PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 10/10/17
2. Approval of Minutes 09/26/17 (Commission Meeting); 10/02/17 (2018 Budget Hearing)
3. Ratification of Vouchers 09/26; 10/03
4. Approval of Vouchers 10/10/17
5. Recommendation to Award Traffic Control Planning and Flagging Services
   Higgins Airport Way Fiber Project

TREASURER’S REPORT – August 2017

AUDIENCE COMMENTS

OLD BUSINESS
6. Manager’s Report
7. Quarterly Report – Human Resources
8. 2018 Budget – Discussion

MISCELLANEOUS

COMMISSIONER COMMENTS

ADJOURNMENT

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

September 26, 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
September 26, 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; Sally Saxton, Finance
Manager/Treasurer; Mark Handzlik, Engineering Manager; Peter Gilbert, Attorney; and
Kim Carpenter, Clerk of the Board; Audience: Judy Littlefield and Dana Chrysler.
District Employees: Gary Chrysler, Mike Fox, Kathy White, Luis Gonzalez, Mark
Semrau, Kevin Tate, Cort Wilson.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for September 26, 2017:
1. Approval of Agenda 09/26/17
2. Approval of Minutes 09/19/17
3. Ratification of Vouchers 09/19/17
   No. 2754 – Voucher Nos. 10385-10435, Payroll Check Nos. 19659-19739 ($676,320.24)
4. Approval of Vouchers 09/26/17
   No. 2755 – Voucher No. 10436 ($1,427.23)
   No. 2756 – Voucher Nos. 10437-10484 ($1,269,968.66)

Audience Comments: None

Under Old Business:

5. Manager’s Report - Manager Sidhu reported on the following items:
   • Resolution No. 2249-17, Granting the General Manager Authority to Enter
     into the Real Estate Purchase and Sale Agreement with Weyerhaeuser
     Company for Purchase of Property in the Cultus Mountain Watershed has
     been prepared for signature.
   • The 2018 Budget Hearing is scheduled for 5:00 PM on Monday, October 2,
     2017. Regular meetings will take place on Tuesday, October 10 and 24.
   • Email invitations were sent to the Commission from DN Tanks for a tour of
     District’s Division Street Tank and Booster Pump Station Project and lunch
     on Tuesday, October 3. All three Commissioners plan to attend. Shared
     aerial photos of the project from today. District staff and Mount Vernon
     representatives will be scheduled for tours of the project as well. Additional
     tours may be scheduled if needed following completion of the final wrap of
     the tank.
• Will be attending the WA PUD Association Water Workshop in Leavenworth beginning tomorrow.

• Questionnaires were distributed to the Commission and staff from Driftmier Architects, please return tomorrow if possible.

• Presented information last week to the Governor’s staff on regarding telecommunication work by PUD’s and Commissioner Robertson stated he heard that the presentation was well received.

Under New Business:

6. IT Planning – Discussion
Manager Sidhu stated that based on conversation with the Commission at the budget workshop it was decided to bring forth discussion of IT planning. IT Manager Chrysler presented information regarding Software Projects 1989-2018, Harris City works Project, 2017 Approved and Completed Projects, 2017 Active Software Projects, 2018 Proposed Software Projects and Upgrades and Harris Products Software Selection, Process and Features. Discussion ensued regarding various aspects of the information presented, including timelines, costs, differences between core software and departmental use of same. Manager Sidhu stated that this presentation was for planning and discussion veered off into budgeting. There will be a clearer picture in 2018 of where the program is going.

7. 2018 Budget – Financial Planning Debt Scenarios – Discussion
Discussion ensued regarding various aspects of the financial plan scenarios summary, including changes to the CIP table in the preliminary budget, and not proposing a rate increase larger than 8.5% in 2018 until there is time to discuss and determine the best scenario. The Commission will receive the proposed 2018 Budget next week with the baseline scenario, CIP changes which will affect the debt numbers, and there will be additional work between the hearing and adoption of the final budget.

At this time, President Robertson recessed the regular meeting to go into executive session per RCW 42.30.110(g) for an approximate duration of 30-60 minutes. The meeting was recessed at 5:53 PM.

President Robertson convened the executive session at 5:57 PM.

President Robertson reconvened the regular meeting of the Commission at 7:12 PM.

No audience members remained.
Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of September 26, 2017 was adjourned at 7:13 PM.

Respectfully submitted:

______________________________
Kim Carpenter
Clerk of the Board
MINUTES OF THE 2018 BUDGET HEARING OF
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

October 02, 2017

The 2018 Budget Hearing of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, on October 02, 2017.

The hearing was opened at 5:00 PM. by President Robbie Robertson. 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, Treasurer/Finance Manager; Kevin Tate, Community Relations Manager; Kathy White, Human Resource Manager; Doug Streeter, Auditor; Kim Carpenter, Clerk of the Board; Audience: Judy Littlefield, Randy Good, Tina Champeaux, George Wolner

President Robertson stated that today’s public hearing is for public input and the Commissioners may ask questions or wait until future meetings. President Robertson requested that General Manager Sidhu and Treasurer Saxton present the 2018 Budget.

Manager Sidhu stated that he and Treasurer Saxton would go through the proposed budget which will also be discussed at future Commission meetings. Commissioner Littlefield asked if there are changes from the preliminary budget; Manager Sidhu replied yes and that they will point out the changes.

Treasurer Saxton gave an overhead presentation that included the following:
- Budget Function
- Mission
- Vision
- Core Values
- Commission Objectives
- Fiscal Management Targets
- Budgeted Cash Inflows
- Typical Residential Bill
- What Does Your Bill Pay For?
- Budgeted Cash Outflows
- Major Capital Projects
- Sources of Funding for Capital Budget

Under Audience Comments, Randy Good, 3542 SR 20, Sedro-Woolley commented on the percentages of what your bill pays for and the importance of looking at easements with regard to fiber optic installations. Commissioner Robertson indicated that the majority of fiber will be on pole, not underground.

Manager Sidhu stated that the District’s Capital Improvement Program will require some significant investment over the next 10 years. The current financial plan includes a suite of rate increases that help to fund the program while also keeping the increases below double digits.
However, as a result of keeping the rate increases manageable, there will be significant debt funding required to provide the additional revenue to fund the CIP.

Discussion ensued regarding various aspects of the information presented, including identification of the changes from the preliminary budget, availability of major capital project map online, future projects and rate increase scenarios, increasing communication with the public, escalation costs, completion of projects that have already begun, one-time costs in the 2018 budget, and 10-year timeframe for completion of the capital program.

Manager Sidhu stated that the agenda for the Commission meeting of October 10 will include budget discussion and a budget work session is scheduled for October 24.

Commissioner Robertson commented on the value of water being greatly ignored over the years and how lucky Skagit County is to have good water. He stated that the estimate to bring water systems in the United States into potable standards is $2.04 trillion and recognizes the costs and importance of system redundancy and loops.

Discussion continued regarding various aspects of the proposed budget.

Commissioner Robertson asked if there were additional audience comments; Tina Champeaux, 1641 SR 9, Sedro-Woolley asked if the slides will be on the District’s website; Manager Sidhu replied that the Proposed 2018 Budget will be on the website, but he was not planning to post the slides as they do not include enough information. Commissioner Berg indicated he would be happy to have the slides on the website if it was presented here.

Randy Good stated he understood the map shown would be on the website; Manager Sidhu replied that the map is already on the website and illustrated how to access it.

Having no further questions or comments, Commissioner Littlefield moved to adjourn and close the 2018 Budget Hearing. The motion passed and the hearing of October 02, 2017 was closed at 6:14 PM.

Respectfully submitted:

Kim Carpenter
Clerk of the Board
October 4, 2017

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

FROM: Mark Handzlik, P.E., Engineering Manager

BY: Chris Smith, Engineering Technician

SUBJECT: Recommendation to Award
Traffic Control Planning and Flagging Services

Requested Action:
Authorize the General Manager to execute Work Order No. 15 under the Agreement for Professional Services with Northwest Safety Signs in the amount of $64,716.00 to provide traffic control planning and traffic control flagging services for the District’s West Taylor Street (Harrison Street to Third Street) and Third Street (South Second Street to West Section Street) Project.

Background:
Northwest Safety Signs submitted a Statement of Qualifications (SOQ) on December 16, 2016 in response to the District’s request for SOQs related to traffic control services. Northwest Safety Sign’s submittal was compared to the other applicants based on experience and standard rates among other things, and was scored as the most qualified and cost effective.

Fiscal Impact:
Funding for this contract and project will come from the District’s $3,500,000 Pipe Replacement Budget Line Item No. 45. The scope and work is consistent with intended use of these funds.

cmp
W. Taylor St., Harrison St. to 3rd St. & 3rd St., S. 2nd St. to W. Section St.

CP-4987-3699-____

Northwest Safety Signs Inc. AGREEMENT FOR PROFESSIONAL SERVICES

WORK ORDER #015

Pursuant to the terms and conditions of the Agreement for Professional Services dated June 1, 2015. Consultant shall provide flagging services to Public Utility District No. 1 of Skagit County for the W. Taylor St., Harrison St. to 3rd St. & 3rd St., S. 2nd St. to W. Section St. project as more particularly described in Consultant's proposal dated September 21, 2017 hereto attached and made a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Work Order to be executed and instituted as of the date of the last signature below.

PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

George Sidhu, P.E., General Manager

NORTHWEST SAFETY SIGNS INC.

[Signature]

[Typed Name, Title]

Date of Signature

Date of Signature
<table>
<thead>
<tr>
<th>QTY</th>
<th>UNIT</th>
<th>DESCRIPTION</th>
<th>REG. TIME RATE</th>
<th>OVERTIME RATE</th>
<th>DOUBLETIME RATE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>480</td>
<td>HRS</td>
<td>FLAGGER</td>
<td>$56.75</td>
<td>$82.75</td>
<td>$106.75</td>
<td>$27,240.00</td>
</tr>
<tr>
<td></td>
<td>HRS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HRS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Estimate Includes: 3 flaggers working 2 days, 2 flaggers working 2 days & 1 flagger working 50 days @ 8hr/day @ RT

| 432 | HRS  | TC LABORER / TC SUPERVISOR (As Required) | $60.50         | $88.50        | $116.50         | $26,136.00 |
|     | HRS  |                                          |                |               |                 |         |
|     | HRS  |                                          |                |               |                 |         |

Estimate Includes: 1 TCS working 54 days @ 8hr/day @ RT

| 54  | DAY  | TC VEHICLE                               | $80.00         |               | $4,320.00       |
|     |      |                                          |                |               |                 |         |
|     |      |                                          |                |               |                 |         |

| 54  | DAY  | TRAFFIC CONTROL DEVICES                 | $130.00        |               | $7,020.00       |
|     |      | Estimate includes: 20 Signs/Stands/ & 30 cones. |                |               |                 |         |
|     |      |                                          |                |               |                 |         |
| 0   | HRS  | TRAFFIC CONTROL PLANS PREPARATION       | $60.00         |               | $0.00           |

NOTE: ***This estimate is based on unit pricing as listed above. Actual hrs/materials will be charged per the unit prices listed above.

TERMS OF SERVICE, POLICIES AND CONDITIONS:

1. Flaggers are equipped with flag paddles, hardhats & vests. Flashlights, night gear, and radios are provided when requested. We provide flaggers with time cards, which are to be signed by the job foreman at the end of each shift.

2. Regular Hours = Mon - Fri., first 8 hours (but not more than 40 hours).

3. Overtime Hours = After first 8 hrs/day (unless a 4/10 work week is Pre-Arranged, **in writing**). Any hours over 40 hours per week. Also any overtime prevailing wage regulations apply.

4. Double-time Hours = Any hours worked on Sundays, Holidays and shifts over 12 hours.

5. 4 Hour Minimum Charge per person (based on 0 - 65 miles to jobsite). 8 Hour Minimum Charge per person (based on 66 or more miles to jobsite).

6. 4 Hour Cancellation Notice Required. Failure to cancel will result in a minimum four (4) hour billing per person dispatched.

7. Full Service Traffic Control (services requiring a TC Vehicle): Hourly rates will be charged port to port from NWSS office located at 3857 Hannegan Rd, Bellingham, WA.

8. For scheduling purposes, allow 24 - 48 hours to assure adequate coverage.

9. **Contractor agrees** to provide necessary breaks for flaggers.

10. In the event Contractor chooses to supply &/or set up TC Devices, Contractor understands and agrees to meet all regulatory and MUTCD requirements. If Contractor fails to meet the regulatory requirements, it is agreed that NW Safety Signs reserves the right to reschedule it's crew, or when possible, NW Safety Signs will provide the necessary regulatory TC Devices at the sole expense to the Contractor.
11. Contractor agrees that Safety Signs, Inc. will be held harmless from any and all claims, demands, losses and liabilities to or by third parties arising from, resulting from, or connected with services performed or to be performed, to the fullest extent permitted by law. Contractor's duty to indemnify Safety Signs, Inc. shall not apply to liability for damages arising out of bodily injury to persons or damage to property caused by or resulting from the sole negligence of Safety Signs, Inc. or its agents or employees.

12. NW Safety Signs reserves the right to reschedule or withdraw personnel during extreme weather conditions and/or unsafe working conditions.

**After Hours Call:** Lynne at (360) 815-2473 or (360) 736-9485

**We provide 2 Way radios to our flaggers when requested, however, if they are not compatible with Contractor's radios, Contractor will have to provide compatible radios.**

***Prices are subject to change due to labor and material increases.***

**HOLIDAYS:** New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving and the following Friday, and Christmas. Contract specifications for prevailing wage override Holidays listed above.

**PAYMENT TERMS:** Upon approval of credit, Net 30 days after Invoice date. Past due amounts subject to 1.5% finance charge. We also accept VISA/Mastercard.

**EXCLUSIONS:** Liquidated damages, bonding, retention, permits, taxes, fees, & illumination of night time work areas. (Any required Intent & Affidavit of wages paid to be billed to the Contractor at $105.00 administration fee.)

*Failure to comply with the terms listed above may be grounds for immediate removal of Northwest Safety Signs, Inc. personnel and equipment, without penalty from Contractor.*

<table>
<thead>
<tr>
<th>MISC. TRAFFIC CONTROL DEVICES</th>
<th>RENT/DAY</th>
<th>PURCHASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Const. Signs</td>
<td>$3.50/day</td>
<td>$74.00</td>
</tr>
<tr>
<td>Sign Stands (Tripods)</td>
<td>$2.00/day</td>
<td>$102.75</td>
</tr>
<tr>
<td>28&quot; Cones (with refl. collars)</td>
<td>$.50/day</td>
<td>$166.50</td>
</tr>
<tr>
<td>Type A Lights (incl. 4 D batteries)</td>
<td>$1.00/day</td>
<td>$84.50</td>
</tr>
<tr>
<td>Traffic Safety Drums</td>
<td>$1.25/day</td>
<td>$11.75</td>
</tr>
<tr>
<td>Type 1 Barricades</td>
<td>$1.00/day</td>
<td>$15.75</td>
</tr>
<tr>
<td>Type III Barricades (plastic)</td>
<td>$3.00/day</td>
<td>$25.50</td>
</tr>
<tr>
<td>AWS, 4x4 post, stand, 4 sandbags, 2 flags</td>
<td>$9.50/day</td>
<td>$55.00</td>
</tr>
<tr>
<td>Arrow Board</td>
<td>$175-$375/day</td>
<td>$34.50</td>
</tr>
<tr>
<td>VMS Board</td>
<td>$275-$375/day</td>
<td>$215.00</td>
</tr>
<tr>
<td>Light Tower &amp; Generator</td>
<td>$65.00/day</td>
<td></td>
</tr>
</tbody>
</table>

1 Day = 1 Working Day.
1 Week = 5 Days in a 7 Day Period.
1 Month = 21 Days in a 4 Week Period.
1 Week = 6 Days in a 7 Day Period.
1 Month = 21 Days in a 4 Week Period.

By signing below, as an authorized agent of the Contractor, I accept the above conditions of this agreement.

__________________________  ____________________________
Name                        Company Name

Pg 2 of 2
### Balance of District Funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue Fund</td>
<td>$4,800,925</td>
</tr>
<tr>
<td>Capital Project Fund</td>
<td>$309,085</td>
</tr>
<tr>
<td>Construction Fund</td>
<td>$5,134,586</td>
</tr>
<tr>
<td>System Development Fund</td>
<td>$2,148,364</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>$774,766</td>
</tr>
<tr>
<td>Bond Funds</td>
<td>$414,255</td>
</tr>
<tr>
<td>Rate Stabilization Funds</td>
<td>$37,159</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$13,619,139</strong></td>
</tr>
</tbody>
</table>

### Investment of District Funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Govt Investment Pool</td>
<td>$8,342,179</td>
</tr>
<tr>
<td>Cash</td>
<td>$1,276,960</td>
</tr>
<tr>
<td>Money Market Deposit Accts</td>
<td>$0</td>
</tr>
<tr>
<td>Govt Agencies/ Securities</td>
<td>$4,000,000</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$13,619,139</strong></td>
</tr>
</tbody>
</table>

---

### Rates of Investment Interest Received

- **FFCB**
- **FNMA**
- **LGIP**
- **FHLMC**
- **RFC**
- **SB MMA**

### Market Value vs. Face Value of Government Securities

- Fed Farm Credit Bank (mat 2/18)
- Fed Home Loan Mtg Corp (mat 7/18)
- Fed Natl Mtg Assn (mat 10/19)
- Resolution Funding Corp (mat 7/20)
- Face Value
## Resources:

### External Revenue:
- Water Customer Receipts: 2,273,435
- System Development Fees: 144,480
- Capital Contributions: 263,199
- Grants: 4,301
- Non-Operating Revenues: 14,259

**Total External Revenue:** 2,516,754

### Debt Proceeds:
- DWSRF Loan Draws: 0
- Dept. of Ecology Loan: 0
- Bonds: 0

**Total Debt Proceeds:** 0

### Transfers from Other Funds:
- Debt Reserve → Revenue Fund: 188,112
- Debt Reserve → System Development Fund: 80,619
- Debt Reserve → Revenue Fund: 0
- Capital Projects → Revenue Fund: 0
- System Development Fund → Debt Reserve: 80,619
- Debt Reserve → Construction Fund: 0
- Bond Sinking Fund → Debt Reserve: 0
- Construction Fund → Bond Reserve: 0
- Revenue Fund → Capital Projects: 0

**Total Transfers to Other Funds:** 268,733

**Total Revenue:** 2,516,754

## Uses:

### Operating Expenditures:
- Operations and Maintenance: 1,145,193
- Utility and Excise Taxes: 188,065
- Total Operating Expenditures: 1,333,258

### Capital Projects:
- Total Capital Expenditures: 537,622
- Total Capital Expenditures: 1,470,660

### Debt Service Payments:
- Interest Expense: 0
- Federal Tax Credit for 2009B Bonds: 0
- Principal Payments: 0
- Total Debt Service Payments: 0

### Transfers to Other Funds:
- Revenue Fund → Debt Reserve: 188,112
- System Development Fund → Debt Reserve: 80,619
- Bond Sinking Fund → Debt Reserve: 0
- Construction Fund → Bond Reserve: 0
- Revenue Fund → Capital Projects: 0
- Total Transfers to Other Funds: 268,733

**Total Expenditures:** 1,933,258

## Increase (Decrease) in Fund Balance:
- August 2016: 457,762
- August 2015: 568,764

**Increase (Decrease) in Fund Balance:** 457,762
## PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY

### TREASURER REPORT

### For the eight months ending August 31, 2017

<table>
<thead>
<tr>
<th>REVENUE FUND</th>
<th>CAPITAL PROJECT FUND</th>
<th>SYSTEM DEVELOPMENT FUND</th>
<th>DEBT SERVICE FUND</th>
<th>RATE STABILIZATION FUND</th>
<th>COMBINED</th>
<th>ANNUAL BUDGET</th>
<th>PERCENTAGE OF BUDGET REALIZED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Capital Projects</td>
<td>Restricted</td>
<td>Debt Reserve</td>
<td>Bond Sinking</td>
<td>Bond Reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YTD 2016</td>
<td>13,549,992</td>
<td></td>
<td>1,045,057</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>YTD 2015</td>
<td>16,177,747</td>
<td></td>
<td>824,664</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,710,542</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>981,800</td>
<td>58.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4,200,000</td>
<td>98.30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>310,000</td>
<td>21.70%</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>14,888,542</td>
<td>1,332</td>
<td>34,361</td>
<td>10,670</td>
<td>2,259</td>
<td>18,211</td>
<td>1,722</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,894,027</td>
<td>767,713</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfer from Other Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Reserve = Revenue Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Reserve = System Development Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Fund = Debt Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Reserve = Bond Sinking Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Reserve = Revenue Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Projects = Revenue Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Projects = System Development Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Transfers to Other Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue</td>
<td>21,902,153</td>
<td>311,553</td>
<td>34,301</td>
<td>1,055,727</td>
<td>2,258,284</td>
<td>10,211</td>
<td>92,133</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Uses:</td>
<td>7,613,769</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7,613,769</td>
<td>100.00%</td>
</tr>
<tr>
<td>Operating Expenditures:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utility and Excise Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures:</td>
<td>8,304,961</td>
<td>107,218</td>
<td>593,971</td>
<td>0</td>
<td>0</td>
<td>9,406,169</td>
<td>98.16%</td>
</tr>
<tr>
<td>Total Capital Expenditures</td>
<td>8,304,961</td>
<td>107,218</td>
<td>593,971</td>
<td>0</td>
<td>0</td>
<td>9,406,169</td>
<td>98.16%</td>
</tr>
<tr>
<td>Debt Service Payments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Expense</td>
<td>3,894,027</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,894,027</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total Debt Service Payments</td>
<td>3,894,027</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,894,027</td>
<td>100.00%</td>
</tr>
<tr>
<td>Transfers to Other Funds:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Fund = Debt Reserve</td>
<td>1,576,950</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1,576,950</td>
<td>100.00%</td>
</tr>
<tr>
<td>System Development Fund = Debt Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Fund = Revenue Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Sinking Fund = Debt Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction Fund = Bond Reserve</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Fund = Capital Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Development Fund = Capital Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Transfers to Other Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>21,300,456</td>
<td>107,218</td>
<td>1,064,392</td>
<td>985,835</td>
<td>2,931,183</td>
<td>3,259</td>
<td>0</td>
</tr>
<tr>
<td>Increase (Decrease) in Fund Balance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>601,697</td>
<td>204,336</td>
<td>(1,050,001)</td>
<td>69,891</td>
<td>(672,899)</td>
<td>6,972</td>
<td>92,133</td>
<td>0</td>
</tr>
</tbody>
</table>
## SKAGIT PUD DEBT REPAYMENT AMOUNTS
### AS OF AUGUST 31, 2017

### Senior Lien Bond Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0</td>
<td>0</td>
<td>2.65% - 4.25%</td>
</tr>
<tr>
<td>2018</td>
<td>1,163,588</td>
<td>317,332</td>
<td>2.65% - 4.25%</td>
</tr>
<tr>
<td>2019</td>
<td>495,267</td>
<td>275,032</td>
<td>2.65% - 3.72%</td>
</tr>
<tr>
<td>2020</td>
<td>511,717</td>
<td>261,500</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2021</td>
<td>529,157</td>
<td>244,595</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2022</td>
<td>541,389</td>
<td>227,521</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2023</td>
<td>563,815</td>
<td>210,663</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2024</td>
<td>581,112</td>
<td>192,166</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2025</td>
<td>599,262</td>
<td>173,038</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2026</td>
<td>617,303</td>
<td>153,641</td>
<td>2.65% - 3.79%</td>
</tr>
<tr>
<td>2027</td>
<td>542,412</td>
<td>399,339</td>
<td>3.79% - 10.00%</td>
</tr>
<tr>
<td>2028</td>
<td>579,033</td>
<td>365,603</td>
<td>3.79% - 10.00%</td>
</tr>
<tr>
<td>2029</td>
<td>614,704</td>
<td>327,250</td>
<td>3.79% - 10.00%</td>
</tr>
<tr>
<td>2030</td>
<td>297,049</td>
<td>286,845</td>
<td>10.00%</td>
</tr>
<tr>
<td>2031</td>
<td>327,167</td>
<td>256,728</td>
<td>10.00%</td>
</tr>
<tr>
<td>2032</td>
<td>359,725</td>
<td>224,169</td>
<td>10.00%</td>
</tr>
<tr>
<td>2033</td>
<td>396,810</td>
<td>187,084</td>
<td>10.00%</td>
</tr>
<tr>
<td>2034</td>
<td>437,042</td>
<td>146,852</td>
<td>10.00%</td>
</tr>
<tr>
<td>2035</td>
<td>481,353</td>
<td>102,541</td>
<td>10.00%</td>
</tr>
<tr>
<td>2036</td>
<td>530,012</td>
<td>53,885</td>
<td>10.00%</td>
</tr>
</tbody>
</table>

### Public Works Trust Fund Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 SRD</td>
<td>0</td>
<td>0</td>
<td>0.25% - 1.00%</td>
</tr>
<tr>
<td>2002 WTP Controls</td>
<td>0</td>
<td>0</td>
<td>0.25% - 3.72%</td>
</tr>
<tr>
<td>2012 Josh Wilson Rd</td>
<td>0</td>
<td>0</td>
<td>0.25% - 1.00%</td>
</tr>
<tr>
<td>2014 Division St Tank Design</td>
<td>0</td>
<td>0</td>
<td>0.25% - 1.00%</td>
</tr>
</tbody>
</table>

### Drinking Water State Revolving Fund Loan Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000 Clearwell</td>
<td>0</td>
<td>0</td>
<td>1.50%</td>
</tr>
<tr>
<td>2000 SVV Distribution</td>
<td>0</td>
<td>0</td>
<td>1.50%</td>
</tr>
<tr>
<td>2000 SVV Controls</td>
<td>0</td>
<td>0</td>
<td>1.50%</td>
</tr>
<tr>
<td>2001 Transmission Line</td>
<td>0</td>
<td>0</td>
<td>1.50%</td>
</tr>
<tr>
<td>2001 WTP Controls</td>
<td>0</td>
<td>0</td>
<td>1.50%</td>
</tr>
</tbody>
</table>

### Total Principal Outstanding:
$19,138,856

### Total Interest Outstanding:
$4,591,791

### Total Debt Repayment:
$23,730,647

### 2017 Weighted Interest Rate:
2.08%

---

$ Change from previous month:
$0
October 5, 2017

TO: Commission

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

SUBJECT: Response to Questions from Budget Hearing

Requested Action:
None required at this time.

Background:
During the Budget Hearing on October 2, there were a number of questions regarding the proposed budget. Below is a summary of some of the questions, with answers attached as appropriate.

1. Provide more information relating to O&M Request Line Item 90 - Safety Consultant
   The Budget Request for relating to this line item is attached. We have been working with Richard Thody from Intuitive Safety Solutions for the past year and have identified a need for the District to have a permanent position related to Safety. We are in the process of identifying options on how to address this need, so we included a budget line item that would pay for Richard to continue in his current position.
   Richard’s current billing rate is $110 per hour and we have him scheduled to work three days per week (24 hours per week). This equates to an amount of $137,280 with $2,720 included for mileage and expenses, for a total of $140,000.

2. Show a breakout of costs for O&M Request Line Items 91 and 93 - Professional Services
   Attached is a table that shows all of the individual items that make up the totals for Line Items 91 and 93.

3. Provide details regarding O&M Request Line Item 78 - Alger Well Property Land Transfer
   The Budget Request form relating to this item is attached. The request includes costs for surveying, recording the transfer, tree removal and fencing.

4. Additional fleet management option details based on our discussion at the work session on September 19. Attached is a proposed fleet purchasing model for some specific vehicles.

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

kac
ITEM/PROJECT NAME: Safety/Professional Services

Brief Description of Item: Professional services for the District's safety program.

Is this a carryover?  Yes  No

REQUESTING DEPARTMENT (Check the appropriate department box):
- Administration
- Comm Relations
- Operations
- HR/Safety
- Cust Svc
- Mgr Dept
- Engineering
- WTP
- Const
- Assets
- Information Tech

Requestor's Name: Kathleen White
Date: 08/14/17

Requested Amount (Please include any shipping and sales tax): $140,000

Purpose / Benefits (What will this do for the District?):
The value of hiring a full time safety/risk person versus continuing with consulting through ISS is currently being discussed. This figure will accommodate either option for 2018 depending upon what is decided.

Why is this purchase needed now? What will happen if we defer it to another year?
These items cannot be deferred.

Please rate the importance of this Item/Project (Circle the appropriate number)
1. Absolutely critical
2. Really need it
3. Really want it; it will make life easier
4. It would be nice, but don't absolutely need it
5. If there is money to spare

Is this a multi-year project?: Yes  No

If yes, how many years is the project spread over?:

What percentage of the project is to be completed each year?:
1st Year 4th Year
2nd Year 5th Year
3rd Year 6th Year

General Manager: [Signature]  Date Reviewed: [Date]
Comments:

Approved $__________ Postpone [Signature]

For Use by Auditor [Box]
General Ledger Code: __________________________
Tracking number: __________________________
## 2018 BUDGET - Professional Services

<table>
<thead>
<tr>
<th>LINE NO.</th>
<th>DEPT</th>
<th>DESCRIPTION</th>
<th>PROPOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>91</td>
<td>Finance</td>
<td>Annual Audit</td>
<td>$35,000</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>Single Audit (Fed $) this will be done in 17, 18, 19</td>
<td>$15,000</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>Audit Services</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>Foreclosure Attorney Services</td>
<td>$4,000</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>FCS Group (budget &amp; rate study)</td>
<td>$25,000</td>
</tr>
<tr>
<td></td>
<td>Finance</td>
<td>Milliman's OPEB actuarial valuation (last full valuation done in 2016)</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$130,000</strong></td>
</tr>
<tr>
<td>93</td>
<td>Executive</td>
<td>Gilbert &amp; Gilbert</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>Executive</td>
<td>Foster Pepper PLLC</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>Executive</td>
<td>Water Rights Atty</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>Executive</td>
<td>Legal Contingency fund</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>Executive</td>
<td>K-Solutions (Public Records)</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td>Executive</td>
<td>Compensation Study for Represented Employees</td>
<td>$20,000</td>
</tr>
<tr>
<td></td>
<td>Executive</td>
<td>Attorney for Bargaining</td>
<td>$25,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$186,000</strong></td>
</tr>
</tbody>
</table>
Agenda Item #8-3

2018 BUDGET REQUEST FORM

( PLEASE ATTACH SUPPORTING DOCUMENTATION FOR AMOUNT REQUESTED)

ITEM/PROJECT NAME: Alger Well Property Land Transfer

Brief Description of Item: Completion of Alger Well property transfer from County to District

Is this a carryover? □ Yes □ No

REQUESTING DEPARTMENT (Check the appropriate department box):

- Administration
- Comm Relations
- Operations
- Engineering
- HR
- Cust Svc
- WTP
- Assets
- Information Tech
- Mtr Dept
- Const

Requestor’s Name: Mark Handzlik Date: 7/6/2017

Requested Amount (Please include any shipping and sales tax): $ 50,000

Purpose / Benefits (What will this do for the District?): File review has shown that the property surrounding the Alger Well does not formally belong to the District. In order to complete the land transfer from the County, the District is required to survey and complete a boundary line adjustment or subdivision of the parcel of land on which the well is sited. The request also includes funding for tree removal and fencing.

Why is this purchase needed now? What will happen if we defer it to another year?
The completion of the land transfer is an outstanding obligation the District has not completed.

Please rate the importance of this Item/Project (Circle the appropriate number)

1 Absolutely critical
2 Really need it
3 Really want it; it will make life easier
4 It would be nice, but don’t absolutely need it
5 If there is money to spare

Is this a multi-year project?: □ Yes □ No

If yes, how many years is the project spread over?:

What percentage of the project is to be completed each year?:

1st Year 4th Year
2nd Year 5th Year
3rd Year 6th Year

General Manager : Date Reviewed: 

Comments:

Approved $__________ Postpone

For Use by Auditor

General Ledger Code: 

Tracking number: 

Completion of Alger Well property transfer from County to District

EXPENSE

Return to GM by July 10, 2017

Alger Well Property Land Transfer

parcel of land on which the well is sited. The request also includes funding for tree removal and fencing.
**Fleet Management**

Based on our workshop on September 19 where we discussed fleet management options with Loren Tvedt from Enterprise services, we are proposing a fleet purchasing model for some specific vehicles. We have determined that there are a select number of vehicles that are vitally important to the operation and maintenance of our water systems, and that they would provide the most benefit to the District if they were on a regular rotation provided by Enterprise. These vehicles include:

- **After-hours in-charge half-ton truck** – This vehicle is used for our response to after-hours leaks, breaks and service issues. It is often required to be out during inclement weather and during times of day when vehicle safety features and visibility is most important. The current vehicle is 12 years old and has 145,000 miles and is scheduled to be replaced in 2019.

- **Distribution operator half-ton trucks (4)** – These vehicles are used to operate, maintain, troubleshoot and repair all of the District’s water systems, including the satellite systems. The Distribution operators are on a separate after hours call out list and are also required to be out during inclement weather and times of day when safety and visibility is most important. One of these vehicles is proposed to be replaced in 2018, another in 2019, and the remaining two in 2020 to obtain the best values.

- **Meter readers half-ton trucks (4)** – These vehicles are used to perform all of the meter reads; meter service orders and turn-ons/turn-offs for all of the District’s water systems, including the satellite systems. In order to stay current with billing, they are required to be out during inclement weather and they are often parked in locations where safety and visibility is very important. One of these vehicles is proposed to be replaced in 2018, another in 2019 and the remaining two are due for replacement in 2020 to obtain the best values.

All of these vehicles are of the same size and have similar requirements in terms of safety and appurtenances. They each are driven approximately 25,000 miles per year and they are proposed to be replaced on a 3-year cycle through the Enterprise program to gain the most value on the resale.

The vehicles used for administration and engineering staff may benefit from a five-year cycle approach through Enterprise, but they typically only total about 5,000 miles per year and the District may be better served by keeping those for longer than the proposed cycle. We are proposing to purchase one vehicle through Enterprise in 2018, but we won’t be committed in the resale of that vehicle back to Enterprise in 5 years. The existing vehicles in for the administration and engineering staff will remain except for excess pickups, which will be auctioned.

There are also a number of vehicles in the District’s fleet that are in need of replacement due to their age and mileage and they are planned to be auctioned in 2018. Some of those vehicles need to be replaced with vehicles that have less mileage, but they don’t need to be new vehicles. In that instance, we are proposing a pass-down of a number of vehicles that could be better served to remain in the fleet. There are a number of those vehicles that are planned for replacement in 2019 and 2020. For those vehicles, we have determined that it would be better to own them and not make them part of the Enterprise program.
As a result of the above information, the proposal for fleet vehicles for the next three years is as follows:

<table>
<thead>
<tr>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distribution (Enterprise)</td>
<td>Distribution (Enterprise)</td>
<td>Distribution (Enterprise)</td>
</tr>
<tr>
<td>Meter Reader (Enterprise)</td>
<td>Meter Reader (Enterprise)</td>
<td>Meter Reader (Enterprise)</td>
</tr>
<tr>
<td>Administration (Enterprise)</td>
<td>Administration (Enterprise)</td>
<td>Administration (Enterprise)</td>
</tr>
<tr>
<td>1 Ton Flat Bed (Purchase)</td>
<td>1 Ton Flat Bed (Purchase)</td>
<td>1 Ton Flat Bed (Purchase)</td>
</tr>
<tr>
<td>Const. Manager (Purchase)</td>
<td>Const. Manager (Purchase)</td>
<td>Const. Manager (Purchase)</td>
</tr>
<tr>
<td>After hours (Enterprise)</td>
<td>After hours (Enterprise)</td>
<td>After hours (Enterprise)</td>
</tr>
<tr>
<td>Const. Foreman (Purchase)</td>
<td>Const. Foreman (Purchase)</td>
<td>Const. Foreman (Purchase)</td>
</tr>
<tr>
<td>Locator (Purchase)</td>
<td>Locator (Purchase)</td>
<td>Locator (Purchase)</td>
</tr>
</tbody>
</table>

Using this approach would allow all of the Distribution and Meter vehicles to get on a three-year cycle for replacement, and allow the After-hours truck and one Admin vehicle to also get on the Enterprise program. However, this plan also includes one new vehicle and moving up three purchases from 2019 to 2018:

**Construction Manager (Purchase)** – This is proposed as a new position and requires a new vehicle. This will not be part of the Enterprise program, but instead will be a purchased vehicle that can be handed down as mileage gets high. If at some point we determine that it should be part of the Enterprise program, we can make that change in the future.

**After hours (Enterprise)** – Current vehicle is larger than what is needed, is 11 years old, has 145,000 miles and it needs replacement and updating. This is scheduled for replacement in 2019, but purchasing a new vehicle in 2018 will address the mileage and functionality issues, and will get us on the Enterprise program for replacement every 3 years to keep the vehicle current and reliable.

**Construction Foreman (Purchase)** – Current vehicle is larger than what is needed and can be handed down to flushing crew that is driving a vehicle that is 7 years old and has 125,000 miles. This will also be a purchased vehicle that can be handed down as mileage gets high or traded back in on Enterprise rotation dependent on value.

**Locator (Purchase)** – This is a new position this year and current vehicle was handed down from Distribution Department, but it is 12 years old, has 100,000 miles and it needs replacement and updating. This will also be a purchased vehicle that can be handed down as mileage gets high or traded in on Enterprise rotation dependent on value.

If the above vehicles are not purchased in 2018, then they will be on the list for replacement in 2019. Replacing them in 2018 will allow us to hand down certain vehicles and surplus a number of older and higher mileage vehicles that will generate fleet revenue by taking advantage of the current market for used trucks, and facilitate handing down some of the “better” vehicles for other uses.