Conservation Easement.
COST REIMBURSEMENT AGREEMENT
SKAGIT ENVIRONMENTAL BANK
MITIGATION BANKING INSTRUMENT AMENDMENT
CONSERVATION EASEMENT AMENDMENT

This Agreement is entered into between the Clear Valley Environmental Farm, LLC, herein referred to as the “Clear Valley” and the Public Utility District No. 1 of Skagit County, herein referred to as the “District”.

Clear Valley owns and manages the Skagit Environmental Bank, herein referred to as the “Bank”. The purpose of the Bank is to establish mitigation credits as specified by the Mitigation Banking Instrument. The Bank is located in Skagit County, Washington.

The District owns, operates, and maintains a water transmission pipeline through the Bank. The District intends to construct a second transmission pipeline. To accomplish this, the District desires acquisition of additional utility easements. In addition, existing recorded and unrecorded easements require incorporation into the Bank and Conservation Easement. These existing and new easements will be incorporated into the Bank through an Amendment to the Mitigation Banking Instrument and an Amendment to the recorded Conservation Easement held by Forterra.

The District will provide easement documents containing the legal descriptions and exhibits of each additional easement to be incorporated into the Bank.

The District agrees to pay Clear Valley for costs incurred in preparing the Amendments and acquiring the necessary approval from the Interagency Review Team and Forterra, the current conservation easement holder. The District and Clear Valley have estimated this cost at approximately $14,400.00 (ten thousand four hundred and no/100 dollars) as outlined in Exhibit A. The exact amount will be determined upon approval of the amendments. With the execution of this Agreement, the District will provide a Five Thousand Dollar ($5,000.00) advance to Clear Valley for these anticipated costs. Thereafter, the District payment will be made monthly for actual costs incurred by Clear Valley.

To the extent that new easements impact the availability of marketable credits, the District agrees to pay Clear Valley for the measurable impact. Payment will be fixed at $145,000 per wetland mitigation credit. Notwithstanding the foregoing, compensation will be limited to only new and/or unrecorded existing easements.

The District agrees to secure any additional required wetland or habitat mitigation requirements for this project exclusively from the Skagit Environmental Bank provided the Permitting Authorities will approve the usage of mitigation banks to address unavoidable adverse wetland and habitat impacts.
CLEAR VALLEY ENVIRONMENTAL FARM, LLC:

Date                                                                 Print Title
________________________________________________________________________

Signature                                                                Print Name
________________________________________________________________________

PUBLIC UTILITY DISTRICT No. 1 OF SKAGIT COUNTY:

Date                                                                 George Sidhu, P.E., General Manager
________________________________________________________________________
EXHIBIT A
ESTIMATED COSTS

Clear Valley Environmental Farm
Skagit County PUD
Easement Implementation
June 19, 2017

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| Contingency                  | $ 2,400 |

| Estimated Reimbursement      | $ 14,400 |
MITIGATION CREDIT PURCHASE SALE AND OPTION AGREEMENT
SKAGIT ENVIRONMENTAL BANK –
PUBLIC UTILITY DISTRICT No. 1 OF SKAGIT COUNTY

This Mitigation Credit Purchase Sale Agreement (“Agreement”) is made by and between CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company (“Bank Sponsor”), and PUBLIC UTILITY DISTRICT No. 1 OF SKAGIT COUNTY, a Washington State public agency (“Buyer”) (collectively “Parties”) this ___ day of ______________, 2017.

1. **RECITALS**

1.1. With approval and authorization from the Washington State Department of Ecology (“Ecology”), U.S. Army Corps of Engineers (“Corps”), Environmental Protection Agency (“EPA”), Washington State Department of Natural Resources (“DNR”), and Skagit County (“County”) (collectively the “Permitting Authorities”), Bank Sponsor has established a mitigation bank known as the “Skagit Environmental Bank” (“SEB”).

1.2. The SEB is established to primarily operate within a portion the State of Washington’s Water Resource Inventory Area Number 3 (“WRIA No. 3”), which portion constitutes the SEB’s “Service Area.”

1.3. The purpose of the SEB is to provide off-site mitigation for unavoidable impacts to wetlands associated with certain development activity within the Service Area, or outside of the Service Area if specifically approved by the regulatory agencies having jurisdiction over that impact. (Section IV.A.1 of Mitigation Banking Instrument)

1.4. Bank Sponsor is authorized by the Permitting Authorities to operate the SEB and to obtain, hold, sell, and transfer mitigation credits, said credits being units of trade representing the increase in the ecological value of a site, as measured by acreage, functions, and/or values (“Mitigation Credits”).

1.5. Buyer contemplates undertaking a development activity in Skagit County which will require permits and/or approvals (“Permit(s)”) from regulatory agencies and which development activity may require mitigation. Buyer is solely responsible for determining whether such mitigation can be satisfied by its acquisition of Mitigation Credits.

1.6. Buyer wishes to purchase from Bank Sponsor on an exclusive basis no less than ONE (1) Mitigation Credit from SEB and to secure the option to purchase up to FOUR (4) additional mitigation credits to address Project mitigation requirements.

1.7. Bank Sponsor wishes to sell to Buyer Mitigation Credits from the SEB for the Project on the terms and conditions contained in this Agreement.
2. **AGREEMENT**

   NOW THEREFORE, in consideration of the mutual covenants and conditions and promises contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Bank Sponsor and Buyer agree as follows:

2.1. **Purchase/Sale of Mitigation Credits**

   2.1.1. **Purchase/Sale.** Bank Sponsor hereby agrees to sell to Buyer and Buyer hereby agrees to buy from Bank Sponsor no less than ONE (1.0) Mitigation Credits upon all of the terms, covenants, and conditions set forth in this Agreement (“Project Mitigation Credits”)

   2.1.2. **Purchase Price.** The purchase price for the Project Mitigation Credits shall be ONE HUNDRED FORTY-FIVE THOUSAND, and 00/100 Dollars (U.S. $145,000.00) for the initial Mitigation Credit Purchased (“Purchase Price”). Should additional mitigation be required the Purchase Price will be adjusted on the basis of ONE HUNDRED FORTY-FIVE THOUSAND and 00/100 Dollars (U.S. $145,000.00) per additional credit (“Additional Purchase Price”).

   2.1.3. **Payment.** With the execution of this Agreement, Buyer agrees to pay the Purchase Price to Bank Sponsor. Should additional mitigation be required, the Additional Purchase Price shall be paid at Closing as otherwise provided in this Agreement.

2.2. **Buyer’s Obligations/Limitation on Transfer of Mitigation Credits/Project Information.**

   2.2.1. **Mitigation Credits for Project.** Buyer shall be solely responsible for determining whether the Mitigation Credits may be used for the Project to satisfy the requirements of the Permit(s). Bank Sponsor provides no representation or warranty as to the utility or applicability of the Mitigation Credits to the Project or Permit(s). Buyer acknowledges and agrees that Bank Sponsor shall sell the Project Mitigation Credits specifically for the Permit(s) identified in Section 2.2.2 below and that, as of Closing, said credits shall not be thereafter transferable.

   2.2.2. **Project.** The Project, Permit(s), and related information is as follows: see the Map of Impacts attached to this Agreement as Exhibit B

       2.2.2.1. Buyer’s name, address, & telephone number:

       Public Utility District No. 1 of Skagit County
       1415 Freeway Drive, PO Box 1436
       Mount Vernon, WA 98273
       (360) 424-7104
2.2.2.2. Project Name & Location: Judy Reservoir - Mount Vernon Transmission Line Project – Phase 2. For additional detail see map attached as Exhibit B.

2.2.2.3. Description of Impact(s) to be Compensated for by the Project Mitigation Credits: The impacts currently under evaluation, however, will be determined and detailed in the various permit applications required by the Army Corps of Engineers, Washington State Department of Ecology and others. See Exhibit B.

2.2.3. Disclosure. Buyer acknowledges and agrees that Bank Sponsor may, as part of the process for transferring the Project Mitigation Credits, disclose the information provided under Section 2.2.2 above to the permitting agency(ies) described in Section 2.2.2, the Skagit County Auditor, and the Permitting Authorities.

2.3. Title/Risk of Loss

2.3.1. Conveyance. At Closing, Bank Sponsor shall convey to Buyer, the Project Mitigation Credits, free of liens, encumbrances, restrictions, rights, and conditions, except as expressly provided for herein. Conveyance shall be substantially in the form set out in Exhibit A hereto (“Credit Conveyance”) and shall include a letter from the Bank Sponsor to the Buyer and Permitting Authorities notifying them that credits have been transferred by the SEB to the Buyer for the Project detailed in Section 2.2.2.

2.3.2. Risk of Loss. Bank Sponsor shall bear the risk of loss of the Project Mitigation Credits prior to Closing.

2.4. Representations and Warranties

Bank Sponsor represents and warrants to Buyer that, and closing of this transaction is contingent upon the following being true and accurate at Closing:

2.4.1. Bank Sponsor is authorized by the Permitting Authorities to operate the SEB and to obtain, hold, sell, and transfer Mitigation Credits; and

2.4.2. Bank Sponsor owns the Project Mitigation Credits and has the right to sell said credits to Buyer; and

2.4.3. Bank Sponsor currently has sufficient and uncommitted Project Mitigation Credits to meet the mitigation requirements of the Buyer.
2.5. Closing

2.5.1. Closing and Closing Date. The Closing shall occur as follows: (1) Buyer receives from the Permitting Authorities preliminary approval (which may be verbal only) that the Project Mitigation Credits will constitute sufficient environmental remediation of the Project’s environmental impacts to enable the Permitting Authorities to issue the Permits to Buyer once the Skagit County has received a copy of the fully executed Credit Conveyance document; (2) Buyer delivers to Bank Sponsor, and Bank Sponsor receives from Buyer a check in the amount of the Additional Purchase Price; (3) Bank Sponsor delivers to Buyer the fully executed Credit Conveyance conveying the Project Mitigation Credits to Buyer within two (2) business days of the date on which Bank Sponsor receives the Additional Purchase Price. Buyer shall be responsible for delivering the Credit Conveyance to Skagit County. Bank Sponsor expressly understands and agrees that Buyer’s obligation to close the purchase and sale of the Project Mitigation Credits as contemplated by this Agreement is expressly contingent on Buyer obtaining the preliminary approval of the Permitting Authorities that the Project Mitigation Credits will constitute sufficient mitigation of the Project’s environmental impacts to enable the Permitting Authorities to issue the Permits upon receipt of the fully executed Credit Conveyance instrument.

2.5.2. Limits on Closing Date. The Closing Date shall not be modified without the written approval of Bank Sponsor and Buyer provided however that in the event that the conditions required for Closing cannot be met by the Closing Date, the parties agree to extend the Closing Date for a period not to exceed 30 days to allow all conditions to be met.

2.6. Notice

2.6.1. Except as may be otherwise expressly provided for herein, all notices required or permitted to be given under this Agreement shall be in writing and shall be delivered or sent: (a) in person; (b) by U.S. Mail, postage prepaid and certified with return receipt requested; or (c) by nationally recognized overnight delivery service, prepaid, and addressed as set forth below. Either party may change its address by notifying the other party in writing of the change of address. Notice shall be deemed delivered immediately, if delivered in person, or within two days if sent by any other means set forth in this Section 2.6.

2.6.2. If to Bank Sponsor: Clear Valley Environmental Farm, LLC
1028 Wilmington Way
Redwood City, CA  94062

2.6.3. If to Buyer: As provided in Section 2.2.2 above.
2.7. **Miscellaneous**

2.7.1. **Effective date.** The effective date of this Agreement shall be the earliest date by which both Bank Sponsor and Buyer have both executed this Agreement.

2.7.2. **Assignment.** Buyer’s rights under this Agreement shall not be assigned or apportioned, either voluntarily or by operation of law, without the prior written consent of Bank Sponsor, which shall be in Bank Sponsor’s reasonable discretion. Subject to the foregoing limitation, this Agreement shall inure to the benefit of and be binding upon the Parties’ respective successors and assigns.

2.7.3. **Entire Agreement.** This Agreement constitutes the entire agreement and understanding between the Parties with respect to the purchase and sale of the Project Mitigation Credits and supersedes and replaces any prior agreements and understandings, whether oral or written, between them with respect to said matters.

2.7.4. **Confidentiality.** The existence of this Agreement and the number of Project Mitigation Credits may be disclosed to the permitting agency(ies) described in Section 2.2.2 above and the Permitting Authorities.

2.7.5. **Time.** Time is of the essence of this Agreement.

2.7.6. **Governing Law.** This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington.

2.7.7. **Amendment.** No change or modification of this Agreement shall be valid unless the same is in writing and signed by the Parties. No waiver of any of the provisions of this Agreement shall be valid unless in writing and signed by the party against whom it is sought to be enforced.

2.7.8. **Captions.** The captions of this Agreement have no effect upon its interpretation and are for convenience and ease of reference only.

2.7.9. **Severability.** The unenforceability, invalidity, or illegality of any provision hereof shall not render any other provision unenforceable, invalid, or illegal.

2.7.10. **Computation of Time.** If any date set forth in this Agreement for the delivery of any document or the happening of any event should, under the terms hereof, fall on a weekend or holiday, then such date shall be automatically extended to the next succeeding weekday that is not a holiday.

2.7.11. **Attorneys’ Fees.** In the event either party to this Agreement finds it necessary to
bring an action at law or other proceedings against the other party to enforce any
of the terms, covenants, or conditions of this Agreement or any instrument
executed pursuant to this Agreement, or by reason of any breach or default under
this Agreement, the prevailing party in any such action or proceeding (and any
appeal thereof) shall be paid all costs and reasonable attorneys’ fees by the other
party. This provision shall survive Closing and shall not be merged into the
Credit Conveyance. Venue for any action shall be Skagit County Superior Court.

2.7.12. **Acts Beyond Party’s Control.** Neither party to this Agreement shall be in
default or violation as to any obligation created hereby and no condition precedent
or subsequent shall be deemed to fail to occur if such party is prevented from
fulfilling such obligation by, or such condition fails to occur due to, forces beyond
such party’s reasonable control, including without limitation, destruction or
impairment of facilities resulting from breakdown not resulting from lack of
ordinary care and maintenance, flood, earthquake, slide, storm, lightning, fire,
epidemic, war, riot, civil disturbance, sabotage, proceeding by court or public
authority, or act or failure to act by court, public authority, or third party, which
forces by exercise of due diligence and foresight such party could not reasonably
have expected to avoid.

2.7.13. **No Joint Venture.** It is not intended by this Agreement to, and nothing contained
in this Agreement shall, create any partnership, joint venture, or other
arrangements between Buyer and Bank Sponsor. No term or provision of this
Agreement is intended to be, or shall be, for the benefit of any person, firm,
organization, or corporation not a party to this Agreement, and no such other
person, firm, organization, or corporation shall have any right or cause of action
hereunder.

2.7.14. **Counterparts/Faxes.** This Agreement may be executed in one or more
counterparts with like effect as if all signatures appeared on one copy. Facsimile
transmission of any signed original document (other than the Credit Conveyance)
and retransmission of any signed facsimile transmission shall be the same as
delivery of an original.
The Parties have executed this Agreement as of the dates set forth below.

CLEAR VALLEY ENVIRONMENTAL FARM, LLC, Bank Sponsor

By ___________________________   _______________  
  Jeffrey C Poetsch, President                     Date  
  JCPoetsch Advisors, Inc.                        
  Managing Member SE-Skagit Land, LLC            
  It’s Managing Member                           

PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

By ___________________________   _______________  
  George Sidhu, General Manager                  Date  
  Public Utility District No. 1 of Skagit County 
  1415 Freeway Drive – PO Box 1436               
  Mount Vernon, WA 98273
EXHIBIT A
CONVEYANCE OF MITIGATION BANK CREDITS

THE GRANTOR, CLEAR VALLEY ENVIRONMENTAL FARM, LLC, a Washington limited liability company, acting as the Bank Sponsor of the Skagit Environmental Bank, an authorized Wetland Mitigation Bank, for ONE HUNDRED FORTY-FIVE THOUSAND, AND 00/100 DOLLARS (U.S. $145,000.00) and other good and valuable consideration, hereby grants, conveys, sets over, warrants and sells to the GRANTEE, PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, a Washington public agency, ONE (1.00) MITIGATION CREDITS derived from the Skagit Environmental Bank.

Dated this _____ Day of ____________________, 2017.

GRANTOR,
CLEAR VALLEY ENVIRONMENTAL FARM, LLC

By ________________________________
Print name ________________________________
Its ________________________________

STATE OF CALIFORNIA }
 }ss
County of San Mateo }

I hereby certify that I know or have satisfactory evidence that ______________________ is the person who personally appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the authorized member of CLEAR VALLEY ENVIRONMENTAL FARM, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

Dated this _____ day of _________________, 2017

____________________________________
Notary Public in and for the State of California,
__________________________________________
My appointment expires________________________
Agenda Item #10

EXHIBIT B

MAP OF IMPACTS
(to be added)