PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 10/24/17
2. Approval of Minutes 10/10/17 Commission Meeting
3. Ratification of Vouchers 10/17/17
4. Approval of Vouchers 10/24/17

TREASURER’S REPORT – September 2017

AUDIENCE COMMENTS

OLD BUSINESS
5. Manager’s Report
7. 2018 Budget – Discussion

NEW BUSINESS
8. Recommendation to Award Higgins Airport Way Fiber Project - Action
9. Resolution No. 2250-17 - Revised Request for Public Records Policy - Action
10. Public Utility Risk Management Services (PURMS) Revised Interlocal Agreement - Action
11. Development of Strategic Plan - Discussion and Potential Action

MISCELLANEOUS

COMMISSIONER COMMENTS

EXECUTIVE SESSION – Approximate 15-30 Minute Duration Per RCW 42.30.110(i)

ADJOURNMENT

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

October 10, 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
October 10, 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, Dale Ragan, Mount
Vernon City Councilman. District Employees: Mike Fox, Kathy White, Luis Gonzalez,
Mark Semrau, Kevin Tate, Kurt VanBurkleo.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for October 10, 2017:

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 10/03/17
   No. 2757 – Voucher Nos. 10485-10548, Payroll Check Nos. 19980-20059
   ($449,115.07)
4. Approval of Vouchers10/10/17
   No. 2758 – Voucher Nos. 10549-10592 ($312,992.26)
5. Recommendation to Award Traffic Control Planning and Flagging Services
   Northwest Safety Signs; Work Order No. 15
   West Taylor Street (Harrison Street to Third Street) and Third Street (Second
   Street to West Section Street) Project

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

Audience Comments: None

Under Old Business:

6. Manager’s Report - Manager Sidhu reported on the following items:
   - The Commission attended the Division Street Tank and Booster Station open
     house on October 3 and there is an article in the Skagit Valley Herald as well.
     Other District staff and local agencies are also touring on alternate dates.
   - The State Auditor’s office has scheduled their exit conference for 1:00 PM on
     October 23. As two or more Commissioners plan to attend the District has
     notified the newspaper of the special meeting and will also post the
     information on our website.
7. Quarterly Report – Human Resources Manager White presented the quarterly report for Safety and Human Resources. Discussion ensued regarding various aspects of the information presented. HR Manager White reported that annual employee training will take place on December 15, a week earlier than normal.

8. 2018 Budget – Discussion
Manager Sidhu responded to questions posed by the Commission at the Budget Hearing on October 2, including budgeting for a Safety Consultant, O&M professional services, Alger Well property land transfer and additional fleet management options. Discussion ensued regarding various aspects of the information presented as well as additional questions concerning the proposed budget.

Commissioner Berg stated he would like to see $25,000 budgeted to look at concepts and options for rural well users and moved to request that the General Manager solicit a request for qualifications for water rights consulting. The motion passed.

Manager Sidhu stated that the proposed budget has been presented, there are two items to resolve, safety and fleet management and requested that the Commission email him if they have additional questions. He stated that a work session can be scheduled if the Commission so chooses; the Commission agreed to schedule a Budget work session at 3:15 on October 24, prior to the regular meeting and the newspaper will be notified.

Under Miscellaneous, there are copies of two items from the Skagit Valley Herald, one on the Division Street Tank Project and a letter to the editor regarding inadequate notice for utility work interruptions downtown. Manager Sidhu stated he has spoken with gentleman who wrote the letter and admitted there were things the District could have done better; Mr. Segall appreciated receiving the call.

Under Commissioner Comments, Commissioner Littlefield commented on his attendance at the emergency management sessions and complimented Operations Project Coordinator VanBurkleo on his presentation. Commissioner Littlefield suggested that the District provide cots, blankets and food at the WTP in case of an emergency.

Commissioner Berg commented on his attendance at the WA PUD Association (WPUDA) Water Workshop and would like the District to consider creation of a water conservancy board as outlined under RCW 90.80.030.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of October 10, 2017 was adjourned at 6:03 PM.

Respectfully submitted:

Kim Carpenter
Clerk of the Board
**PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY**

**TREASURER REPORT**

**AS OF SEPTEMBER 30, 2017**

### Balance of District Funds

<table>
<thead>
<tr>
<th>Fund Segment</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue Fund</td>
<td>$4,856,411</td>
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<tr>
<td>Capital Project Fund</td>
<td>0</td>
</tr>
<tr>
<td>Construction Fund</td>
<td>4,485,194</td>
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<td>System Development Fund</td>
<td>2,180,802</td>
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<td>Debt Service Fund</td>
<td>755,790</td>
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<tr>
<td>Bond Funds</td>
<td>430,855</td>
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<tr>
<td>Rate Stabilization Funds</td>
<td>37,159</td>
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<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$12,746,010</strong></td>
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### Investment of District Funds

<table>
<thead>
<tr>
<th>Fund Segment</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Govt Investment Pool</td>
<td>$8,349,917</td>
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<tr>
<td>Cash</td>
<td>396,093</td>
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<tr>
<td>Money Market Deposit Accts</td>
<td>0</td>
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<tr>
<td>Govt Agencies/ Securities</td>
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<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$12,746,010</strong></td>
</tr>
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</table>

---

**District Fund Segments**

- General Revenue Fund
- Capital Project Fund
- Construction Fund
- System Development Fund
- Debt Service Fund
- Rate Stabilization Funds
- Bond Funds
- Cash

**Investment of District Funds**

- Govt Agencies/ Securities
- Local Govt Investment Pool

---

**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
## PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY
### TREASURER REPORT

### September 2016

<table>
<thead>
<tr>
<th>Resources:</th>
<th>Capital Projects</th>
<th>Restricted</th>
<th>Debt Reserve</th>
<th>Bond Sinking</th>
<th>Bond Reserve</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Revenue:</td>
<td>2,169,427</td>
<td>1,984,312</td>
<td>1,878,070</td>
<td>1,739</td>
<td>824</td>
<td>2,462,530</td>
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<tr>
<td>System Development Fees:</td>
<td>111,208</td>
<td>144,870</td>
<td>96,822</td>
<td>17,389</td>
<td>824</td>
<td>2,292,836</td>
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<td>Capital Contributions:</td>
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<td>116,182</td>
<td>104,160</td>
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<td>824</td>
<td>2,113,148</td>
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<td>LUD Assessments, Interest, Penalties:</td>
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<td>16,574</td>
<td>0</td>
<td>7,739</td>
<td>15,883</td>
<td>2,462,530</td>
</tr>
<tr>
<td>Non-Operating Revenues:</td>
<td>7,598</td>
<td>16,670</td>
<td>17,389</td>
<td>824</td>
<td>16,516</td>
<td>2,292,836</td>
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<tr>
<td>Total External Revenue:</td>
<td>2,328,020</td>
<td>287,709</td>
<td>16,516</td>
<td>85</td>
<td>112,858</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Debt Proceeds - Dept. of Ecology Loan:</td>
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<td>0</td>
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<td>0</td>
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<td>0</td>
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<tr>
<td>Debt Proceeds - Bonds:</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Transfers from Other Funds:</td>
<td>287,709</td>
<td>268,731</td>
<td>268,731</td>
<td>2,113,148</td>
<td>2,292,836</td>
<td>2,462,530</td>
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<tr>
<td>Debt Reserve -&gt; Revenue Fund:</td>
<td>188,112</td>
<td>224,899</td>
<td>188,664</td>
<td>15,883</td>
<td>2,462,530</td>
<td>2,292,836</td>
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<tr>
<td>System Development Fund -&gt; Debt Reserve:</td>
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<td>61,414</td>
<td>71,562</td>
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<td>2,462,530</td>
<td>2,292,836</td>
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<tr>
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<td>16,670</td>
<td>17,389</td>
<td>824</td>
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<td>0</td>
<td>0</td>
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<tr>
<td>Capital Projects -&gt; Revenue Fund:</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Transfers to Other Funds:</td>
<td>287,709</td>
<td>268,731</td>
<td>268,731</td>
<td>2,113,148</td>
<td>2,292,836</td>
<td>2,462,530</td>
</tr>
<tr>
<td>Total Revenue:</td>
<td>2,615,730</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>2,462,530</td>
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</table>

<table>
<thead>
<tr>
<th>Uses:</th>
<th>Capital Projects</th>
<th>Restricted</th>
<th>Debt Reserve</th>
<th>Bond Sinking</th>
<th>Bond Reserve</th>
<th>COMBINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenditures:</td>
<td>1,285,972</td>
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<td>941,303</td>
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<td>Utility and Excise Taxes:</td>
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<td>99,894</td>
<td>104,855</td>
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<td>0</td>
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<tr>
<td>Total Operating Expenditures:</td>
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<td>734,694</td>
<td>941,303</td>
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<td>0</td>
<td>2,156,524</td>
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<tr>
<td>Capital Expenditures:</td>
<td>467,400</td>
<td>775,172</td>
<td>335,252</td>
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<td>0</td>
<td>2,156,524</td>
</tr>
<tr>
<td>Total Capital Expenditures:</td>
<td>467,400</td>
<td>775,172</td>
<td>335,252</td>
<td>0</td>
<td>0</td>
<td>2,156,524</td>
</tr>
<tr>
<td>Debt Service Payments:</td>
<td>21,687</td>
<td>25,679</td>
<td>29,668</td>
<td>0</td>
<td>0</td>
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<td>Interest Expense:</td>
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<td>266,022</td>
<td>266,022</td>
<td>0</td>
<td>0</td>
<td>2,156,524</td>
</tr>
<tr>
<td>Total Debt Service Payments:</td>
<td>287,709</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,156,524</td>
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<tr>
<td>Transfers to Other Funds:</td>
<td>188,112</td>
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<td>2,292,836</td>
</tr>
<tr>
<td>Revenue Fund -&gt; Debt Reserve:</td>
<td>188,112</td>
<td>224,899</td>
<td>188,664</td>
<td>15,883</td>
<td>2,462,530</td>
<td>2,292,836</td>
</tr>
<tr>
<td>System Development Fund -&gt; Debt Reserve:</td>
<td>80,619</td>
<td>61,414</td>
<td>71,562</td>
<td>0</td>
<td>2,462,530</td>
<td>2,292,836</td>
</tr>
<tr>
<td>Debt Reserve -&gt; Revenue Fund:</td>
<td>287,709</td>
<td>16,670</td>
<td>17,389</td>
<td>824</td>
<td>2,462,530</td>
<td>2,292,836</td>
</tr>
<tr>
<td>Bond Sinking Fund -&gt; Debt Reserve:</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>Construction Fund -&gt; Bond Reserve:</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2,462,530</td>
</tr>
<tr>
<td>Capital Projects -&gt; Revenue Fund:</td>
<td>0</td>
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<td>0</td>
<td>2,462,530</td>
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<tr>
<td>Total Transfers to Other Funds:</td>
<td>188,112</td>
<td>224,899</td>
<td>188,664</td>
<td>15,883</td>
<td>2,462,530</td>
<td>2,292,836</td>
</tr>
<tr>
<td>Total Expenditures:</td>
<td>2,355,456</td>
<td>268,731</td>
<td>268,731</td>
<td>2,113,148</td>
<td>2,292,836</td>
<td>2,462,530</td>
</tr>
<tr>
<td>Increase (Decrease) in Fund Balance:</td>
<td>301,874</td>
<td>(309,085)</td>
<td>(649,392)</td>
<td>32,239</td>
<td>(18,976)</td>
<td>(668,340)</td>
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<td>Revenue Fund:</td>
<td>329,274</td>
<td>(301,874)</td>
<td>2,145</td>
<td>32,239</td>
<td>(18,976)</td>
<td>(668,340)</td>
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<td>System Development Fund:</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Debt Service Fund:</td>
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<td>0</td>
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<td>0</td>
</tr>
<tr>
<td>Rate Stabilization Fund:</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>COMBINED:</td>
<td>2,355,456</td>
<td>268,731</td>
<td>268,731</td>
<td>2,113,148</td>
<td>2,292,836</td>
<td>2,462,530</td>
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<tr>
<td>Resources:</td>
<td>YTD 2016</td>
<td>YTD 2015</td>
<td>% Change</td>
<td></td>
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<tr>
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<tr>
<td>External Revenue:</td>
<td>17,913,279</td>
<td>20,690,398</td>
<td>75.93%</td>
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<tr>
<td>System Development Fees</td>
<td>1,156,265</td>
<td>1,020,000</td>
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<tr>
<td>Capital Contributions</td>
<td>1,254,281</td>
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<td>LID Assessments, Interest, Penalties</td>
<td>19,535</td>
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<td>Investment Income</td>
<td>2,972,180</td>
<td>3,000</td>
<td>335.32%</td>
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<tr>
<td>Non-Operating Revenues</td>
<td>139,556</td>
<td>4,000</td>
<td>3,290.64%</td>
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<td><strong>Total External Revenue</strong></td>
<td>17,913,279</td>
<td>20,690,398</td>
<td>75.93%</td>
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<tr>
<td><strong>Debt Proceeds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt Proceeds - DWSRF Loan Draws</td>
<td>3,984,027</td>
<td>876,713</td>
<td>454.43%</td>
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<tr>
<td>Debt Proceeds - Dept. of Ecology Loan</td>
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<td>1,168,798</td>
<td>0.00%</td>
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<td>Debt Proceeds - Bonds</td>
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<td>4,200,000</td>
<td>0.00%</td>
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<tr>
<td><strong>Total Debt Proceeds</strong></td>
<td>3,984,027</td>
<td>876,713</td>
<td>454.43%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transfers from Other Funds:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Debt Reserve = Revenue Fund</td>
<td>1,765,062</td>
<td>2,588,381</td>
<td>68.19%</td>
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<tr>
<td>Debt Reserve = System Development Fund</td>
<td>756,455</td>
<td>981,600</td>
<td>77.05%</td>
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<td>Revenue Fund = Debt Reserve</td>
<td>3,218,892</td>
<td>339,000</td>
<td>0.00%</td>
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<td>Debt Reserve = Bond Sinking Fund</td>
<td>3,239</td>
<td>0</td>
<td>10.12%</td>
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<tr>
<td>Bond Reserve = Revenue Fund</td>
<td>0</td>
<td>30,361</td>
<td>100.00%</td>
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</tr>
<tr>
<td><strong>Total Transfers to Other Funds</strong></td>
<td>3,984,027</td>
<td>876,713</td>
<td>454.43%</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>24,504,864</td>
<td>31,180,513</td>
<td>21.91%</td>
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**Uses:**

<table>
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<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><strong>Capital Projects</strong></td>
<td><strong>Restricted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>24,504,864</td>
<td>31,180,513</td>
<td>21.91%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External Revenue</strong></td>
<td>17,913,279</td>
<td>20,690,398</td>
<td>75.93%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debt Proceeds</strong></td>
<td>3,984,027</td>
<td>876,713</td>
<td>454.43%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transfers from Other Funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>24,504,864</td>
<td>31,180,513</td>
<td>21.91%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Debt Service Payments:**

| Interest Expense | 410,523 | 633,224 | 51.90% |
| Federal Tax Credit for 2009B Bonds | (33,058) | (71,015) | 46.55% |
| **Total Debt Service Payments** | 2,934,306 | 2,933,922 | 0.01% |

**Total Expenditures:**

| **Total Expenditures** | 23,801,960 | 23,686,913 | 21.91% |

**Increase (Decrease) in Fund Balance:**

| 702,915 | (104,750) | (1,699,423) | 102,130 | (691,875) | 23,487 | 92,218 | (1,575,297) | 6,332,526 | (169,905) |
### SKAGIT PUD DEBT REPAYMENT AMOUNTS
### AS OF SEPTEMBER 30, 2017

#### Senior Lien Bond Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
<th><em>(after 35% tax credit)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0</td>
<td>0</td>
<td>2.65% - 4.25%</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>1,163,588</td>
<td>317,332</td>
<td>2.65% - 4.25%</td>
<td>0</td>
</tr>
<tr>
<td>2019</td>
<td>495,257</td>
<td>275,032</td>
<td>2.65% - 3.72%</td>
<td>1,366,201</td>
</tr>
<tr>
<td>2020</td>
<td>511,717</td>
<td>261,500</td>
<td>2.65% - 3.79%</td>
<td>1,281,201</td>
</tr>
<tr>
<td>2021</td>
<td>529,157</td>
<td>244,595</td>
<td>2.65% - 3.79%</td>
<td>1,281,201</td>
</tr>
<tr>
<td>2022</td>
<td>541,389</td>
<td>227,521</td>
<td>2.65% - 3.79%</td>
<td>738,777</td>
</tr>
<tr>
<td>2023</td>
<td>563,815</td>
<td>210,063</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
</tr>
<tr>
<td>2024</td>
<td>581,112</td>
<td>192,166</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
</tr>
<tr>
<td>2025</td>
<td>599,262</td>
<td>173,038</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
</tr>
<tr>
<td>2026</td>
<td>617,303</td>
<td>153,641</td>
<td>2.65% - 3.79%</td>
<td>176,282</td>
</tr>
<tr>
<td>2027</td>
<td>542,412</td>
<td>399,339</td>
<td>3.79% - 10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2028</td>
<td>579,033</td>
<td>365,603</td>
<td>3.79% - 10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2029</td>
<td>614,704</td>
<td>327,250</td>
<td>3.79% - 10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2030</td>
<td>297,049</td>
<td>286,845</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2031</td>
<td>327,167</td>
<td>256,728</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2032</td>
<td>359,725</td>
<td>224,169</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2033</td>
<td>396,810</td>
<td>187,084</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2034</td>
<td>437,042</td>
<td>146,852</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2035</td>
<td>481,353</td>
<td>102,541</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
<tr>
<td>2036</td>
<td>530,012</td>
<td>53,885</td>
<td>10.00%</td>
<td>176,282</td>
</tr>
</tbody>
</table>

| Year | Total Payment | $ Change from previous month: | $0 |

#### Total Principal Outstanding: $19,138,856
#### Total Interest Outstanding: $4,591,791
#### Total Debt Repayment: $23,730,647

#### Public Works Trust Fund Loan Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Interest</th>
<th>Interest Rate Range</th>
<th><em>(after 35% tax credit)</em></th>
</tr>
</thead>
<tbody>
<tr>
<td>2001 SRD</td>
<td>2008 Refunding</td>
<td>3.5% - 4.25%</td>
<td>4.25%</td>
<td>Jul 2018</td>
</tr>
<tr>
<td>2001 SRD</td>
<td>2009 BAB</td>
<td>2.7% - 3.79%</td>
<td>2.7%</td>
<td>Jul 2029</td>
</tr>
<tr>
<td>2001 SRD</td>
<td>2016 Revenue</td>
<td>2.65% - 10.00%</td>
<td>2.65%</td>
<td>Jul 2036</td>
</tr>
</tbody>
</table>

#### Total Principal Outstanding: $10,167,917
#### Total Interest Outstanding: $4,405,186
#### Total Debt Repayment: $14,573,103

#### 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>2001 Transmission Line</td>
<td>2000 Clearwell</td>
<td>1.50%</td>
<td>Jul 2021</td>
</tr>
<tr>
<td>2000 SVV Distribution</td>
<td>2000 SVV Controls</td>
<td>1.50%</td>
<td>Oct 2021</td>
</tr>
<tr>
<td>2000 SVV Controls</td>
<td>2000 WTP Controls</td>
<td>1.50%</td>
<td>Oct 2022</td>
</tr>
</tbody>
</table>

#### Total Principal Outstanding: $23,730,647
#### Total Interest Outstanding: $70,272
#### Total Debt Repayment: $23,730,647

#### 2017 Weighted Interest Rate: 2.08%
October 19, 2017

TO: George Sidhu, P.E. General Manager
FROM: Mark Handzlik, P.E. Engineering Manager
BY: Chris Shaff, P.E. Planning Engineer

SUBJECT: Recommendation to Award Higgins Airport Way Fiber Project

Requested Action:
Authorize the General Manager to execute and enter into a contract with Pacific Cable in the amount of $179,483.65, including Washington State Sales Tax, for work identified in the Higgins Airport Way Fiber Project Bid Schedules “A” and “B”. This bid award does not include work identified in Schedule ‘C’.

Background:
On July 18, 2016, the District was awarded a grant for $110,000.00 under the Rural Distressed County sales tax program to install fiber optic backbone conduit and fiber cable along Higgins Airport Way from Josh Wilson Road south.

The scope of work for the project involves three separate schedules:

Schedule ‘A’: Higgins Airport Way (Josh Wilson Road to Steele Road) and Steele Road (Higgins Airport Way to Watertank Road). The intent of the project is to provide a fiber optic backbone for the District’s SCADA system and to provide redundant fiber networks for both the District and the businesses within the Port of Skagit County (Port) property.

Schedule ‘B’: The scope of work also provides for the installation of fiber optic cabling to serve the Division Street Tank and Booster Pump Project, the 30th Street mainline meters, and the Fir Waugh Booster Pump Station.

Schedule ‘C’: Watertank Road (Steele Road south to Higgins Airport Way). The intent of the project is to provide a fiber optic backbone for the District’s SCADA system and to provide redundant fiber networks for both the District and the businesses within the Port property.

Bid Summary:
The Higgins Airport Way Fiber Project was advertised on September 13, 2017 and two bid proposals were received on the closing date of September 21, 2017. Bids were opened at 10:03 AM in the District’s Conference Room 117. The bid results are as follows:
Agenda Item #8

Recommendation to Award Higgins Airport Way Fiber Project

October 19, 2017
Page 2 of 2

<table>
<thead>
<tr>
<th>Name</th>
<th>Bid Including WSST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Schedule ‘A’</td>
</tr>
<tr>
<td>Engineer’s Estimate</td>
<td>$143,014.94</td>
</tr>
<tr>
<td>Pacific Cable</td>
<td>$135,303.62</td>
</tr>
<tr>
<td>Northeast Electric LLC</td>
<td>$253,274.81</td>
</tr>
</tbody>
</table>

Pacific Cable was the apparent low bidder after the bid opening. Upon review of their bid proposal, comparison to the bidding requirements, and checking of references, Pacific Cable is deemed to be responsive and responsible. The District is only awarding Schedules ‘A’ and ‘B’ because the Schedule ‘C’ bid did not fit within the District’s budget.

Fiscal Impact:
Funding for this contract will come from four sources in the approximate amounts shown as follows:

Schedule ‘B’ $44,180.03 from the Division Street Tank and Booster Pump Project budget
Schedule ‘A’ $110,000.00 from the Skagit County grant funding
- Approximately $30,000 was used for survey, drafting, design and resurvey leaving approximately $80,000 left in the grant funds.
- $30,000.00 from the Port of Skagit County. The port commits a contribution up to $30,000 to assist in the completion of Schedule ‘A’.
- $25,303.62 from District System Development Fund to complete the bid of Schedule ‘A’.

Schedules ‘A’ & ‘B’ strengthen the District’s vital communication network to its SCADA compliant systems along Josh Wilson Road, BayView, and in the Bay Ridge areas. The redundancy provided by this project benefits all customers and, therefore, System Development Funds are being sought.

cmp

Attached:
Project Cover Sheet
Letter of Commitment from Port of Skagit County
Grant Award Resolution
October 19, 2017

George Sidhu, General Manager  
Skagit Public Utility District No. 1  
1415 Freeway Drive  
P.O. Box 1436  
Mount Vernon, WA 98273

RE: Skagit Community Fiber Optic Network; 2017 Higgins Airport Way Fiber Project; Matching Fund Commitment

Dear Mr. Sidhu,

The Port of Skagit (Port) and Skagit PUD (PUD) have mutually agreed to participate in the joint construction and operation of fiber optic infrastructure in Skagit County. The first phase of this work includes the construction of a fiber optic backbone connection from the PUD’s existing fiber optic backbone on Josh Wilson Road to a connection point on the Port’s existing fiber optic system in the Bayview Business Park. This first critical project establishes a redundant connection for both the PUD’s and the Port’s existing network infrastructure, and connects high capacity fiber optic infrastructure along the proposed backbone alignment, forming the first component of the Skagit Community Fiber Optic Network Strategic Plan.

Skagit County issued an economic development grant in the amount of $110,000 to complete the work. The project has been designed and bid, with a low bid of $135,303. Project design fees totaled approximately $30,000, leaving the total remaining grant funds available of approximately $80,000. The project now requires an additional approximately $55,000 in funds to match the remaining grant in order to award the construction contract.

In support of this project, the Port of Skagit commits to contribute up to $30,000 in matching funds to complete the backbone connection project.

We appreciate the PUD’s support and partnership in the effort to bring affordable broadband access to residents and businesses in Skagit County.

Sincerely,

Patricia H. Botsford-Martin  
Executive Director
RESOLUTION NO.

AWARDING GRANT FUNDING FOR ECONOMIC DEVELOPMENT / PUBLIC FACILITIES PROJECTS

WHEREAS on May 4, 1998, the Board of Skagit County Commissioners adopted Ordinance 16979 authorizing a .04% sales tax rebate from Washington State for public facility financing pursuant to Chapter 366, Laws of 1997; and

WHEREAS on May 18, 1998, the Board of Skagit County Commissioners adopted Resolution 16991, establishing the Distressed Counties Public Facilities Fund #342 to account for the sales tax revenue returned by Washington State and the expenditures thereof; and

WHEREAS on May 3, 1999, the Board of Skagit County Commissioners adopted Resolution 17426, establishing an Advisory Committee and a process for receiving and evaluating public facility proposals; and

WHEREAS on June 21, 1999, the Board of Skagit County Commissioners adopted Ordinance 17478 authorizing an additional .04% sales tax rebate from Washington State for public facility financing pursuant to Chapter 311, Laws of 1999; and

WHEREAS on April 12, 2000, the Board of Skagit County Commissioners adopted Resolution 17837, issuing bonds of $8,000,000 to finance public facility projects within Skagit County with the principal and interest to be repaid from the sales tax collected; and

WHEREAS on June 25, 2007, the Board of Skagit County Commissioners adopted Ordinance O20070006, authorizing an additional .01% sales tax rebate from Washington State for Public facility financing pursuant to Chapter 478, Laws of 2007; and

WHEREAS on May 1, 2007, the Washington State Legislature passed House Bill 1543 which allows public facility moneys to be used to pay for personnel in economic development offices; and

WHEREAS the Advisory Committee met on July 7, 2016 to evaluate and discuss project submittals and recommend ten public facility projects and funding for personnel at the Economic Development Association of Skagit County (EDASC); and

WHEREAS the Advisory Committee further recommends that if those entities awarded funds for fiber projects choose to delay acceptance of their award until after the county-wide strategic fiber plan is completed they would be eligible for 100% funding of their originally submitted request in a spring 2017 funding round as long as their project is concurrent with the plan; and

WHEREAS it is undetermined whether the project for the Town of La Conner is eligible to receive funds from this source and the Board of County Commissioners does not wish to delay the award to other projects while the research is completed; and
WHEREAS the Board of County Commissioners reviewed and revised the recommendations from the Advisory Committee.

NOW, THEREFORE, BE IT RESOLVED AND IT IS HEREBY ORDERED that the following funding be awarded from the Rural Distressed County sales tax authorized by the State of Washington and Skagit County Ordinances and Resolutions:

*City of Anacortes – Fiber Optics - $295,833
*City of Burlington – Fiber Optics - $295,833
City of Mount Vernon – Fiber Optics - $50,000
PUD #1 of Skagit County – Fiber Optics - $110,000
*Port of Skagit County – Fiber Optics - $182,500
Skagit County/City of Burlington – Lafayette Rd Improvements - $100,000
Port of Skagit County – Bread and Food Lab - $300,000
City of Mount Vernon – College Way Widening - $215,834
Town of Concrete – First St Water Line Extension - $350,000
City of Sedro-Woolley/Port of Skagit County/Skagit County – Fruitdale Rd Improvements - $400,000
EDASC – Operations (Staffing) - $200,000

All agencies awarded grant funds shall enter into an agreement with Skagit County further outlining the structure of the award. Grant funds will be disbursed on a reimbursement basis as the projects are constructed.

BE IT FURTHER RESOLVED THAT the Board of County Commissioners will conduct a round of funding in the spring of 2017 and award the 3 *fiber projects above, as well as the Town of La Conner fiber project if eligible, 100% of their originally submitted funding request as long as they are concurrent with the county-wide strategic fiber plan.

IN TESTIMONY WHEREOF, WE HEREUNTO SET OUR HANDS AND THE OFFICIAL SEAL OF OUR OFFICE THIS 18th day of July, 2016.

BOARD OF COUNTY COMMISSIONERS
SKAGIT COUNTY, WASHINGTON

Lisa Janicki, Chair

Ron Wesen, Commissioner

OPPOSED

Kenneth A. Dahlstedt, Commissioner

ATTEST:

Amber Exps
Clerk of the Board
RECOMMENDED:

[Signature]
Department Head

APPROVED AS TO FORM:

[Signature] 7/19/18
Deputy Prosecuting Attorney
RESOLUTION NO. 2250-17

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ESTABLISHING POLICY FOR PUBLIC INSPECTION AND COPYING OF ALL THE DISTRICT’S PUBLIC RECORDS.

WHEREAS, Public Utility District No. 1 of Skagit County (the “District”) is a municipal corporation, organized under the laws of the State of Washington. The governing board consists of three elected commissioners. Each commissioner serves for a six-year term and a commissioner position is on the election ballot every two years, and

WHEREAS, The Board of Commissioners establishes policy and appoints a General Manager who is charged with the responsibility of operating the District within the guidelines established. The Board of Commissioners meets regularly on the second and fourth Tuesday of each month and rules of procedure are established by resolutions of the Board at those meetings, and

WHEREAS, Public Utility District No. 1 of Skagit County is engaged in the transmission of municipal and industrial water throughout certain areas of Skagit County in the State of Washington, and

WHEREAS, the main office of the District is located at 1415 Freeway Drive, Mount Vernon, Washington. The operation of the District is directed from the main office. The established place where information may be made available to the public is at the aforesaid location, and the person from whom authority to obtain such information is the General Manager. Information will be made available to those parties who make such request for specific information in writing either in person or by mail, and

WHEREAS, given District staffing levels and the District’s efforts to maintain competitive utility rates, the Board of Commissioners finds that maintaining an index of District documents would be unduly burdensome; nonetheless, the Minute Book has been designated as the Official Record of the District wherein the following items may be found: Final opinions of the Board; statements of policy; interpretations of policy; administrative staff instructions, as well as the planning policy and goals, and

WHEREAS, adequate District facilities are available at the District’s office for the purpose of copying public records requested by the public. While no fee shall be charged for the inspection of public records, there will be a charge established for copying, and

WHEREAS, from time to time requests are made to inspect and copy public records of the District, and

WHEREAS, the Commission recognizes the need for specific guidelines and requirements for public inspection and copying of public records, unless the record falls within the specific exemptions of Chapter 42.56.070(8), 42.56.210 and 42.56.230-480 RCW, or other statutes which exempt or prohibit public disclosure of specific information or records, and

WHEREAS, it is understood that legal counsel may be sought in certain circumstances to determine whether or not requests fall within statutory exemptions or prohibitions.

NOW, THEREFORE, BE IT RESOLVED that the Commission finds to be fair, reasonable, necessary, and in the public interest and hereby adopts the following guidelines for the District:

1. The District will provide forms for the requestor’s use.

2. The requestor will be required to fill out the form, or submit a request in person, by mail, email, fax, or over the telephone.

3. The District’s clerk(s) will assign a number to the request.

4. Within five business days of the District’s receipt of a request for a public record, the District will either (1) provide the record, (2) acknowledge receipt of the request and provide an estimate of the time to respond, including but not limited to the time necessary to determine whether all or portion of the public records requested are exempt from disclosure under applicable statutes, or (3) deny the disclosure request, stating the exemption on which the District based its decision.

5. The request form will be routed for approval or denial.
6. Upon approval/denial, (by mail if necessary) a copy of the request will be returned to the requestor. An estimate of the cost may be provided if requested by the requestor.

7. The routing copy will be used to initiate work. When the work is completed, the routing copy will be used to notify Accounting of the fee.

8. Fees will be assessed pursuant to Chapter 42.56.070(7) and 42.56.120 (1-4) RCW, and include the following:
   a. A charge of fifteen cents ($0.15) per page for photocopies of public records, printed copies of electronic public records when requested by the person requesting records, or for the use of agency equipment to photocopy public records.
   b. A charge of ten cents ($0.10) for public records scanned into an electronic format or for the use; five cents ($0.05) per each four electronic files or attachment uploaded to email, cloud-based data storage service, or other means of electronic delivery, and ten cents ($0.10) per gigabyte for the transmission of public records in an electronic format to send the records electronically. The charges identified in this subsection may be combined to the extent that more than one type of charge applies to copies produced in response to a particular request.
   c. The District may charge a flat fee up to two dollars ($2.00) for any request as an alternative to fees authorized under RCW 42.56.120 (1) or (b) when it reasonably estimated and documents that the costs allowed are clearly equal to or more than two dollars.
   d. The actual cost of any digital storage media or device provided by the District, the actual cost of any container or envelope used to mail the copies to the requestor, and the actual postage or delivery charge.
   e. In addition to the charge imposed for providing copies of public records, the District may include a customized service charge. A customized service charge may only be imposed if the District estimates that the request would require the use of information technology expertise to prepare data compilations, or provide customized electronic access services when such compilations and customized access service are not used by the District for other District purposes. The customized service charge may reimburse the District up to the actual cost of providing the services under this subsection.
   f. Whenever charges are required, such charges must be paid in full by the requestor prior to receiving copies of the public records.

9. Public records will be made available for inspection and copying during the customary office hours of the District which are Monday through Friday, excluding holidays, 8:00 AM through 5:00 PM.

BE IT FURTHER RESOLVED, that this resolution shall supersede Resolution No. 1712-96.

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

Robbie Robertson, President

Eron Berg, Vice President

ATTEST

Al Littlefield, Secretary
RESOLUTION NO. 1712-96  2250-17

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF
SKAGIT COUNTY, WASHINGTON, ESTABLISHING POLICY FOR PUBLIC
INSPECTION AND COPYING OF ALL THE DISTRICT’S PUBLIC RECORDS.

WHEREAS, Public Utility District No. 1 of Skagit County (the “District”) is a
municipal corporation, organized under the laws of the State of Washington. The
governing board consists of three elected commissioners. Each commissioner serves for
a six-year term and a commissioner position is on the election ballot every two years, and

WHEREAS, The Board of Commissioners establishes policy and appoints a
General Manager who is charged with the responsibility of operating the District within
the guidelines established. The Board of Commissioners meets regularly at weekly
intervals on the second and fourth Tuesday of each month and rules of procedure are
established by resolutions of the Board at those meetings, and

WHEREAS, Public Utility District No. 1 of Skagit County is engaged in the
transmission of municipal and industrial water throughout certain areas of Skagit County
in the State of Washington, and

WHEREAS, the main office of the District is located at 1415 Freeway Drive,
Mount Vernon, Washington. The operation of the District is directed from the main
office. The established place where information may be made available to the public is at
the aforesaid location, and the person from whom authority to obtain such information is
the General Manager. Information will be made available to those parties who make such
request for specific information in writing either in person or by mail, and

WHEREAS, given District staffing levels and the District’s efforts to maintain
competitive utility rates, the Board of Commissioners finds that maintaining an index of
District documents would be unduly burdensome, nonetheless, the Minute Book has been
designated as the Official Record of the District wherein the following items may be found: Final opinions of the Board; statements of policy; interpretations of policy; administrative staff instructions, as well as the planning policy and goals. **Planning** policy and goals are listed in the Long-Range Comprehensive Plan adopted by the District in 1995 and amended periodically. Reports and studies are retained in the District files and Policies and Administrative Practices and Procedures are maintained by the Human Resource Manager, and

WHEREAS, adequate District facilities are available at the District’s office for the purpose of copying public records requested by the public. While no fee shall be charged for the inspection of public records, there will be a charge established for copying, and

WHEREAS, from time to time requests are made to inspect and copy public records of the District, and

—— WHEREAS, requestors are defined as all individuals or groups or any other entity where business relationships do not exist with the District, and

WHEREAS, the Commission recognizes the need for specific guidelines and requirements for public inspection and copying of public records, unless the record falls within the specific exemptions of Chapter 17.109 RCW, RCW 42.17.260, RCW 42.17.210, RCW 42.17.214 Chapter **42.56.070(8)**, **42.56.210** and **42.56.230-480** RCW, or other statutes which exempt or prohibit public disclosure of specific information or records, and

—— WHEREAS, it is also recognized that record requests take time from the job duties of employees of the District, and that it is appropriate for payment to be made for completion of qualifying tasks that are required under this Resolution, and
WHEREAS, it is understood that legal counsel may be sought in certain circumstances to determine whether or not requests fall within statutory exemptions or prohibitions.

NOW, THEREFORE, BE IT RESOLVED that the Commission finds to be fair, reasonable, necessary, and in the public interest and hereby adopts the following guidelines for the District:

1. The District will provide forms for the requestor’s use.
2. The requestor will be required to fill out the form, or submit a request in person, by mail, email, fax, or over the telephone.
3. The District’s clerk(s) will log assign the request a number.
4. Within five business days of the District’s receipt of a request for a public record, the District will either (1) provide the record, (2) acknowledge receipt of the request and provide an estimate of the time to respond, including but not limited to the time necessary to determine whether all or portion of the public records requested are exempt from disclosure under applicable statutes, or (3) deny the disclosure request, stating the exemption on which the District based its decision.
5. The request form will be routed for approval or denial.
6. Upon approval/denial, (by mail if necessary) a copy of the request will be returned to the requestor. An estimate of the cost may be provided if requested by the requestor.
7. The routing copy will be used to initiate work. When the work is completed, the routing copy will be used to notify Accounting of the fee.
8. Fees will be assessed pursuant to Chapter 42.56.070(7) and 42.56.120 (1-4) RCW, and include the following:
   a. Copying fees are assessed if the copying exceeds ten (10) pages of researching, reviewing and/or copying. The ten pages are considered an annual figure; thus, it will be necessary to check the log to note when the ten page limit has been reached by an individual.
b. a. The copy charge is a charge of fifteen cents ($0.15) per page for photocopies of public records, printed copies of electronic public records when requested by the person requesting records, or for the use of agency equipment to photocopy public records.

b. A charge of ten cents ($0.10) for public records scanned into an electronic format or for the use; five cents ($0.05) per each four electronic files or attachment uploaded to email, cloud-based data storage service, or other means of electronic delivery, and ten cents ($0.10) per gigabyte for the transmission of public records in an electronic format to send the records electronically. The charges identified in this subsection may be combined to the extent that more than one type of charge applies to copies produced in response to a particular request.

c. The District may charge a flat fee up to two dollars ($2.00) for any request as an alternative to fees authorized under RCW 42.56.120 (1) or (b) when it reasonably estimated and documents that the costs allowed are clearly equal to or more than two dollars.

d. The actual cost of any digital storage media or device provided by the District, the actual cost of any container or envelope used to mail the copies to the requestor, and the actual postage or delivery charge.

e. In addition to the charge imposed for providing copies of public records, the District may include a customized service charge. A customized service charge may only be imposed if the District estimates that the request would require the use of information technology expertise to prepare data compilations, or provide customized electronic access services when such compilations and customized access service are not used by the District for other District purposes. The customized service charge may reimburse the
District up to the actual cost of providing the services under this subsection.

Whenever charges are required, such charges must be paid in full by the requestor prior to receiving copies of the public records.

9. Public records will be made available for inspection and copying during the customary office hours of the District which is Monday through Friday, excluding holidays, 8:00 AM through 5:00 PM.

10. The District will not honor requests for public records when the District reasonably determines that a person’s or entity’s primary motivation for seeking disclosure of public records is to harass the District or otherwise to undermine the lawful activities of the District.

BE IT FURTHER RESOLVED, that this resolution shall supersede Resolution Nos. 1513-90 and No. 1712-96.

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

________________________________________
Robbie Robertson, President

________________________________________
Eron Berg, Vice President

________________________________________
Al Littlefield, Secretary
TO: Commission
FROM: George Sidhu, P.E., General Manager
SUBJECT: Proposed Changes and Additional Provisions for the 2017 PURMS Interlocal Agreement

Requested Action:
Motion to approve the proposed amendments for the 2017 PURMS Interlocal Agreement.

Background:
See Attorney Gilbert’s memorandum of October 19, 2017 (attached).

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

kac
TO: George Sidhu, P.E., General Manager
FROM: Peter Gilbert, Attorney

SUBJECT: Proposed Changes and Additional Provisions for the 2017 PURMS Interlocal Agreement

As outlined in Jan Eisenberg’s letter of October 3, 2017, the 2017 Restated Interlocal Agreement includes ¶ 13A the new Funding Rules for the Liability and Property Pools that were adopted at the November 3, 2016 Board meeting by Resolution No. 11-3-16-3. Some minor/clarifying changes were made to the 2016 Funding Rules.

The paragraph references below identify where the substantive changes have been made to address issues that have come up since 2011, and the draft that will be available for Member’s review reflects the new language in rose-colored font. I have added brief explanations of what the changes entail:

¶5.3.2 Amendments to Program Documents – Supplemental Voting Procedure.

¶6.3.4 Supplemental Voting Procedure for Amending Program Documents and Deciding PURMS Board Issues that are Subject to Voting Standards Higher than Majority Vote.
Allows voting on amendments to docs requiring two-thirds, super-majority (85%) and unanimous votes by Authorizing Resolution, so that these voting standards can be met when members aren’t present to vote at meetings. The Resolutions must be executed at open meetings and once adopted must be approved by resolution (by all members, even those voting against) at an open meeting and made part of the record.

¶9.1.4 Executive Committee Authority to Interpret and Apply the ILA and other Program Documents.
Grants specific authority to the Board to interpret and reconcile inconsistent and/or ambiguous terms or docs. The Board may issue a procedural memo reflecting the interpretation. Any decisions under this section shall be subject to appeal and/or review at the next General Meeting.
\[13A.2.2(b)\]
Assessment Mechanisms. Spells out how the risk pool’s balance is calculated. Actual balance may trigger Interim Automatic Assessment.

\[13A.8.2\]
Funding by Contingent Reserves Assessments – Issuance and Collection.
Funding by Contingent Reserve Assessment, Issuance and Collection.
By majority vote, time period for collecting CRA may be extended into the next fiscal year, so long as it doesn’t create a shortfall.

\[13A.9.4\]
Pre-Funding Contingent Reserves – Accounting for and Payment of Claims Costs.
Pre-Funding Contingent Reserves - Accounting for and Payment of Claims
- PCR is money collected and set aside to pay for known but unresolved major claims or expenses. This money may be deposited in the General account or invested elsewhere but shall be accounted for separately and not counted towards Actual Balance. When paid, the payment can come out of the General Account but will be charges against the PCR balance for that claim.
- Shortfalls (claims in amounts higher than reserves) may be funded from Actual Balance of General Account UNLESS Exec Committee decides to issue further PFCR Assessments.
- These reserves are not counted towards triggering of Automatic Assessments.

\[13A.11.3(a)\]
Withdrawing Members’ and Former Members’ Ongoing Obligation to pay Assessments for Contingent Reserves.

\[13A.11.3(a)\]
Withdrawing or Former Member’s Rights to Participate in Declared Refund of Surplus Contingent Reserves.

Contingent Reserves
Withdrawing and Former Members - Obligations and Rights regarding Contingent Reserves

(a) Withdrawing and Former members remain obligated to pay their share of Contingent Reserve Assessments to fund actuarial adjustments which are approved prior to the date of withdrawal, even if assessments pursuant to that approval fall due after withdrawal. Former members are also subject to paying Pre-funding Assessments for claims based on incidents occurring prior to withdrawal.

(b) Former members have a right to participate in a refund of Surplus Contingent Reserves; only if:
- they contributed to that fund
- paid ALL their Assessment shares, and
- a ‘surplus’ is declared AND the money isn’t used for some other authorized use (i.e., Actuarily Increased Designated Balance or another Contingent Reserve.)
13A.13.4

**Accounting for Special Purpose Account Funds.**

**Accounting for Special Purpose Account Funds**

**Special Purpose Accounts**

- Established for a specific special purpose by resolution. Can be funded by Discretionary General Assessments, by conversion of Surplus Contingent Reserves or by Special Assessment.

- May be used only for the specific stated purpose.

- Accounted for separately and not considered for Actual Balance or triggering Auto Assessments

- But - because the Board has Super-Majority power to establish a different disposition of these funds, it may be counted towards the Primary Asset Test as of the fiscal year end.

14.6

**PURMS and/or Risk Pools’ Authority to Purchase Other Excess, Different or Additional Insurance.**

- explicitly allows the Risk Pools to purchase additional coverages.

- if the members approve acquisition of one of these additional coverages by super-majority, all members are bound to pay their share of the premium. In the absence of a super-majority, those wanting the coverage can acquire it in a sub-group.

- authority to purchase insurance under this section not limited to the kinds or amounts of coverages offered by PURMS

- assessment formula for these coverage premiums will be the Premium Assessment Formula unless otherwise agreed by super-majority

kac
Re: Letter to PURMS Members re: Amendments for 2017 PURMS Interlocal Agreement

Dear PURMS Members:

At the PURMS Annual meetings in October-November this year, among other things, we will be considering some additional provisions and changes to the PURMS Interlocal Agreement, last amended and restated in November 2011. The 2017 Restated Interlocal Agreement includes in ¶ 13A the new Funding Rules for the Liability and Property Pools that were adopted at the November 3, 2016, Board meeting by Resolution No. 11-3-16-3. Some minor/clarifying changes were made to the 2016 Funding Rules.

The paragraph references below identify where the substantive changes have been made to address issues that have come up since 2011, and the draft that will be available for Member’s review reflects the new language in rose-colored font.

¶ 5.3.2 – Amendments to Program Documents – Supplemental Voting Procedure.

¶ 6.3.4 – Supplemental Voting Procedure for Amending Program Documents and Deciding PURMS Board Issues that are Subject to Voting Standards Higher than Majority Vote.

¶ 9.1.4. Executive Committee Authority to Interpret and Apply the ILA and other Program Documents.

¶ 13A.2.2(b) – Replenishing Risk Pool’s Actual Balance via Assessments – Determining Amount of the Actual Balance.

¶ 13A.8.2 – Funding by Contingent Reserves Assessments – Issuance and Collection.

¶ 13A.9.4 – Pre-Funding Contingent Reserves – Accounting for and Payment of Claims Costs.

¶ 13A.11.3(a) – Withdrawing Members’ and Former Members’ Ongoing Obligation to pay Assessments for Contingent Reserves.

¶ 13A.11.3(a) – Withdrawing or Former Member’s Right to Participate in Declared Refund of Surplus Contingent Reserves.
¶ 13A.13.4 – Accounting for Special Purpose Account Funds.

¶ 14.6 – PURMS and/or Risk Pools’ Authority to Purchase Other Excess, Different or Additional Insurance.

Most of the words and phrases needing definitions are short-titled where first used in the text of the ILA. However, for convenience of future reference, a list of these short-titled words and phrases, with cross-references to paragraphs in the ILA where they are used, will be provided along with the Agenda for the Annual Board meeting.

If any of you have any questions, suggestions or issues with the proposed amendments, please feel free to raise them by email to me prior to the Annual Meetings.

Regards,

Jan L. Essenburg
PURMS General Counsel

Cc: Richard C. Rodruck
    Diane Darling
    Of Pacific Underwriters, PURMS Administrator
October 19, 2017

TO: Commission

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

SUBJECT: Development of Strategic Plan and Strategic Objective to support the Capital Facility Planning Process

Requested Action:
Direct the General Manager to solicit proposals from qualified Consultants and to select a Consultant to assist the Commission in preparing a Strategic Plan for the District.

Background:
The Commission has recognized the value and need of capital facility planning by the various departments to aid in the District’s budgeting process. Even though the District has vision and mission statements, there are currently no strategic objectives for evaluating various capital projects and programs.

Strategic objectives provide clarity in selecting, prioritizing, and executing of capital projects, deploying limited resources (manpower and equipment), and aligning financial investments.

The development of a Strategic Plan will involve the participation of the Commission, department managers, and front-line employees. Since this endeavor requires timely completion, will be a significant coordination effort and potentially touch everyone in the organization, we recommend that a consultant be engaged to help facilitate this planning process. A Consultant will also have the added benefit of minimizing any biases.

In the end, the Commission will need to approve and adopt the Strategic Plan, but it will be the responsibility of the General Manager to implement the strategic objectives throughout the District.

Fiscal Impact:
The estimated cost for developing a Strategic Plan is $40,000. Once a consultant has been selected and a scope of work and fee estimate is developed, a Recommendation of Award will be prepared for Commission approval.
Addressing Affordability as a Necessary Element of Full-Cost Pricing

In its most recent strategic assessment of the water industry, Black & Veatch (2016) observed that “those working in the water industry have realized a truth that is now reaching a broader audience: Water is woefully underpriced.” As readers of Journal AWWA will recall, AWWA published its report, Buried No Longer: Confronting America’s Water Infrastructure Challenge (AWWA Water Utility Council 2012), identifying a trillion dollars of investments needed for both replacement and expansion of drinking water infrastructure over two-and-a-half decades.

Yet the sector faces a paradox: water is underpriced, but it’s still expensive (Grigg 2016). As the Black & Veatch report (2016) notes, “issues of affordability” have made rate increases problematic in many communities, requiring water utilities to address “challenging social issues around this matter,” thrusting the issue into the political arena as well. This is entirely understandable given that, on average, water rates are increasing several times the rate of inflation, sometimes astronomically, especially in communities under a consent decree to compel an overhaul of their legacy combined sewer overflow systems. It does not matter if the cost drivers come from the wastewater,
drinking water, or stormwater side of the cycle—the ratepayers who bear these costs typically see them as a single water bill, and a rising one at that.

**STAGNANT PERSONAL INCOMES**

The challenge of affordability in the face of increasing water rates is even more compelling in light of overall macroeconomic trends in the United States. A recent article by William Galston in *The Wall Street Journal* (Galston 2017) noted that the acting commissioner of the Bureau of Labor Statistics issued a report with some disturbing news for workers: “Over the past year average hourly earnings have risen by 2.5%. Unfortunately, the consumer-price index, a standard measure of inflation, rose by 2.4%, meaning the average worker’s purchasing power hardly grew at all.”

This is no aberration but rather part of a disturbing trend. “Since 2010 hourly wages corrected for inflation have risen barely 0.5% a year,” writes Galston. “The official statistics back up reports that Americans are working harder than ever just to stay even.” While incomes have increased since the Great Recession, it is not due to rising wages. Americans are simply working more hours. “Nearly eight years after the official end of the recession, median household incomes aren’t much higher than they were when the recession began, and they remain a bit lower than in January 2000.” In sum, we are looking at a lost two decades. No wonder water customers, middle-income as well as lower-income, are edgy about the very necessary rate increases that they are experiencing.

The water and wastewater utility sector has realized the humanitarian and political consequences of the distributional impacts of inevitable price increases—i.e., the disproportionate impact on low-income customers, seniors or the disabled—so it must address affordability issues as a necessary component of its drive for more robust and fair rates. This is an important development, one that must be encouraged if utilities are to cope with a situation that has passed the Dawn of the Replacement Era and is now approaching high noon.

Fortunately, there is a movement in the water sector to adopt affordability or customer assistance programs (CAPs). Gas and electric utilities commonly solicit support for fuel or winter funds for low-income customers usually in partnership with other nonprofits (e.g., the Salvation Army) or other local businesses or media outlets. While perhaps not as common in the water industry, requests for customers to contribute to an equivalent fund for low-income water customers are gaining traction and will likely become more common.

**AFFORDABILITY PROGRAMS ADOPTED BY UTILITIES**

The literature provides some guidance to address affordability concerns. AWWA was out in front on affordability issues when it published *Thinking Outside the Bill: A Utility Manager’s Guide to Assisting Low-Income Water Customers* (AWWA Water Utility Council 2014), “a concise guide to affordability” and “a snapshot of tools that utilities may use to help lower-income customers afford their water bills.” In this same vein, a report from the University of North Carolina at Chapel Hill (UNC) describes barriers at the state level that may need to be overcome to establish sustainable and robust programs that fully meet the needs of struggling ratepayers (UNC 2017). (Note that AWWA, along with other water associations, contributed to the financing of the UNC study and report.)

Again from the Black & Veatch report (2016), “Water utilities ... are leveraging a combination of payment and discount plan options.” Of the utilities included in this survey that have deployed programs “to help those in need,” 33.9% use short-term and long-term payment plan options, and 20.7% have adopted low-income programs with discounts on fixed charges. The rest pursue a variety of other programs such as joint efforts with nonprofits (8.7%) or payment plans with principal forgiveness (5.4%).

In its 2016 report, *Drinking Water and Wastewater Utility Customer Assistance Programs*, the US Environmental Protection Agency (USEPA) conducted a survey of 795 utilities, finding that nearly 30% had some form of CAP (USEPA 2016). The survey found that of 365 identified CAPs, low-income residents were the beneficiaries of the most programs, with seniors, disabled individuals, military, and individuals facing specific hardships also eligible for some programs.

USEPA identified five types of CAPs:

- **Bill discount**—provides continuous assistance by giving customers a discount on monthly, quarterly, or annual bills. This was the most common type of CAP in the survey.
- **Flexible terms**—relaxes requirements for bill payment, including waived penalties, lower interest, or more flexible payment timelines.
- **Lifeline rate**—offers a reduced rate for a set quantity of water per pay period. After that amount has been exceeded, rates increase.
- **Temporary assistance**—gives customers one-time assistance

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**The sector faces a paradox: water is underpriced, but it's still expensive.**
to help with an unexpected difficulty. Sometimes a simple courtesy notice that a customer is nearing service termination is enough to avoid a shut-off.

- Water efficiency—helps homes save water by installing low-flow appliances or repairing leaky pipes, thereby reducing water use and saving money.

Funding is often the biggest challenge for a utility in setting up a CAP. The USEPA’s review found that nonprofit organizations were the most common source of funding for CAPs. USEPA recommends reaching out to nonprofit charities for utilities with tight budgets. As mentioned previously, some utilities ask customers directly for voluntary contributions, sometimes offering “round-up” programs, allowing customers to automatically round up their bill to the next dollar in order to make a donation. Soliciting donations through fundraising is also an option. Funding CAPs through the regular utility budget or adding a surcharge to customers not facing hardships are much less common funding mechanisms, often because of state-level limitations. Yet where they exist, they have generally been able to fund more comprehensive programs.

The USEPA report highlights several case studies of successful CAPs already in effect. The California Water Service Company (Cal Water), one of the largest private water service companies in the nation, created California’s first CAP in 2006. The utility’s Low Income Rate Assistance Program (LIRA) is a bill discount program that gives a 30% discount on the fixed portion of the customer’s bill. Any customers who qualify for assistance from their local electric utility are automatically enrolled in LIRA, which enrolls about 20% of Cal Water’s 478,000 customers. Cal Water also has a bathroom fixture replacement program, which provides new toilets, faucets, and showerheads for any customer enrolled in LIRA.

About 1,500 customers took advantage of the fixture replacement program in 2015.

The San Antonio Water System (SAWS) offers an array of eight distinct CAPs. The largest of its programs is the Affordability Discount Program, which offers a discount of as much as $15/month to households under 120% of the federal poverty level. The program currently enrolls 18,000 of SAWS’s 500,000 account holders, although 42,000 are eligible but not enrolled. SAWS is working to provide additional outreach to eligible households to increase enrollment in the program. SAWS’s other programs include efforts to provide courtesy notifications and one-time assistance to customers close to having their service shut off, plumbing assistance to fix leaking pipes, and fee waivers for the elderly, disabled, and domestic violence survivors. The total cost of SAWS’s assistance programs was $3.2 million in 2016, almost 0.5% of its total revenue.

George Hawkins, chief executive officer and general manager of the District of Columbia Water and Sewer Authority, provided an overview of his utility’s affordability or customer assistance programs that put to use many tools in the customer assistance toolbox: the first 4 ccf (1 ccf = 748 gal) of water and sewer service free for qualified customers; 50% discounts on storm-water or impervious surface charges; voluntary donations from customers administered by the Urban League; lifeline rates; and lower fees for smaller meters (Hawkins 2017).

American Water, an investor-owned company that owns and manages water and wastewater utilities throughout the country, offers CAPs, where approved by state regulators, through emergency grants and discount payment programs. Again, where approved by state economic regulators (public utility commissions), American Water offers rebates for water-saving appliances, water audits, and even free water-saving devices to help customers reduce costs. It has seen a 349% increase in customer enrollment in its California CAP as the result of a ruling by the Public Utilities Commission. Enrollment has jumped from 5,477 to 19,130 (Duffy 2017).

OVERCOMING LEGAL BARRIERS

While there are many options to structure or finance a CAP, depending on the state, the legal barriers may be cumbersome. A new report by the Environmental Finance Center at UNC includes a snapshot summary of these barriers in every state and offers examples and strategies on how utilities can navigate this confusing framework (UNC 2017).

UNC found that states fit into four categories when it comes to statutes surrounding rate-revenue-funded CAPs. There are a small minority of states that either explicitly allow or explicitly prohibit utilities from setting up a CAP, while most states are more ambiguous. Some states have statutes that pose potential challenges to establishing a CAP without an explicit disallowance, while others do not explicitly forbid it but also have no language explicitly supporting it.

Unfortunately, there is little judicial interpretation to clarify this nebulous legal landscape. Many states’ statutes require water service rates to be “reasonable,” “uniform,”
"nondiscriminatory," or "just." Often the intent behind these terms is to require utilities to charge all customers the same rate rather than prohibiting the use of rate revenue to subsidize low-income customers; however, the latter is a side effect. In other cases, affordability programs may have to navigate rules that were established for entirely different purposes. For example, most state constitutions have "gift clauses" prohibiting government entities from giving grants, subsidies, or donations to specific individuals or corporations to ensure public funds are used only to promote public programs and public welfare. Some gift clauses are broad and may present an obstacle, for CAPs, while others have exceptions for gifts that serve a public purpose, as CAPs certainly do.

Utilities interested in these programs should carefully review their state laws as they design their programs. National studies such as the UNC and USEPA affordability reports, while helpful in framing the major issues, are not a substitute for a utility seeking its own legal counsel in assessing its situation under relevant state law. Such reports should be used as a general introduction to the topic of legal barriers.

Utilities can argue that CAPs are necessary to run their operations when they are facing laws in the gray area. Frequent service shut-offs and resolving bad debt from customers who cannot afford their rates can be more expensive for a utility than instituting a CAP and assisting customers in paying their bills. One of the few cases providing legal precedent on this issue was heard by the Minnesota Court of Appeals. In Daryani v. Rich Prairie Sewer & Water (2006), the court ruled that "perfect equality in establishing a rate system [is not] expected . . . [and] the apportionment of utility rates among different classes of users may only be roughly equal." Utilities might use this argument that differences in rates based on income are justified, not only because it is socially responsible but because it helps the utility operate more efficiently. However, this is a single case from one state.

Environmental finance expert Michael Curley has opined on the practical benefit of assisting low-income customers: "The benefit to the utility of having discounts or lower rates for low-income customers is the increased likelihood of collecting payment from these customers; the subsidy makes it possible for these customers to pay more of their bills more regularly and promptly" (Curley 2014).

In the face of legal challenges to funding CAP programs, UNC recommends three courses of action if there are statutory barriers to having a CAP. First, if there is strong support for these programs in the state, advocates should work to clarify the statutes and regulations in their state to expressly authorize these programs. Second, stakeholders should carefully review the exact problematic language in their state law and make sure their programs are designed to overcome those limits. For example, in states where the limitation relates to requirements that all customers only pay rates linked to the cost of service, utilities could argue, through a business case, in court if necessary, that CAPs are an "essential cost of running a utility." Third, if the first two options do not prove successful, utilities should create a CAP without using rate revenue. For example, funding can come through non-profit partnerships, donations, or voluntary bill round-ups.

State laws disallowing or discouraging some types of CAP funding mechanisms may have been drafted with good intentions. Indeed, it seems fair that no one should have to pay more than anyone else for their water. In effect this principle means that too many people will be unable to afford safe water. In states that do not already allow or encourage CAPs, utilities could work with their state legislatures to convey the importance and successes of these programs.

CONCLUSION

Focusing on the distributional impacts of essential rate increases on ratepayers in need is both a humanitarian and a political imperative—the former because it is the right thing to do and the latter because ignoring these citizens' concerns generates pushback from the community and elected officials. Affordability programs and CAPs must be viewed as an integral, even necessary, part of the financial plan for every water, wastewater, and stormwater utility. It is all the same ratepayer.

ABOUT THE AUTHORS

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