PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 12/11/18
2. Approval of Minutes 11/27/18 Commission Meeting
3. Ratification of Vouchers 12/04/18
4. Approval of Vouchers 12/11/18
5. Project Acceptance
   Woodside Division 6 &7 (Mount Vernon)
   Washington Street waterline, Pat Wardell (Mount Vernon)
   Mount Vernon YMCA Hoag Road and YMCA Off-site Water Improvement (Mount Vernon)
   Bentley Place Multi-family, North Township Road (Sedro-Woolley)

AUDIENCE COMMENTS

OLD BUSINESS
6. Manager’s Report
8. SkagitNET, LLC Operating Agreement – Update

NEW BUSINESS
9. Software Project Schedule and Contract Modification with Harris Computers Systems
10. Short Term Disability Benefit Policy Revisions - **Action**
11. Resolution No. 2260-18 – Establishing Positions and Salary Ranges - **Action**
12. System Development Fund Request – Veteran’s Park Park Development
14. Recognition of Commissioner Robertson’s 18 Years of Service at Skagit PUD

MISCELLANEOUS

EXECUTIVE SESSION – Approximate Duration of 10-15 Minutes
*Per RCW 42.30.110 (b) – Acquisition of Real Estate*

COMMISSIONER COMMENTS

ADJOURNMENT

JUDY RESERVOIR ELEVATION
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 November 27, 2018.

The meeting was called to order at 4:33 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; Peter Gilbert, Attorney, Mark Handzlik, Engineering Manager, Sally Saxton, Treasurer and Kim Carpenter, Clerk of the Board; Audience: Judy Littlefield, Les Walker; District Employees: Mike Fox, Kathy White, Gary Chrysler, Kevin Tate, Mark Semrau, Brian Henshaw, and Luis Gonzalez.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Robertson stated that Agenda Items #7 & #8 have been postponed.

Commissioner Littlefield moved to approve the Consent Agenda for November 27, 2018:

1. Approval of Agenda 11/27/18
2. Approval of Minutes 11/13/18 Commission Meeting
3. Ratification of Vouchers 11/20/18
   - No. 2829-Voucher Nos. 14082-14139 ($1,536,167.94)
4. Approval of Vouchers 11/27/18
   - No. 2830-Voucher Nos. 14140-14188, Payroll Check Nos. 24915-24997 ($459,844.78)

The motion passed.

Treasurer Saxton presented the Treasurer’s Report for the month of October 2018.

There were no audience comments.

Under Old Business:

5. Manager’s Report
   Manager Sidhu reported that the next Drinking Water Task Force meeting will take place in the Aqua Room on December 10 and discussion will continue regarding Water Inventory Resource Area (WRIA) 4 until the end of the year and in 2019 discussion will open to WRIA 3 & 4.

   Engineering Manager Handzlik presented the quarterly report for the Engineering Department, including updates regarding the following construction projects (College Way, SRD water pumps, McLean Road, Best Road, and State Street), projects under design (Ranney well removal, Conway I-5 Crossing, raw water pump station, 16th & Broadway, Mountain View and Clear Lake Tank Site feasibility study), planning for
next year, surplus property and City Works mapping of fiber. Commissioner Littlefield commented on the amount of gravel on the shoulder of McLean Road and concern about rocks being thrown by tires; Engineering Manager Handzlik replied the rock should be tamped down and he would check it.

7. Proposed Water Policy Manual Revision, Section 2.5.5 Cross Connection Control (Postponed)

8. SkagitNET, LLC Operating Agreement—Update (Postponed)

Under New Business:

9. Annual Recognition of Uncollectible Accounts - Action
   Treasurer Saxton presented the Annual Recognition of Uncollectible Accounts for the period September 1, 2017 through August 31, 2018 in the amount of $39,734. She stated that the proposed write off is 0.19% of the total water sales revenue collected. Discussion ensued regarding various accounts. Commissioner Berg moved to recognize and approve uncollectible accounts and authorize the General Manager to write-off said accounts in the amount of $39,734 for the adjustment of accounts receivable. The motion passed.

10. 2019 Proposed Commission Meeting Dates – Discussion
    Manager Sidhu shared a draft meeting schedule for 2019 which includes Commissioner Orientation workshops between January 15 and March 5.

11. Policy #1002 Short Term Disability Benefit – Action
    HR Manager White reviewed the benefit required by the state for all businesses that have 50+ employees and presented revisions to the District’s current policy. The recommendation is for the District to opt out of the state employee benefit portion and continue with the voluntary plan with a few modifications and to not opt out of the family benefit portion, as the District offers no similar plan. Commissioner Berg moved to approve and authorize the General Manager to sign Policy #1002 Short Term Disability Benefit. The motion passed.

12. General Manager Goals for 2019 – Discussion
    Manager Sidhu indicated he has provided draft copies of his goals for 2019 which are based around the Strategic Plan and reviewed same. He stated he would finalize the goals and email them to the Commission.

At this time, President Robertson recessed the regular meeting to go into executive session per RCW 42.30.110(1)(g) regarding General Manager performance review for an approximate duration of 15 minutes. The meeting was recessed at 5:10 PM.

The executive session convened at 5:20 PM.

President Robertson reconvened the regular meeting of the Commission at 5:46 PM.

No audience members remained.
Having no further business to come before the Board, Commissioner Berg moved for adjournment. The motion passed and the meeting of November 27, 2018 was adjourned at 5:47 PM.

Respectfully submitted:

__________________________
Kim Carpenter
Clerk of the Board
December 11, 2018

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

RE: Project Acceptance

Name of Project: Woodside Division 6 & 7
Reference: C.O. # 4692, Project # 3732
Location: Mount Vernon
Developer: Woodside 6 & 7 LLC
Contractor: BDZ Construction Inc.

Gentlemen:

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

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

Respectfully submitted,

Mark C. Handzlik, P.E.
Engineering Manager

cmp

Attachment

cc: George Sidhu, P.E., General Manager
    Michael E. Demers, Engineering Technician
Agenda Item #5
December 11, 2018

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

RE: Project Acceptance

Name of Project: Washington Street Waterline, Pat Wardell
Reference: C.O. # 4992, Project # 3705
Location: Mount Vernon
Developer: Edward P. Wardell
Contractor: R and J Dirtworks, Inc

Gentlemen:

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

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

Respectfully submitted,

Mark C. Handzlik, P.E.
Engineering Manager

cmp

Attachment

cc: George Sidhu, P.E., General Manager
    Michael E. Demers, Engineering Technician
December 11, 2018

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

RE: Project Acceptance

Name of Project: Mount Vernon YMCA Hoag Road and YMCA Off-site Water Improvement
Reference: C.O. # 4991, Projects # 3704 & # 3738
Location: Mount Vernon
Developer: Skagit Valley Family YMCA
Contractor: TRICO Companies, LLC

Gentlemen:

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

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

Respectfully submitted,

Mark C. Handzlik, P.E.
Engineering Manager

cmp

Attachment

cc: George Sidhu, P.E., General Manager
    Michael E. Demers, Engineering Technician
December 11, 2018

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

RE: Project Acceptance

Name of Project: Bentley Place Multi-family, North Township Road
Reference: C.O. # 4984, Project # 3696
Location: Sedro-Woolley
Developer: Grandview North, LLC
Contractor: E & D Excavating, Inc.

Gentlemen:

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

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

Respectfully submitted,

Mark C. Handzlik, P.E.
Engineering Manager

cc: George Sidhu, P.E., General Manager
    Michael E. Demers, Engineering Technician
December 7, 2018

TO: George Sidhu, P.E., General Manager
FROM: Gary Chrysler, IT Manager
SUBJECT: Community Fiber Optic Network Project
SkagitNET, LLC – Plan of Operation Approval
Change in Treasurer/Auditor Role Approval
Port of Whitman County Agreement Draft for Review

Requested Action:
Approve the SkagitNet Plan of Operations Document.
Authorize the General Manager to sign the change in Treasurer/Auditor roles document.

Background:
The Port and PUD No. 1 formed SkagitNET, LLC as a joint governmental LLC to own, operate, and manage a fiber optic backbone throughout Skagit County in May 2018. Per the Joint Network Interlocal Operating Agreement, the Manager was to draft a Plan of Operations for SkagitNET, LLC. The Plan of Operations was to include an Operating Budget and a Capital Budget.

Attached you will find the Final Plan of Operations which includes an Operating Budget and a Capital Budget, along with a letter authorizing a change in the Treasurer/Auditor roles, for your approval.

Also attached is a draft “Intergovernmental Agreement for Telecommunication Services” with the Port of Whitman County for your review.

Fiscal Impact:
None at this time.

kac
November 27, 2018

Sara Young, Manager
SkagitNET, LLC
15400 Airport Drive
Burlington, WA 98233

Re: Treasurer/Auditor

Dear Sara,

The Port of Skagit County (“Port”) and Skagit County Public Utility District No. 1 (“PUD”) wish to memorialize an agreed upon change to the Interlocal Operating Agreement as follows:

Article 3, Section 3.1 defines the initial Treasurer as the PUD and the initial Auditor as the Port. The Port and PUD agree to change the Treasurer of SkagitNET, LLC to the Port and the Auditor of SkagitNET, LLC to the PUD.

The Port and the PUD do not wish, at this time, to file an amendment to the Interlocal Operating Agreement with the Secretary of State. We will, instead, file an amendment when, and if, more changes to the Agreement are necessary.

Sincerely,

PORT OF SKAGIT COUNTY, MEMBER

PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, MEMBER

____________________________________________________
Patricia H. Botsford Martin, Executive Director

____________________________________________________
George Sidhu, P.E., General Manager
SKAGITNET LLC
INITIAL PLAN OF OPERATIONS

Port of Skagit
15400 Airport Drive
Burlington, Washington 98233

Public Utility District No. 1 of Skagit County
1415 Freeway Dr,
Mount Vernon, WA 98273

December 2018
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BACKGROUND AND GOALS

SkagitNet LLC is a joint operating entity of the Port of Skagit County (the “Port”), as Manager (“Manager”), and Skagit County Public Utility District No. 1 (the “PUD”). SkagitNet was formed for the purpose of providing wholesale telecommunication service in the form of a county-wide fiber optic backbone with the collective goals of:

- Providing rural and urban state-of-the-art digital communication services;
- Creating economic opportunities, including sustainable community wage jobs;
- Providing increased capacity to augment existing systems;
- Consolidating administration;
- Reducing administrative layering; and
- Reducing administrative costs.

OPERATING FRAMEWORK

SkagitNet will be operated as a dark fiber, open access network model. The model is a public-private partnership where a publicly owned fiber optic backbone is constructed and leased on a wholesale basis to telecommunication system carriers and service providers to deliver service to end-users. Customers of the network will include telecommunication providers licensed by the Utilities and Transportation Commission (UTC), including competitive local exchange carriers (CLECs), community internet service providers (ISPs), and wireless service providers. Customers will lease dark fiber for transport and backhaul capacity.

The network will also include provision of one primary and several ancillary carrier-neutral colocation facilities where providers can house electronics to serve the network. In addition to dark fiber leasing, SkagitNet will also offer rack space, climate control, and standby power in the colocation facilities for a monthly fee.

LEGISLATIVE AUTHORITY

Legislative authority for operation of SkagitNet can be found in the following statutes.

Port Authority: Chapter 53.08 RCW

PUD Authority Chapter 54.04 RCW

Public Works Chapter 39.04 RCW
<table>
<thead>
<tr>
<th>Objective</th>
<th>Action</th>
</tr>
</thead>
</table>
| Build and manage SkagitNet as a carrier grade system, with a high degree of reliability and responsiveness. | • Optical fiber within the network will meet industry standard performance and loss characteristics per OTDR (optical time-domain reflectometer) testing.  
• Network will be served by a NOC (Network Operating Center) with 24/7 monitoring services and call-out response.  
• Network routes will be designed to provide redundancy.  
• Network will be served by on-call service contracts to provide 24/7 system maintenance, troubleshooting, and repair.  
• Network will be managed with an adequate call-out list to provide after hours and emergency response in accordance with the service level standards specified in the Master Services Agreement. |
| Provide efficient, timely response to new service requests.               | • New service requests will be managed by a third-party contractor.  
• Design services will be provided through established general services contract(s) with one or more qualified outside plant design firms.  
• Service extensions will be constructed through small works contracting.  
• Service installations and terminations will be completed by trained in-house staff or contracted service providers. |
| Manage SkagitNet as an open access, carrier neutral network.             | • Any provider on the network must be registered with the Washington Utilities and Transportation Commission as a telecommunications company.  
• SkagitNet will not discriminate between providers seeking to lease capacity on the network. |
In the first two years of operation, SkagitNet will complete construction of the countywide fiber optic backbone along with elements of distribution systems in La Conner, Sedro-Woolley, and Concrete. In addition to these planned capital projects, SkagitNet will also need to be responsive to provider requests for new connections to end user premises. These anticipated connections and system expansion needs are provided for as a line item in the preliminary capital budget. Some portion of these expenses will be recovered in the form of non-reoccurring charges (NRC) to the provider. As the network matures, it is anticipated that the majority of end user connection expenses can be directly returned to the network through NRC’s.

**DELEGATION OF AUTHORITY**

Delegation of duties and authority levels will be as follows:

<table>
<thead>
<tr>
<th>ACTION</th>
<th>AUTHORIZED SIGNATORY</th>
<th>EXPENDITURE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Works Contracts</td>
<td>SkagitNet Manager</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>Port Executive Director and PUD General Manager</td>
<td>$300,000 if budgeted</td>
</tr>
<tr>
<td></td>
<td>Joint Port and PUD Commission</td>
<td>$300,000 if unbudgeted</td>
</tr>
<tr>
<td>Public Works Contract</td>
<td>Port Executive Director and PUD General Manager</td>
<td>&gt;$300,000 if budgeted</td>
</tr>
<tr>
<td></td>
<td>Joint Port and PUD Commission</td>
<td>&gt;$300,000 if unbudgeted</td>
</tr>
<tr>
<td>Purchased Service Contracts (Services, Supplies, Utilities, Equipment)</td>
<td>SkagitNet Manager</td>
<td>Amount budgeted $20,000 if unbudgeted</td>
</tr>
<tr>
<td>Professional Services including A&amp;E</td>
<td>SkagitNet Manager</td>
<td>Amount budgeted $20,000 if unbudgeted</td>
</tr>
<tr>
<td></td>
<td>Port Executive Director and PUD General Manager</td>
<td>$200,000 if budgeted</td>
</tr>
<tr>
<td></td>
<td>Joint Port and PUD Commission</td>
<td>&gt;$200,000 if budgeted</td>
</tr>
<tr>
<td>Contract Change Orders</td>
<td>Port Executive Director and PUD General Manager</td>
<td>Up to 20% of the contract amount per change order, to a maximum cumulative amount not to exceed $50,000 per contract.</td>
</tr>
<tr>
<td></td>
<td>Joint Port and PUD Commission</td>
<td>Greater than 20% of the contract amount per change order or greater than $50,000 per contract.</td>
</tr>
</tbody>
</table>
Expenditures will include the need for unplanned system expansions including new construction on fiber optic backbone and/or distribution system elements in response to connection requests from telecom providers. The preliminary capital budget includes a provision for these costs in the “User Connection and System Expansion” line item. This line item is based on the assumption that SkagitNet may reinvest up to 80 percent of its net revenue in system expansion in the first five years and these costs will include reimbursable and non-reimbursable elements.

The preliminary operating budget includes a provision for cost recovery in the “Non-Recurring Charge” line item. These revenues are estimated based on the assumption that SkagitNet will connect two new premises per month in Year 1 and will continue to add new end user connections at a growth rate of five percent for the following four years.

These assumptions will be reviewed annually based on actual system performance.

Unbudgeted expenditures may occur where the demand for system expansion outpaces the projections included in the 2019 preliminary capital budget. If this occurs, it will be based on service requests from telecom providers and will be supported by a business case and opportunity for cost recovery through non-recurring charges.

A limited authority ($20,000 limit) is granted to the SkagitNet Manager to enter into unbudgeted contracts for professional and purchased services to allow the Manager to be as responsive as possible to network needs.
## OPERATIONAL ACTIVITIES

The network will require the following services and functional roles when operational:

<table>
<thead>
<tr>
<th>Role</th>
<th>Resource Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Development and Network Planning</td>
<td>Port and PUD management staff</td>
</tr>
<tr>
<td>Outside Plant Design</td>
<td>One or more general services contracts with qualified design firm</td>
</tr>
<tr>
<td>Network Construction</td>
<td>Public works bidding process</td>
</tr>
<tr>
<td>Installation/termination of fiber at premises</td>
<td>Trained staff technician and/or qualified contractor</td>
</tr>
<tr>
<td>Non-recurring charge estimates</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Maintenance and Repair</td>
<td>Trained staff technician and/or one or more on-call contracts with qualified contractor</td>
</tr>
<tr>
<td>Emergency Restoration Services</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Locates</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Network Operating Center</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Network mapping and splice cut sheet management</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Customer Billing and Accounts Receivable</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Accounts Payable/Treasurer</td>
<td>Port to provide</td>
</tr>
<tr>
<td>Auditor</td>
<td>PUD to provide</td>
</tr>
</tbody>
</table>

A management support contract will be executed with the Port of Whitman County (POW) to provide key network services during the first five years of network operation. POW has 17 years of successful experience operating a fiber optic system in eastern Washington and can lend the network expertise and resource efficiencies in the early start-up phase. This contract may be phased out or replaced with staff hired directly by the Port or PUD overtime as the network matures and revenues can support a larger operating budget.
The preliminary operating budget includes the following assumptions:

- Fiber lease revenues between the Port and PUD total approximately $150,000 per year at Year 1.
- Total revenues will grow at 5% per year with system expansion.
- A Franchise Fee is due to Skagit County equal to 6% of gross revenues on the system.
- Operating expenses will include a flat fee of $27,500 for Year 1 to the Port of Whitman to administer the network and a percentage-based fee of 30% of gross revenues on fiber strand leases for Years 2 through 5.
- A fee of $12,000 per year to the City of Mount Vernon is assumed for Years 1 and 2 for use of the City’s fiber optic system electronics. In Years 3 through 5, it is assumed that all leases have been transitioned to a dark fiber lease agreement and private telecom companies are providing lit services on the network.
- Locate expenses are estimated at $500 per month at Year 1 and increase at 5% per year with system expansion.
## Agenda Item #8

### Preliminary Capital Budget

<table>
<thead>
<tr>
<th>Capital Project</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>5-Yr Total Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>PUD System Interconnection at Josh Wilson Road</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$150,000.00</td>
</tr>
<tr>
<td>Backbone Segment 1 - Fredonia to Port Admin Office</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$299,015.80</td>
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<tr>
<td>Backbone Segment 2 and 3 - Fredonia to Mount Vernon and La Conner Marina</td>
<td>$420,407.55</td>
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<tr>
<td>La Conner Marina Distribution</td>
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<td>$15,931.10</td>
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<td>$15,931.10</td>
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<tr>
<td>Colocation Facility - Bayview Business Park</td>
<td></td>
<td>$250,000.00</td>
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<td>$250,000.00</td>
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<tr>
<td>Backbone Segment 4 - Chuckanut Interchange to Minkler Road</td>
<td>$328,047.48</td>
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<td>$328,047.48</td>
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<tr>
<td>City of Sedro-Woolley Distribution System Construction</td>
<td>$500,000.00</td>
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<td></td>
<td>$500,000.00</td>
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<tr>
<td>9th and Highland Tank to Waugh Road</td>
<td>$125,000.00</td>
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<td></td>
<td></td>
<td></td>
<td>$125,000.00</td>
</tr>
<tr>
<td>Backbone Segment 6 - Hamilton to Concrete</td>
<td></td>
<td></td>
<td>$1,500,000.00</td>
<td></td>
<td></td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Town of Concrete Distribution</td>
<td></td>
<td>$500,000.00</td>
<td></td>
<td></td>
<td></td>
<td>$500,000.00</td>
</tr>
<tr>
<td>Chuckanut Interchange to PUD offices</td>
<td>$300,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$300,000.00</td>
</tr>
<tr>
<td>User Connections and System Expansion</td>
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<td>$97,268.16</td>
<td>$112,211.57</td>
<td>$117,822.15</td>
<td>$433,481.07</td>
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<td></td>
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</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$735,354.45</td>
<td>$1,609,226.68</td>
<td>$2,097,268.16</td>
<td>$112,211.57</td>
<td>$117,822.15</td>
<td>$4,821,883.00</td>
</tr>
</tbody>
</table>
SKAGITNET LLC
INITIAL PLAN OF OPERATIONS

Port of Skagit
15400 Airport Drive
Burlington, Washington 98233

Public Utility District No. 1 of Skagit County
1415 Freeway Dr,
Mount Vernon, WA 98273

December 2018
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- Providing rural and urban state-of-the-art digital communication services;
- Creating economic opportunities, including sustainable community wage jobs;
- Providing increased capacity to augment existing systems;
- Consolidating administration;
- Reducing administrative layering; and
- Reducing administrative costs.

OPERATING FRAMEWORK

SkagitNet will be operated as a dark fiber, open access network model. The model is a public-private partnership where a publicly owned fiber optic backbone is constructed and leased on a wholesale basis to telecommunication system carriers and service providers to deliver service to end-users. Customers of the network will include telecommunication providers licensed by the Utilities and Transportation Commission (UTC), including competitive local exchange carriers (CLECs), community internet service providers (ISPs), and wireless service providers. Customers will lease dark fiber for wholesale services transport and backhaul capacity.

The network will also include provision of one primary and several ancillary carrier-neutral colocation facilities where providers can house electronics to serve the network. In addition to dark fiber leasing, SkagitNet will also offer rack space, climate control, and standby power in the colocation facilities for a monthly fee.

LEGISLATIVE AUTHORITY

Legislative authority for operation of SkagitNet can be found in the following statutes:

Port Authority Chapter 53.08 RCW
PUD Authority Chapter 54.04 RCW
Public Works Chapter 39.04 RCW
## OPERATIONAL OBJECTIVES

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<thead>
<tr>
<th>Objective</th>
<th>Action</th>
</tr>
</thead>
</table>
| **Build and manage SkagitNet as a carrier grade system, with a high degree of reliability and responsiveness.** | • Optical fiber within the network will meet industry standard performance and loss characteristics per OTDR (optical time-domain reflectometer) testing.  
  • Network will be served by a NOC (Network Operating Center) with 24/7 monitoring services and call-out response.  
  • Network routes will be designed to provide redundancy.  
  • Network will be served by on-call service contracts to provide 24/7 system maintenance, troubleshooting, and repair.  
  • Network will be managed with an adequate call-out list to provide after hours and emergency response in accordance with the service level standards specified in the Master Services Agreement. |
| **Provide efficient, timely response to new service requests.**           | • New service requests will be managed by a third-party contractor.  
  • Design services will be provided through established general services contract(s) with one or more qualified outside plant design firms.  
  • Service extensions will be constructed through small works contracting.  
  • Service installations and terminations will be completed by trained in-house staff or contracted service providers. |
| **Manage SkagitNet as an open access, carrier neutral network.**         | • Any provider on the network must be registered with the Washington Utilities and Transportation Commission as a telecommunications company.  
  • SkagitNet will not discriminate between providers seeking to lease capacity on the network. |
CONTRACTING AND PROCUREMENT

In the first two years of operation, SkagitNet will complete construction of the countywide fiber optic backbone along with elements of distribution systems in La Conner, Sedro-Woolley, and Concrete. In addition to these planned capital projects, SkagitNet will also need to be responsive to provider requests for new connections to end user premises. These anticipated connections and system expansion needs are provided for as a line item in the preliminary capital budget. Some portion of these expenses will be recovered in the form of non-reoccurring charges (NRC) to the provider. As the network matures, it is anticipated that the majority of end user connection expenses can be directly returned to the network through NRC’s.

DELEGATION OF AUTHORITY

Delegation of duties and authority levels will be as follows:

<table>
<thead>
<tr>
<th>ACTION</th>
<th>AUTHORIZED SIGNATORY</th>
<th>EXPENDITURE LEVEL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Works Contracts</td>
<td>SkagitNet Manager</td>
<td>$50,000</td>
</tr>
<tr>
<td></td>
<td>Port Executive Director and PUD General Manager</td>
<td>$300,000 if budgeted</td>
</tr>
<tr>
<td></td>
<td>Joint Port and PUD Commission</td>
<td>$300,000 if unbudgeted</td>
</tr>
<tr>
<td>Public Works Contract</td>
<td>Port Executive Director and PUD General Manager</td>
<td>$300,000 if budgeted</td>
</tr>
<tr>
<td></td>
<td>Joint Port and PUD Commission</td>
<td>$300,000 if unbudgeted</td>
</tr>
<tr>
<td>Other — Purchased Service Contracts (Services, Supplies, Utilities, Equipment)</td>
<td>SkagitNet Manager</td>
<td>Amount budgeted</td>
</tr>
<tr>
<td></td>
<td>$502,000 if unbudgeted</td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td>SkagitNet Manager</td>
<td>Amount budgeted</td>
</tr>
<tr>
<td>including A&amp;E</td>
<td>$502,000 if unbudgeted</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Port Executive Director and PUD General Manager</td>
<td>$200,000 if budgeted</td>
</tr>
<tr>
<td></td>
<td>$200,000 if budgeted</td>
<td></td>
</tr>
</tbody>
</table>
| Contract Change Orders     | Port Executive Director and PUD General Manager | Up to 20% of the contract amount per change order, to a maximum cumulative amount not to exceed $50,000 per
Contract Change Orders

<table>
<thead>
<tr>
<th>Joint Port and PUD Commission SkagitNet Manager</th>
</tr>
</thead>
</table>

Expenditures will include the need for unplanned system expansions including new construction on fiber optic backbone and/or distribution system elements in response to connection requests from telecom providers. The preliminary capital budget includes a provision for these costs in the "User Connection and System Expansion" line item. This line item is based on the assumption that SkagitNet may reinvest up to 80 percent of its net revenue in system expansion in the first five years and these costs will include reimbursable and non-reimbursable elements.

The preliminary operating budget includes a provision for cost recovery in the "Non-Recurring Charge" line item. These revenues are estimated based on the assumption that SkagitNet will connect two new premises per month in Year 1 and will continue to add new end user connections at a growth rate of five percent for the following four years.

These assumptions will be reviewed annually based on actual system performance.

Unbudgeted expenditures may occur where the demand for system expansion outpaces the projections included in the 2019 preliminary capital budget. If this occurs, it will be based on service requests from telecom providers and will be supported by a business case and opportunity for cost recovery through non-recurring charges.

A limited authority ($20,000 limit) is granted to the SkagitNet Manager to enter into unbudgeted contracts for professional and purchased services to allow the Manager to be as responsive as possible to network needs.
### OPERATIONAL ACTIVITIES

The network will require the following services and functional roles when operational:

<table>
<thead>
<tr>
<th>Role</th>
<th>Resource Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Development and Network Planning</td>
<td>Port and PUD management staff</td>
</tr>
<tr>
<td>Outside Plant Design</td>
<td>One or more general services contracts with qualified design firm</td>
</tr>
<tr>
<td>Network Construction</td>
<td>Public works bidding process</td>
</tr>
<tr>
<td>Installation/termination of fiber at premises</td>
<td>Trained staff technician and/or qualified contractor</td>
</tr>
<tr>
<td>Non-recurring charge estimates</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Maintenance and Repair</td>
<td>Trained staff technician and/or one or more on-call contracts with qualified contractor</td>
</tr>
<tr>
<td>Emergency Restoration Services</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Locates</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Network Operating Center</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Network mapping and splice cut sheet management</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Customer Billing and Accounts Receivable</td>
<td>Provided under contract with Port of Whitman</td>
</tr>
<tr>
<td>Accounts Payable/Treasurer</td>
<td>Port of Whitman</td>
</tr>
<tr>
<td>Auditor</td>
<td>Port of Whitman</td>
</tr>
</tbody>
</table>

A management support contract will be executed with the Port of Whitman County (POW) to provide key network services during the first five years of network operation. POW has 17 years of successful experience operating a fiber optic system in eastern Washington and can lend the network expertise and resource efficiencies in the early start-up phase. This contract may be phased out or replaced with staff hired directly by the Port or PUD overtime as the network matures and revenues can support a larger operating budget.
## Preliminary Operating Budget

The preliminary operating budget includes the following assumptions:

- **Fiber lease revenues** between the Port and PUD total approximately $150,000 per year at Year 1.
- **Non-recurring charges** assume the network will realize two new end-user connections per month in Year 1, at an average NRC of $1,000.
- **Colocation facility charges** estimate based on 5 racks leased in Year 1 at $25 per rack per month. Growth is assumed at one new rack leased per year through Year 5.
- A Franchise Fee is due to Skagit County equal to 6% of gross revenues on the system.

### Operating Revenue

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiber leases</td>
<td>$150,000.00</td>
<td>$157,500.00</td>
<td>$165,375.00</td>
<td>$173,643.75</td>
<td>$182,325.94</td>
</tr>
<tr>
<td>Non-recurring charges</td>
<td>$36,000.00</td>
<td>$37,800.00</td>
<td>$39,690.00</td>
<td>$41,674.50</td>
<td>$43,758.23</td>
</tr>
<tr>
<td>Co-location charges</td>
<td>$3,600.00</td>
<td>$3,780.00</td>
<td>$3,969.00</td>
<td>$4,167.45</td>
<td>$4,375.82</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>$189,600.00</td>
<td>$199,080.00</td>
<td>$209,034.00</td>
<td>$219,485.70</td>
<td>$230,459.99</td>
</tr>
</tbody>
</table>

### Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise fees</td>
<td>$11,376.00</td>
<td>$11,944.80</td>
<td>$12,542.04</td>
<td>$13,169.14</td>
<td>$13,827.60</td>
</tr>
<tr>
<td>Network Administration Contract</td>
<td>$27,500.00</td>
<td>$47,250.00</td>
<td>$49,612.50</td>
<td>$52,093.13</td>
<td>$54,697.78</td>
</tr>
<tr>
<td>City of Mount Vernon PON Connection</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
<td>$12,000.00</td>
</tr>
<tr>
<td>Locates</td>
<td>$6,000.00</td>
<td>$6,300.00</td>
<td>$6,615.00</td>
<td>$6,945.75</td>
<td>$7,293.04</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$56,876.00</td>
<td>$77,494.80</td>
<td>$88,769.54</td>
<td>$100,280.82</td>
<td>$103,818.42</td>
</tr>
</tbody>
</table>

### Net Income

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income</strong></td>
<td>$132,724.00</td>
<td>$121,585.20</td>
<td>$140,264.46</td>
<td>$147,277.68</td>
<td>$154,641.57</td>
</tr>
</tbody>
</table>
• Operating expenses will include a flat fee of $27,500 for Year 1 to the Port of Whitman to administer the network and a percentage-based fee of 30% of gross revenues on fiber strand leases for Years 2 through 5.

• A fee of $12,000 per year to the City of Mount Vernon is assumed for Years 1 and 2 for use of the City's GPON fiber optic system electronics. In Years 3 through 5, it is assumed that all leases have been transitioned to a dark fiber lease agreement and private telecom companies are providing lit services on the network.

• Locate expenses are estimated at $500 per month at full build out of the backbone Year 1 and increase at 5% per year with system expansion.
## PRELIMINARY CAPITAL BUDGET

<table>
<thead>
<tr>
<th>CAPITAL PROJECT</th>
<th>FY 2018</th>
<th>FY 2019</th>
<th>FY 2020</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>5-YR TOTAL BUDGET</th>
</tr>
</thead>
<tbody>
<tr>
<td>PUD System Interconnection at Josh Wilson Road</td>
<td>$150,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backbone Segment 1 - Fredonia to Port Admin Office</td>
<td>$299,015.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backbone Segment 2 and 3 - Fredonia to Mount Vernon and La Conner</td>
<td>$420,407.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Conner Marina Distribution</td>
<td>$15,031.10</td>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Colocation Facility - Bayside Business Park</td>
<td>$250,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backbone Segment 4 - Chuckanut Interchange to Minkler Road</td>
<td>$328,047.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>City of Sedro-Woolley Distribution System Construction</td>
<td>$500,000.00</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>9th and Highland Tank to Waugh Road</td>
<td>$125,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Backbone Segment 6 - Hamilton to Concrete</td>
<td>$1,500,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Town of Concrete Distribution</td>
<td>$500,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chuckanut Interchange to PUD offices</td>
<td>$300,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System Expansion</td>
<td>$106,179.20</td>
<td>$97,248.16</td>
<td>$112,211.57</td>
<td>$117,822.15</td>
<td>$431,481.07</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td></td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td>$725,354.45</td>
<td>$1,609,226.68</td>
<td>$2,097,248.16</td>
<td>$112,211.57</td>
<td>$117,822.15</td>
<td>$4,821,883.00</td>
</tr>
<tr>
<td>CAPITAL PROJECT</td>
<td>FY 2018</td>
<td>FY 2019</td>
<td>FY 2020</td>
<td>FY 2021</td>
<td>FY 2022</td>
<td>5-YR TOTAL BUDGET</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------------</td>
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<td>----------</td>
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</tr>
<tr>
<td>PUD System Interconnection at Josh Wilson Road</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$150,000.00</td>
</tr>
<tr>
<td>Backbone Segment 1 - Fredonia to Port Admin Office</td>
<td>$299,015.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$299,015.80</td>
</tr>
<tr>
<td>Backbone Segment 2 and 3 - Fredonia to Mount Vernon and La Cc</td>
<td>$420,407.55</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$420,407.55</td>
</tr>
<tr>
<td>La Conner Marina Distribution</td>
<td>$15,931.10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$15,931.10</td>
</tr>
<tr>
<td>Colocation Facility - Bayview Business Park</td>
<td>$250,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$250,000.00</td>
</tr>
<tr>
<td>Backbone Segment 4 - Chuckanut Interchange to Minkler Road</td>
<td>$328,047.48</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$328,047.48</td>
</tr>
<tr>
<td>City of Sedro-Woolley Distribution System Construction</td>
<td>$500,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$500,000.00</td>
</tr>
<tr>
<td>9th and Highland Tank to Waugh Road</td>
<td>$125,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$125,000.00</td>
</tr>
<tr>
<td>Backbone Segment 6 - Hamilton to Concrete</td>
<td>$1,500,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Town of Concrete Distribution</td>
<td>$500,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$500,000.00</td>
</tr>
<tr>
<td>Chuckanut Interchange to PUD offices</td>
<td>$300,000.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$300,000.00</td>
</tr>
<tr>
<td>User Connections and System Expansion</td>
<td>$106,179.20</td>
<td>$97,268.16</td>
<td>$112,211.57</td>
<td>$117,822.15</td>
<td>$433,481.07</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$112,211.57</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$735,354.45</td>
<td>$1,609,226.68</td>
<td>$2,097,268.16</td>
<td>$112,211.57</td>
<td>$117,822.15</td>
<td>$4,821,883.00</td>
</tr>
</tbody>
</table>
INTERGOVERNMENTAL AGREEMENT FOR TELECOMMUNICATION SERVICES

THIS INTERLOCAL COOPERATION AGREEMENT ("this AGREEMENT") entered into by the PORT OF WHITMAN COUNTY, a municipal corporation of the State of Washington, ("WHITMAN"), and SKAGITNET LLC, a Washington limited liability company comprised of the Port of Skagit and Skagit County Public Utility District No. 1 as members ("SKAGITNET").

RECITALS

WHEREAS, WHITMAN owns and operates telecommunication facilities within and without its district for its own use and to provide wholesale telecommunication services within its district; and

WHEREAS, SKAGITNET owns and operates telecommunication facilities ("the Facilities"), within Skagit County for its own use and to provide wholesale telecommunication services within Skagit County; and

WHEREAS, the Port of Skagit is the managing member of SKAGITNET; and

WHEREAS, this Agreement provides for certain services to be provided by WHITMAN to SKAGITNET in exchange for fees and
revenue sharing as set forth below and the mutual benefits to be derived;

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Management, Services and Expenses:
   
a. WHITMAN shall provide the following services for the Facilities which are subject to the revenue sharing provisions of this agreement:
   
   (1) GIS mapping;
   (2) Fiber mapping for splicing, including cut sheets for system maintenance and outage repair;
   (3) One-Call management services;
   (4) Contracting for locate services in accordance with standards in the industry;
   (5) Estimates for non-recurring charges on proposed new builds or expansion of the Network;
   (6) Emergency restoration services in accordance with standards in the industry;
   (7) Administration of billing and collection, with collected funds to be deposited under the auspices of the Whitman County Treasurer and disbursed to Port of Skagit;
   (8) Network Operations Center (NOC) services; and
(9) Collection and remittance of applicable leasehold tax as directed by the State of Washington and franchise fees as directed by SKAGITNET. WHITMAN may contract with third parties for the services to be provided.

b. Expenses (except for relocation expenses) for the Facilities subject to the Revenue Sharing provisions of this Agreement will be allocated as follows:

   (1) GIS mapping will be provided by WHITMAN.
   (2) Fiber mapping for splice cut sheets will be provided by WHITMAN.
   (3) One-call and locate services will be charged to and reimbursed by SKAGITNET.
   (5) Non-reoccurring cost estimates for new construction shall be provided by WHITMAN.
   (6) Emergency restoration service charges and expenses shall be paid by SKAGITNET.
   (7) Administration, billing and collection will be provided by WHITMAN.
   (8) NOC services will be provided by WHITMAN.

2. **Revenue Sharing and Fees:**

All revenue derived from SKAGITNET Facilities shall belong to SKAGITNET and payment therefrom shall be as follows:
a. For the period of January 1, 2019, through December 31, 2019, SKAGITNET will pay WHITMAN, a lump sum amount of twenty-seven thousand and five hundred dollars ($27,500), due in advance upon receipt of invoice.

b. Commencing January 1, 2020, payment for services will be on a revenue share basis whereby WHITMAN will receive thirty percent (30%) of the first $250,000.00 Revenue, twenty percent (20%) of the next $250,000.00 Revenue and ten percent (10%) of the Revenue in excess of $500,000.00 derived from the Facilities, with the balance paid to SKAGITNET. Payment to SKAGITNET, less WHITMAN’s share, shall be paid monthly, within thirty (30) days of month end.

c. The term “Revenue” as used in the Revenue Sharing provisions of this Agreement shall mean the gross revenue derived from the wholesale lease or grant of use of fiber optic lines within each line segment. Non-reoccurring fees, fees for power charges, co-location fees, leasehold taxes, and franchise fees, shall not be considered Revenue for purposes of Revenue Sharing.

3. Leases and Contracts:

a. This Agreement shall apply to the wholesale lease or grant of use of SKAGITNET’s Facilities.
b. Lease, contracts, and agreements, to which this Agreement applies, shall be leases, contracts, and agreements of SKAGITNET. Said leases, contracts, and agreements shall conform to and be consistent with the Master Service Agreement attached as EXHIBIT A, or such other agreement as mutually agreed upon by WHITMAN and SKAGITNET.

c. No lease or contract subject to this Agreement shall extend beyond a period of twenty years from the date of execution, except as expressly authorized in writing by both parties. The Revenue from any leases, contracts, or agreements made during the term hereof and subject to this Agreement that have a termination date extending beyond the termination of this agreement shall, belong to SKAGITNET.

d. All rates, fees and charges for the use the Facilities shall be as mutually agreed upon with the goal of meeting each entity’s revenue expectations. The initial rate structure is set forth in EXHIBIT B.

e. Nothing herein shall be deemed to require SKAGITNET to enter any lease, contract, or agreement for the use of its telecommunication lines or facilities.

f. Nothing herein shall prohibit SKAGITNET from charging non-reoccurring fees for construction, re-location, or
capital improvements to its Facilities, which fees shall not be considered Revenue, but will belong to SKAGITNET.

4. **Taxes, Fees and Assessments:** The collection and payment of all taxes, fees, and assessments shall remain the responsibility of SKAGITNET, except as provided under Section 1.

5. **Term:** This term of this Agreement shall begin January 1, 2019, and terminate on the 31st day of December 2024.

6. **Development of Additional Facilities:** It is understood and agreed that SKAGITNET may wish to add to or expand its telecommunication fiber system, and nothing herein shall be deemed or considered as a restriction or prohibition on future development.

7. **Ownership on Termination:** Upon termination of this agreement and its non-renewal, all lines and facilities within SKAGITNET shall remain the sole property of SKAGITNET;

8. **Administration:** This Agreement shall be administered by the Executive Director of the Port of Whitman and the Executive Director of the Port of Skagit as the managing member of SKAGITNET, subject to the right of the Commission of each PORT to assign administrative responsibility to someone other than its Executive Director.

10. **Relocation:** In the event relocation of the Facilities which are subject to the Revenue Sharing provision of
this Agreement is necessary, relocation costs and expenses shall be the sole responsibility of SKAGITNET.

11. Annual Meeting: The PORT and SKAGITNET shall meet annually in the month of July at a date, time and location mutually agreeable to discuss financial reports, planning and budgeting.

IN WITNESS WHEREOF, the parties enter into this Agreement the ____ day of ________, 20__, and the undersigned represent that he or she is authorized to sign this Agreement.

PORT OF WHITMAN, a municipal corporation of the State of Washington:

By_________________________________  Executive Director

ATTEST:

By_________________________________

SKAGITNET, a Washington limited liability company:

By_________________________________  Manager

ATTEST:

By_________________________________
MASTER OPTICAL FIBER AND FACILITIES LEASE

SKAGITNET, LLC

THIS LEASE AND AGREEMENT, EFFECTIVE as of the date it is fully executed (the “Effective Date”) by and between the SKAGITNET, LLC (hereinafter referred to as the “SKAGITNET” or “OWNER”), and _______________________, a ______________ corporation, organized under the laws of the State of Washington, (hereinafter referred to as the “COMPANY”).

RECITALS:

SKAGITNET owns and maintains an optical fiber system and facilities, (herein the “System”) within and without SKAGITNET and its Members district for the purposes of providing wholesale telecommunication services within the district.

The COMPANY is authorized to provide telecommunication services to the general public and internet service providers and will not be the end user of SKAGITNET’s optical fiber and facilities leased to it.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements set forth in this Lease, the Parties hereto do hereby covenant and agree as follows:

1. OVERVIEW:

This Lease states the general terms, covenants and conditions by which SKAGITNET will lease to the COMPANY optic fiber and facilities and provide services, identified and detailed in the associated Service Order Summary. This Lease is intended to cover any and all
facilities and services to be provided by SKAGITNET to the COMPANY. COMPANY may use SKAGITNET’s fiber and facilities only for authorized and lawful purposes.

2. **PAYMENT AND USE (SERVICE ORDER SUMMARY):**

The COMPANY covenants and agrees to accept and pay for, and SKAGITNET agrees to provide the facilities and fiber and services specified in each Service Order Summary, for the term specified therein. The COMPANY’S use of the System shall include the sale of telecommunication services within SKAGITNET district. SKAGITNET reserves the right to limit the manner in which any portion of its System and facilities are used to protect the technical integrity of the System.

3. **FIBER SYSTEM SPECIFICATIONS:**

3.1 **Optical Fiber Specifications:** Optical fiber within the System will meet the specifications set forth below and measurable by optical time domain reflectometer (“OTDR”):

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Specifications</th>
<th>Units</th>
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<tbody>
<tr>
<td>Maximum attenuation, 1310nm (A1)</td>
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<td>Maximum attenuation, 1550nm (A2)</td>
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<td>Zero dispersion wavelength</td>
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<td>nm</td>
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<tr>
<td>Maximum dispersion</td>
<td>(1285-1330nm) 3.5 ps/nm km</td>
<td></td>
</tr>
</tbody>
</table>
3.2 The COMPANY shall have the right at its expense to test the leased fiber any time three (3) days prior to the commencement of use for compliance with the technical specifications set forth above. Upon completion of testing, the COMPANY shall either send an acceptance notice to SKAGITNET acknowledging the acceptance of the Leased Fibers as tested or notify SKAGITNET that the Leased Fibers do not comply with the technical specifications. By sending an acceptance notice, the COMPANY acknowledges that the Leased Fibers listed in the notice comply with the applicable technical specifications. If the COMPANY fails to provide any notice within the three (3) days provided, then the COMPANY shall be deemed to have accepted the fibers.

3.3 In the event the result of any test performed in accordance with Section 3.2 herein shows that the fiber(s) are not operating in accordance with the technical specifications, SKAGITNET shall promptly take action that is reasonable to bring the fiber(s) into compliance and shall notify the COMPANY when SKAGITNET believes that the fiber(s) comply with the technical specifications. The COMPANY shall have ten (10) days following such notice to retest the fiber(s) and again notify SKAGITNET that the fiber(s) are accepted or do not comply in accordance with the procedures set forth in section 3.2. If following said notice, SKAGITNET is unable or chooses not to bring the fiber(s) into compliance, this Lease shall then terminate as to such fiber(s).
3.4 In no event shall the unavailability, incompatibility, delay in installation, or other impairment of any of the COMPANY’s interconnection facilities, including COMPANY’s suppliers (e.g., a local access telephone service provider) be used as a basis for rejecting any fiber(s).

4. FIBER SYSTEM MAINTENANCE:

4.1 All maintenance and repair to the Leased Fiber and system facilities (other than equipment or facilities installed by the COMPANY), but not limited to, conduit, inner-duct, poles and equipment, shall be the responsibility of SKAGITNET; provided SKAGITNET shall retain the right to subcontract for maintenance and repair. Maintenance shall be performed in accordance with standard industry practices.

4.2 For routine and scheduled work affecting service on the System, SKAGITNET will make reasonable efforts to schedule maintenance that will result in as little disruption of service as reasonably possible, during off peak hours, and at such times and dates that will provide the COMPANY with ten (10) business days notice. SKAGITNET will provide notice to the COMPANY by the method provided in the most recent Service Order Summary, or by the method requested by the COMPANY in writing superseding the method provided in the most recent Service Order Summary.

4.3 Emergency work arising from unscheduled disruption of service or from the eminent threat of disruption of service may be conducted at any time without prior notice.
4.4 In the event of unscheduled disruption of service, or emergency, the COMPANY may utilize the emergency contact information to be provided to the COMPANY by SKAGITNET. SKAGITNET’s contact information may be revised and updated from time-to-time by notice in writing to the COMPANY by letter, facsimile, or electronic transmission.

4.5 Each Party shall maintain the capability to accept process and dispatch personnel on trouble reports, without delay after the performance of appropriate tests and attempts to isolate the trouble remotely. If testing and remote trouble isolation procedures are ineffective, each Party will assist the other in efforts to isolate the trouble. If the trouble is isolated to a Party's facilities, equipment or switching equipment, such Party shall take all necessary steps to clear the trouble and restore the services as quickly as possible.

5. **TERM:**

5.1 **Initial Term:** The initial term for this Lease will commence with the execution of this Lease and Agreement, and terminate as to the fiber and facilities and on the dates specified in each Service Order Summary unless automatically renewed as hereinafter set forth; provided, in the event, a Service Order Summary has not been signed and delivered to SKAGITNET within ninety (90) days from the execution hereof, this Lease and Agreement shall automatically terminate.
5.2 **Renewal:** This Lease shall automatically renew for successive terms of one (1) year each as to the fiber and facilities specified in each Service Order Summary unless terminated earlier, by notice in writing delivered by either party to the other thirty (30) days prior to the end of the term specified, including any renewal term.

5.3 The same terms, covenants and conditions as specified in this Lease shall apply to all renewal terms, unless otherwise specifically modified by the parties in writing. Upon termination of this Lease for any reason, the COMPANY’s rights for use of the SKAGITNET’s fiber and facilities, and the obligation of the PORT to provide services to the COMPANY, shall cease.

6. **FEES AND PAYMENT TERMS:**

6.1 All applicable fees and charges, including without limitation, power usage fees, rack fees, early disconnect charges, and other non-recurring charges, shall be based on and commenced as specified in each Service Order Summary.

6.2 **Invoicing:** SKAGITNET shall bill the COMPANY monthly, in advance, for all fees and charges, provided power charges shall be added to each invoice as usage occurs. All amounts shall be due within thirty (30) days of invoice.

6.3 **Fee Adjustment:** Rates, fees and charges may be adjusted or modified from time-to-time as specified in each Service Order Summary.
6.4 **Taxes:** In addition to all of the charges the COMPANY shall be pay all applicable taxes, franchise, license and permit fees (hereinafter collectively referred to as “Taxes”) assessed against it for the conduct of its business as a telecommunications service provider arising out of the use of the Leased Fibers during the Term of this Lease. The COMPANY shall indemnify and hold SKAGITNET harmless from any such taxes, including all penalties, interest and costs and reasonable attorney's fees, resulting from the failure to pay any such taxes or resulting from any proceeding contesting the imposition of any such taxes. In the event of any refund, rebate, reduction or abatement to the COMPANY of any such Taxes, the COMPANY shall be entitled to receive the entire benefit of such refund, rebate, reduction or abatement.

The COMPANY shall pay all applicable leasehold excise taxes or taxes imposed in lieu of leasehold excise tax. In the event SKAGITNET is any way prohibited by law from requiring the COMPANY to pay any such tax and by reason thereof SKAGITNET does pay any such tax, then, and in that event, SKAGITNET shall be entitled to increase without regard to the limit on any Index increases allowed hereunder, the amount of the rate payable by the COMPANY to SKAGITNET by the amount of any tax so paid and by the amount of any increased tax required to be paid because of any increase in the rate which may arise pursuant to this paragraph.

6.5 **Past Due Amounts:** All past due amounts due pursuant to the provisions of this Lease shall bear interest at the rate of twelve percent (12%) per annum.
7. **LIMITATION OF LIABILITY/INDEMNIFICATION:**

Each Party undertakes and agrees to indemnify and hold harmless the other Party and all of its officers and employees, and, at the option of the indemnified Party, defend the indemnified Party, and any and all of its Boards, officers, agents, representatives, employees, affiliates, assigns and successors in interest from and against any and all suits and causes of action, claims, charges, damages, demands, judgments, civil fines and penalties, or losses of any kind or nature whatsoever, for death, bodily injury or personal injury to any person, including the indemnifying Party's employees and agents, or damage or destruction to any property of either Party hereto, or third persons in any manner arising from the negligent acts, errors, omissions or willful misconduct incident to the performance of this contract on the part of the indemnifying Party, or the indemnifying Party's officers, agents, employees, or subcontractors of any tier.

Except to the extent each Party has agreed to indemnify and hold harmless the other for its acts or failure to act as specified herein, neither Party shall be liable for any indirect, special, punitive or consequential damages arising under this Lease or from any breach or partial breach of the provisions of this Lease or arising out of any act or omission hereto, its employees, servants, contractors and/or agent.

8. **FORCE MAJEURE:**

Neither Party shall be liable to the other for any failure of performance under this Lease due to causes beyond its control (except for the fulfillment of payment obligations as set forth
herein), including, but not limited to: acts of God, fire, flood, earthquake or other catastrophes; material or facility shortages or unavailability not resulting from such Party's failure to timely place orders therefore; lack of transportation; the imposition of any governmental codes, ordinances, laws, rules, regulations or restrictions; national emergencies; insurrections; riots, wars; or third party strikes, lockouts, work stoppages or other labor difficulties (collectively, “Force Majeure Events”). The COMPANY shall not pay for services not rendered during a Force Majeure Event.

9. EVENTS OF TERMINATION

9.1 Condemnation: If at any time during the Term of this Lease, all or any significant portion of the System shall be taken for any public or quasi-public purpose by any lawful power or authority by the exercise of the right of condemnation or eminent domain, either Party may elect to terminate this Lease upon giving the other Party sixty (60) days prior written notice. In the event this Lease is terminated in accordance with this section, both Parties shall be entitled to participate in any condemnation proceedings to seek to obtain compensation via separate awards for the economic value of their respective interest in the System.

9.2 Damage or Destruction of System: If at any time during the Term of this Lease, all or any significant portion of the System shall be damaged or destroyed beyond feasible repair, both Parties shall be entitled to seek to recover the economic value of their respective interest in the System (i) under any insurance policy carried by either
Party or any third Party, or (ii) seek recovery from any third party which may be legally responsible for causing such damage or destruction.

9.3 **Catastrophic Outage:** If at any time during the Term of this Lease the ability of the Leased Fibers to transmit telephone, telecommunications and video services shall be interrupted or degraded below a minimum of .25 DBM (Decibels per Millivolt) attenuation per splice as established by OTDR (Optical Time Domain Reflectometer): (i) in the case of a Force Majeure Event, for thirty (30) consecutive days, or (ii) in the case of a non-Force Majeure Event, for five (5) consecutive days, then either Party may elect to terminate this Lease without liability upon giving thirty (30) days written notice to the other Party.

9.4 **Default:** Either Party may terminate this Lease upon the failure of the other Party to cure an Event of Default before the expiration of the applicable cure period, if any, as required in Section 16. In the event either Party fails to cure an Event of Default within the applicable cure period, the aggrieved party may pursue any legal or equitable remedy available to it under applicable law.

10. **ASSIGNMENT:**

No assignment hereof or sublease, assignment or licensing (hereinafter collectively referred to as a “Transfer”) of any rights or obligations hereunder shall be valid for any purpose without the prior written consent of SKAGITNET of which consent shall not be unreasonably withheld; provided, nothing herein shall prohibit SKAGITNET from selling or
offering telecommunication services over the Leased Fibers to customers in the ordinary course of business. Notwithstanding the foregoing, the COMPANY may assign this Lease without prior written consent (a) to any affiliate, successor through merger, or acquirer of substantially all of its assets which has the capacity to fulfill the requirements set forth in this Lease, or (b) if necessary to be in compliance with the rules and/or regulations of any regulatory agency, governmental agency, legislative body or court of competent jurisdiction.

The COMPANY shall remain liable for all obligations of this Lease in the event of any assignment or transfer without SKAGITNET’s written consent. unless: (a) SKAGITNET consents to release the COMPANY, by written instrument from such obligations, and (b) the assignee or transferee shall have affirmatively assumed in writing all of the obligations of the COMPANY.

11. **WAIVER OF TERMS OR CONSENT TO BREACH:**

   No term or provision of this Lease shall be waived and no breach excused, unless such waiver or consent shall be in writing and signed by a duly authorized officer of the Party claimed to have waived or consented to such breach. Any consent by either Party to, or waiver of, a breach by the other Party shall not constitute a waiver of or consent to any subsequent or different breach. If either Party shall fail to enforce a breach of this Lease by the other Party, such failure to enforce shall not be considered consent to or a waiver of said breach or any subsequent breach for any purpose whatsoever.

12. **FREEDOM OF ACTON:**
Nothing in this Lease shall restrict SKAGITNET in the conduct of its business, and SKAGITNET may use the remainder of the System, without limitation, for any purpose whatsoever; provided, no such use unreasonably interferes with the use of the Leased Fibers by the COMPANY as granted.

13. **COMPLIANCE WITH LAW:**

Each Party agrees that it will perform its respective rights and obligations hereunder in accordance with all applicable local, state and federal laws, rules and regulations.

14. **RELOCATION OF THE FACILITIES:**

The COMPANY recognizes that, from time to time, SKAGITNET may elect or be required to relocate the System or a portion thereof. SKAGITNET shall be solely responsible for all costs incurred in relocating the System and shall use reasonable efforts to do so in a manner that will not cause any material interruption in the COMPANY's use thereof. SKAGITNET agrees to give the COMPANY at least three (3) weeks prior written notice of any elected relocation. The COMPANY shall have no claims for direct damages against SKAGITNET for disruption of service arising out of relocation.

SKAGITNET shall deliver to the COMPANY updated drawings with respect to the relocated Fibers, including Route Miles specified in the drawings, within ninety (90) days following the completion of such relocation.

Relocation pursuant to this section shall not affect the Term of the lease of the fiber and facilities affected by such relocation, provided the COMPANY may elect to terminate this lease as to the fiber and facilities affected, by notice in writing provided to SKAGITNET no later
than ten (10) days following the receipt by the COMPANY of the notice from SKAGITNET regarding the planned relocation.

15. INSURANCE:

The COMPANY shall at all times during the Term of this Lease, at its own cost and expense, carry and maintain the insurance coverage listed below with insurers authorized to do business in the state(s) of operation. The COMPANY shall require its subcontractors and agents to maintain the same insurance:

(a) Commercial General Liability Insurance covering claims for bodily injury, death, personal injury or property damage (including loss of use) occurring or arising out of the license, use or occupancy of any premises in connection with this Lease by the COMPANY, including coverage for premises-operation, products/completed operations and contractual liability with respect to the liability assumed by the COMPANY hereunder. The limits of insurance shall not be less than:

<table>
<thead>
<tr>
<th>Type</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each Occurrence</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>General Aggregate</td>
<td>$3,000,000</td>
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</tr>
<tr>
<td>Personal &amp; Advertising Injury</td>
<td>$2,000,000</td>
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</table>

(b) Workers' Compensation Insurance with statutory limits as required in the state(s) of operation; and providing coverage for any employee entering onto any premises in connection with this Lease, even if not required by statute. Employer's Liability or “Stop Gap” insurance with limits of not less than $100,000 each accident.
(c) Comprehensive Automobile Liability Insurance covering the ownership, operation and maintenance of all owned, non-owned and hired motor vehicles used in connection with this Lease, with limits of at least $1,000,000 per occurrence for bodily injury and property damage.

(d) Any other insurance coverages specifically required of the COMPANY pursuant to the PORT's right-of-way Leases with railroads or other third parties.

During the term hereof, or during any renewal term, SKAGITNET may increase the required limits of coverage otherwise specified herein, to amounts consistent with the limits of coverage required by SKAGITNET in subsequent or pending fiber optic leases. Said increase shall take effect following written notice by SKAGITNET to the COMPANY, on the termination or renewal date of the policies then in effect.

16. **DEFAULT:**

If (a) the COMPANY fails to make a timely payment of the Lease Fees or any other amount it is obligated to pay, including interest due on all past due amounts, within thirty (30) days after written notice from SKAGITNET, or (b) if either Party (“Defaulting Party”) fails to perform a nonmonetary obligation and such failure shall continue for a period of thirty (30) days after the other Party shall have delivered written notice of such failure, (unless in the case of nonmonetary default such failure cannot be reasonably cured within such thirty (30) day period, and the Defaulting Party is diligently pursuing such cure), then the Defaulting Party shall be in default hereunder and the other Party at its sole option may (a) terminate
this Lease upon written notice, in which event the other Party shall have no further duties or obligations hereunder or, (b) pursue all legal remedies it may have relating to such default.

If either Party shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal or state bankruptcy law or under any similar federal or state law, or shall be adjudicated as bankrupt or insolvent, or shall make a general assignment for the benefit of its creditors, or shall admit in writing its inability to pay its debts generally as they become due, or if any involuntary petition proposing the adjudication of either Party as a bankrupt or its reorganization under any present or future federal or state bankruptcy law or any similar federal or state law shall be filed in any court and such petition shall not be discharged or denied within ninety (90) days after the filing thereof, or if a receiver, trustee or liquidator of either Party of all or substantially all of the assets of either Party shall be appointed in any proceeding brought by either Party, and shall consent to or acquiesce in such appointment, then the other Party, its sole option, may immediately terminate this Lease upon written notice.

17. RELATIONSHIP NOT A PARTNERSHIP OR AN AGENCY:

The relationship between the COMPANY and SKAGITNET shall not be that of partners or agents for one another and nothing contained in this Lease shall be deemed to constitute a partnership, joint venture or agency agreement between the Parties hereto. The COMPANY and SKAGITNET in performing any of their obligations hereunder shall be independent contractors or independent parties and shall discharge their contractual obligations as such and at their own risk.
18. **NO THIRD-PARTY BENEFICIARIES:**

This Lease is for the sole benefit of the Parties hereto and their respective permitted successors and assigns, and shall not be construed as granting rights to any person or entity, other than the Parties, including, but not limited to, any customer of the COMPANY, or imposing on either Party obligations to any person or entity other than a Party.

19. **SEVERABILITY:**

In the event any term, covenant or condition of this Lease, or the application of such term, covenant or condition, shall be held invalid as to any person or circumstances by any court having jurisdiction, all other terms, covenants and conditions of this Lease and their application shall not be affected thereby, but shall remain in force and effect unless a court holds that the invalid term, covenant or condition is not separable from all other terms, covenants and conditions of this Lease.

20. **GOVERNING LAW/VENUE:**

This Lease shall be interpreted in accordance with the laws of the State of Washington and venue for any action brought hereunder shall be in Skagit County, Washington.

21. **USE OF THE SYSTEM:**

21.1 The COMPANY shall have exclusive control over its provisioning of telephone, telecommunications, or other services including, without limitation, sales and marketing, electronics maintenance and monitoring, and billing and collection.

21.2 The COMPANY hereby certifies that it will not be the “end user” of the fiber and facilities leased hereby, but is in the business of providing telecommunication
services and that it is authorized to provide telecommunication services within the territory covered by the Service Order Summary and that such services can be provided on fiber optic cable systems such as that owned by SKAGITNET.

22. **PLURALS:**

In construction of this Lease, words used in the singular shall include the plural and the plural the singular, and or is used in the inclusive sense, in all cases where such meanings would be appropriate.

23. **COUNTERPARTS:**

This Lease may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the Parties hereto may execute this Lease by signing any such counterparts.

24. **TITLE:**

The COMPANY agrees that all right, title, and interest in the System provided by SKAGITNET hereunder shall at all times remain exclusively with SKAGITNET.

25. **ENTIRE AGREEMENT:**

This Lease constitutes the entire Agreement between the COMPANY and SKAGITNET with respect to the subject matter hereof; all prior agreements, representations, statements, negotiations and undertaking are hereby superseded.

26. **PUBLIC RECORDS AND CONFIDENTIALITY:**
26.1 The COMPANY acknowledges that information submitted to SKAGITNET is subject to the Washington Public Records Act (RCW 42.56.001 et seq.) and is open to public inspection to the extent required by the law.

26.2 The COMPANY may identify information that the COMPANY believes is non-disclosable by SKAGITNET, including, but not limited to, trade secrets and financial information, submitted to SKAGITNET as confidential. The COMPANY shall prominently mark any information for which it claims confidentiality with the mark “Confidential,” prior to submitting such information to SKAGITNET. SKAGITNET shall treat any information so marked as confidential except as provided below.

26.3 If SKAGITNET receives a request for disclosure of confidential information so marked, or otherwise intends to disclose said information, SKAGITNET shall provide the COMPANY with written notice of the request or intent, including a copy of the request or other basis for the intent to disclose. The COMPANY shall have five (5) working days within which to provide a written response to SKAGITNET, by statutory or other legal authority identifying the information it claims as exempt, and specify by citation to the statutory or other legal authority which is the basis for the claimed exemption. SKAGITNET shall retain the right to determine whether it is required to release or disclose the confidential information under applicable law. If, after considering the COMPANY's written response, SKAGITNET determines that it is required to release or disclose all or some portion of the information, SKAGITNET shall
provide the COMPANY written notice to that effect a minimum of five (5) business days prior to releasing or disclosing the information; thereafter the PORT may release or disclose said information unless prohibited by court order. The COMPANY agrees that SKAGITNET shall not be liable for any loss or damage from disclosure of information arising out of a good faith effort to comply with the Public Records Act (RCW 42.56.060) and agrees nothing herein shall be considered a waiver of SKAGITNET's immunity thereunder.

27. NO PERSONAL LIABILITY:

27.1 Each action or claim against any Party arising under or relating to this Lease shall be made only against such Party as a corporation, and any liability relating thereto shall be enforceable only against the corporate or limited liability company assets of such Party. No Party shall seek to pierce the corporate or limited liability company veil or otherwise seek to impose any liability relating to, or arising from, this Lease against any official, shareholder, employee, affiliate, officer or director of the other Party.

28. NOTICES:

Any written notice under this Lease shall be deemed properly given if sent by registered or certified mail, postage prepared, or by nationally recognized overnight delivery service or by facsimile to the address specified below, unless otherwise provided for in this Lease, (notice relating to service and operation shall be governed as provided in section 4, herein):

If to the COMPANY:
If to SKAGITNET:

SkagitNET, LLC
15400 Airport Drive
Burlington, WA  98233
(360) 757-0011
Facsimile Number: (360) 757-0014

IN WITNESS WHEREOF, the parties hereto have caused this Lease to be executed by their respective duly authorized representatives as of the day and year first above written.

SKAGITNET, LLC, a Washington governmental limited liability company

By ________________________________
Sara K. Young, Manager

THE COMPANY
### SkagitNet Pricing Structure

**January 2019**

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<th>Annual Fee per Strand/Circuit</th>
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**Distribution Circuit Charge**
Circuit Charge $190/mo

Annual Fee per Strand/Circuit $2,280.00
December 7, 2018

TO: Commission

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

SUBJECT: Software Projects for 2019 and 2020

Requested Action:
Authorize the General Manager to execute a contract modification with Harris Computer Systems for configuration work related to the conversion of the District’s fixed assets in the amount of $82,220.68.

Background:
The District has been undergoing the software conversion from our previous AS-400 financial system to the new Cayenta system since 2011. Since that time, the District has also converted to a new Customer Information System (CIS) with Northstar, and we have implemented a new Asset Management system with CityWorks. The implementation and integration of these three core software programs was the focus of the IT Department for the past two years. Based on a request from the Board for clarity on the overall project schedule, budget, and a timetable for when the implementation will be completed, we have developed the following schedule for project work over the next year:

1. **Badger Beacon Software Interface** – This project is not a part of the original software conversion; however, this software interface is of high priority because the existing software for our meter reading units is approaching end of life very soon. We need to upgrade to the new software to continue reading our meters. The Badger Beacon software needs to interface with Northstar, and so the critical path on this project is scheduling Northstar to complete the software interface work.

   **Schedule** – Northstar is anticipated to begin work on the interface in June 2019 and the project is expected to take approximately two to three months.

   **Funding** – This project is included in the 2019 budget.

2. **Fixed Asset Conversion** – This project is part of the original software conversion and is a high priority to maintain accurate financial records. The original plan was to complete the project in 2020, but based on recommendations from the State Auditor’s Office, this project will be moved up to 2019. Cayenta will need to perform discovery, data extraction, and configuration of our data to complete the conversion.

   **Schedule** – Cayenta is anticipated to begin discovery in July 2019 and the project is expected to take eight months.
Funding – This project was not budgeted in 2019. We are proposing to utilize the $70,000 that was budgeted for the CityWorks-Northstar integration for this project (IT budget line item 10) as well as $12,220.68 (IT budget line item 14). The CityWorks-Northstar integration is not part of the original software conversion and is an enhancement and feature addition to the software that we have in place. Therefore, there is no disruption in deferring that project to 2020.

3. **Customer Connect** – This project is not a part of the original software conversion; however, it is still a priority because it will offer our customers a platform for paperless e-billing. The software launch was originally budgeted and scheduled for 2018. Unfortunately, Northstar ran into unforeseen programming issues with their software and implementation was pushed back into 2019.

Schedule – Northstar projects that they will not be ready with their programming fix until at least April of 2019 and the project is anticipated to take approximately 4-6 months. Due to overlapping of the Bader Beacon and Fixed Asset projects, the Customer Connect project will have to be deferred until completion of the Fixed Asset Conversation project, which will be in 2020. We will continue conversations with Northstar to see if we can develop an approach to get some of this work done prior to starting the Fixed Asset project.

Upon completion of the Fixed Asset Conversion, the conversion to the new Cayenta software will be complete. There are other enhancements that we would like to make, such as the integration of Northstar and CityWorks, but those are not germane to the original conversion project and are not a high priority. In addition, there are additional software projects such as the Document Management System, Contract Management, and SCADA Online Reporting that will continue to be brought to the Board for budgeting; but again, these are not integral to the original software conversion project.

**Fiscal Impact:**
The Badger Beacon Software Interface is budgeted in 2019, the Fixed Asset Conversion can be completed by moving money set aside for other projects in 2019, and the Customer Connect project will be included in the 2020 budget.

kac
### Agenda Item #9

Request for Authorization to Purchase

**Skagit Public Utility District No. 1 | (360) 424-7104**

PO Box 1436, 1415 Freeway Drive, Mount Vernon, WA 98273

**VENDOR**

- **Name**: Harris Computer Systems
- **Address**: 
- **City/State/Zip**: 
- **Ph#**: 
- **Fax**: 2110

**PURCHASE DETAIL**

- **Department**: IT
- **G/L Account Number**: 190 301.80.00.6252
- **What is the purpose of the purchase?**
  - Cayenta Fixed Assets Re-deployment
- **How will the purchase support the District's Mission and Values?**
- **Why is this purchase needed now? What will happen if we wait (defer)?**

**MATERIAL, SUPPLIES, EQUIPMENT & SERVICES**

- **Check One:**
  - Less than $15,000
  - $15,000 to $60,000 (per month)
  - Over $60,000
  - Purchased from Installation Vendor

**IS A PURCHASE ORDER BEING REQUESTED? (Required for purchases over $100)**

- **YES**

### PURCHASE INFORMATION

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Quantity</th>
<th>Description and Specification</th>
<th>Unit Price</th>
<th>Asset Tag (Y/N)</th>
<th>Total Cost ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Project Management</td>
<td>$21,280.00</td>
<td></td>
<td>$21,280.00</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>Technical Services (Test)</td>
<td>$1,520.00</td>
<td></td>
<td>$1,520.00</td>
</tr>
<tr>
<td>3</td>
<td>1</td>
<td>Technical Services (Support)</td>
<td>$1,140.00</td>
<td></td>
<td>$1,140.00</td>
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<tr>
<td>4</td>
<td>1</td>
<td>Technical Services (Go-Live)</td>
<td>$1,140.00</td>
<td></td>
<td>$1,140.00</td>
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<tr>
<td>5</td>
<td>1</td>
<td>Overview and Discovery</td>
<td>$6,080.00</td>
<td></td>
<td>$6,080.00</td>
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<tr>
<td>6</td>
<td>1</td>
<td>Configuration</td>
<td>$9,120.00</td>
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</tr>
<tr>
<td>7</td>
<td>1</td>
<td>BI Conversion</td>
<td>$5,320.00</td>
<td></td>
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</tr>
<tr>
<td>8</td>
<td>1</td>
<td>Training and Testing Support</td>
<td>$15,960.00</td>
<td></td>
<td>$15,960.00</td>
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<tr>
<td>9</td>
<td>1</td>
<td>Production Readiness and Cutover</td>
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<td>10</td>
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<td>$3,800.00</td>
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<tr>
<td>11</td>
<td>1</td>
<td>Estimated Travel for Onsite Visits</td>
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<td></td>
<td>$8,000.00</td>
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<tr>
<td>12</td>
<td>1</td>
<td>Development Customization - JIRA</td>
<td>$-</td>
<td></td>
<td>$-</td>
</tr>
</tbody>
</table>

**Total Amount of this Request**: $82,220.68

### PURCHASE APPROVAL

**Original Budget Amount**: 

**Charges to Date**: 

**Encumbrances**: 

**Budget Remaining**: 

**Initials & Date**

- **Requestor**: Gary Chrysler  **Date**: 12/3/2018
- **Supervisor**: 

See Instructions for guidance on selecting the lowest "responsible vendor."  Form 1001
Agenda Item #9

Dec 03 2018

Dear Mr. Chrysler

As requested, below is a quote for the implementation of Cayenta Fixed Assets within Skagit PUD's current Cayenta system. Please note that the special rate of $190 per hour is good if signed in 2018.

<table>
<thead>
<tr>
<th>Fixed Assets addition</th>
<th>Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cayenta License^ (Skagit PUD owns this already)</td>
<td>$ -</td>
</tr>
<tr>
<td>Project Management</td>
<td>$ 21,280</td>
</tr>
<tr>
<td>Technical Services (Test)</td>
<td>$ 1,520</td>
</tr>
<tr>
<td>Technical Services (Support)</td>
<td>$ 1,140</td>
</tr>
<tr>
<td>Technical Services (Go-Live)</td>
<td>$ 1,140</td>
</tr>
<tr>
<td>Overview and Discovery</td>
<td>$ 6,080</td>
</tr>
<tr>
<td>Configuration</td>
<td>$ 9,120</td>
</tr>
<tr>
<td>BI Conversion</td>
<td>$ 5,320</td>
</tr>
<tr>
<td>Training and Testing Support</td>
<td>$ 15,950</td>
</tr>
<tr>
<td>Production Readiness and Cutover</td>
<td>$ 2,280</td>
</tr>
<tr>
<td>Go-Live Support</td>
<td>$ 3,800</td>
</tr>
<tr>
<td>Development Customization - JIRA</td>
<td>$ 0</td>
</tr>
<tr>
<td><strong>Total - Fixed Assets addition</strong></td>
<td><strong>$ 67,640</strong></td>
</tr>
</tbody>
</table>

^Plus annual maintenance of 25% (from install)
Minimum Cayenta version 7.8
*Customizations identified during Discovery priced seperately
Plus - Projected $8,000 for 4 onsite trips expected
Rate per hour if signed by Dec 31 2018
190
Standard rate as of Jan 01 2019 will be $210 per hour

Regards

Richard Goodfellow
Director, Sales and Marketing
December 6, 2018

TO: George Sidhu, P.E., General Manager
FROM: Kathy White, HR Manager
SUBJECT: Revisions to Policy #1002 Short Term Disability Benefit

Requested Action:
Approve and authorize General Manager to sign Policy #1002 Short Term Disability Benefit.

Background:
At our meeting of November 27, the Board approved the proposed revisions to Policy #1002. Following that, we submitted our application to the Employment Security Department (ESD) to opt out of the medical benefit and keep our own voluntary plan.

Fortunately, ESD was quick to respond, and after discussions with them, they have only asked for one minor change to our plan in order for it to be accepted. They require us to refer to the applicable RCW which pertains to the benefit amount and duration.

Accordingly, I’ve made the following changes to our policy:

1) Under Benefit Provisions, I’ve added brief language which refers to the benefit calculation elsewhere in the policy; and

2) In Coordination of Benefits, I have added a reference to the specific RCW.

These changes do not change the structure of the plan or anything that was previously submitted. Our intent was to follow whatever current benefit calculations were required by the state per statute. This simply refers to the RCW and that any benefit calculations will be in accordance with the statute.

Fiscal Impact
There is no additional fiscal impact with this change.

kac
Purpose:
In accordance with the authority granted by Board Resolution # 2160-09, a Short Term Disability (STD) Benefit, as described below, is hereby established for regular employees of Public Utility District No. 1 of Skagit County.

Benefit Provisions:
Employees who are unable to work for one week due to illness or injury, as certified by licensed, competent medical authority, will receive seventy percent (70%) of their regular straight-time base pay until they are medically released to return to work (see Coordination of Benefits below for additional benefit calculation information). Please note the following provisions:

a. The waiting period will be 40 regularly scheduled consecutive hours, including holidays, or a prorated amount if the employee works less than full time;
b. Benefits will begin on the first regularly scheduled hour after the waiting period;
c. Benefits will not exceed 180 calendar days in duration per year, based on a rolling year calculation;
d. Benefits will be coordinated as appropriate with the District’s current light duty practices and procedures;
e. Employees may use accrued time (Personal Leave, Washington State Paid Sick Leave or Comp Time) to make up the difference between the STD benefit and 100% of gross, straight-time base pay;
f. Supplemental Leave Bank (SLB) balances (as established and available to employees who were employed prior to January 1, 1997) may be used to make up the difference between the STD benefit and 100% of gross, straight-time, base pay;
g. The SLB benefit is not eligible to be used for the waiting period (the first week, as described above).

Eligibility:
An employee will be eligible for STD benefits once they have worked at least 820 hours in the qualifying period (at the District or for other employers) and at least 340 hours for the District. The qualifying period is the first four of the last five completed calendar quarters from the date benefits begin.

Example: An employee becomes eligible for benefits September 15, 2020. Counting back five completed quarters would mean that the qualifying period would begin April 1, 2019. Hours worked for the District would be calculated to ensure that the employee has worked at least 340 hours at the District, and that they have worked at least 820 hours total during the qualifying period. If they meet these requirements they would qualify for benefits.
If an employee was covered under a voluntary plan with their previous employer, they are immediately eligible for the District’s STD plan.

**Coordination of Benefits:**
In no case will an employee’s earnings exceed 100% of their gross, straight-time base pay while on STD, or as combined with any other District, state or federal benefit. STD is intended to be income protection for employees in the event they are unable to work due to illness or injury. The goal is to provide employees with adequate income so they can recover and return to work. Benefits exceeding 100% do not provide incentive for employees to return to a productive work situation.

Washington State Paid Family & Medical Leave benefits will become available to all WA state workers beginning 01/01/20. Until further notice, the District has opted to continue our STD benefits plan for employee benefits, which is more generous than the state plan in both duration and eligibility.

If an employee becomes eligible for benefits, the District will calculate their eligibility and benefits under the state plan and will match the benefit amount if it would be greater than the District’s benefit, for the time period they would be eligible to receive the state benefit. Once the benefit period with the state would expire, the benefit will be reduced to the amount that would have been provided prior to the benefit match. **PLEASE NOTE: Benefit calculations will be in accordance with RCW 50A.04.020 Benefit-Amount and Duration.**

*Example: Employee X becomes eligible for benefits. Upon calculation, it is determined that the state plan would provide 90% of income replacement, and the District’s STD plan would only provide 70%. For the 12 weeks of time the employee would be eligible for the higher benefit amount with the state, the District will match the higher (90%) benefit. Once the 12 weeks expires, the benefit amount will be reduced to 70% during the duration of the disability remaining, up to the maximum of 180 days.*

The STD plan only covers medical leave for employees who qualify. For family leave and some military-connected events, employees may apply for the WA state family leave benefits. However, any benefits received under the state family leave plan will be coordinated with District STD benefits to ensure that there is no duplication of benefits (example: pregnancy benefits, which are covered by both the STD plan and the state family leave benefit).

Pregnancy disability is treated the same as any other short-term disability, except that leave will be granted for the entire period of any pregnancy disability, as determined by a licensed, competent medical authority. Any pregnancy disability benefit will be coordinated as appropriate with any other lawful state or federal benefits to which the employee is entitled.

**Return to Work:**
Return to work is conditioned upon certification by licensed, competent medical authority of the employee’s ability to return to either temporary light duty or full duty.

Absent such certification, or a return only upon condition of accommodation, the District will determine whether reasonable accommodation of the employee’s condition can be made in accordance with current light duty practices and procedures.
An employee who returns to work and works less than thirty (30) calendar days because of a relapse, may return to coverage by the STD benefit immediately upon such relapse. In all cases the 180 calendar day limit and the annual benefit maximum of 180 days total for any concurrent disability will apply.

**Temporary Light Duty:**
Employees may be eligible for a temporary light duty assignment while recovering from an accident or an illness. Such assignments will be made in accordance with current light duty practices and procedures.

In the event of a light duty assignment, compensation will be coordinated between actual earnings, STD, Personal Leave, SLB (if applicable), and any other District, state or federal time loss benefit. Compensable and/or non-compensable hours are calculated on a daily basis for purposes of data entry into payroll, will not exceed the pay for the employee’s regularly scheduled work day, and will be calculated as follows:

1. During the waiting period of regularly scheduled hours after an accident or illness that may ultimately qualify for STD benefits:
   a. Hours worked per day, plus
   b. Accrued time (PL or other) not to exceed a total of 100% of the employee’s regularly scheduled work day.

2. Beginning on the first hour following the waiting period for an accident or illness qualifying for STD benefits:
   a. Hours worked per day; plus
   b. STD, not to exceed a total of 70% of the employee’s non-worked time (based on their regularly scheduled work day); plus
   c. Available SLB hours, not to exceed a total of 100% of the employee’s regularly scheduled work day; plus
   d. Accrued time (PL or other) not to exceed a total of 100% of the employee’s regularly scheduled work day.

**Job and Benefits Protection:**
Once an employee works for the District for at least 965 hours within the 12 months preceding taking STD leave, they are entitled to: (a) Return to the position they held when their leave commenced; or (b) Return to an equivalent position with equivalent benefits, pay and other terms and conditions of employment. Using the STD benefit will not result in the loss of employment benefits accrued before leave begins, or any other right, benefit or condition of employment the employee would have been entitled to if they had not taken leave.

The District may: (a) Request from the employee certification by the employee’s health care provider that the employee can resume work; and (b) Require periodic reporting from the employee about their status and intention to return to work, as allowed by law.

While an employee is on approved STD benefits, the District will maintain their group health plan coverage during the duration of leave and at the same level and conditions coverage would have been provided if the employee had not taken leave.

**Recovery of Damages:**
In the event of an overpayment by the District due to an employee receiving District, state or federal time loss benefits that exceed the benefit provisions as outlined in this Policy, the employee will reimburse the District for all (or partial as appropriate) payments made by the District under this plan.

<table>
<thead>
<tr>
<th>Former Title/Policy #:</th>
<th>Short Term Disability Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Approval Date:</td>
<td>May 5, 2009</td>
</tr>
<tr>
<td>Effective Date:</td>
<td>May 5, 2009; November 27, 2018; December 12, 2018</td>
</tr>
<tr>
<td>Revision Date:</td>
<td>November 27, 2018December 12, 2018</td>
</tr>
<tr>
<td>General Manager Signature:</td>
<td>//on file// Date: 12/12/18</td>
</tr>
</tbody>
</table>

December 6, 2018

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

FROM: Kathy White, HR Manager

SUBJECT: 2019 Updates to Resolution Establishing Positions and Salary Ranges for Non-Union Staff and Supervising Employees

Requested Action:
Adopt Resolution #2260-18.

Background:
With the new year, it is necessary to update the salary range tables for non-union staff and supervising employees, to reflect the 3% COLA that was approved by the Board.

There were two new positions added to the table in 2018:

1) We hired a Safety/Risk Coordinator in July. Previously those duties were performed by a consultant; and

2) We added the position of GIS/Asset Program Lead in February, due to the expanding need for someone to lead the ongoing coordination of Cayenta, Cityworks and GIS.

Per the current resolution, when we added these positions we followed the same procedures in obtaining market comparisons for equivalent positions and established appropriate ranges.

Fiscal Impact
Any budgetary impacts have already been included with the 2019 budget process and will not have additional impact at this time.

kac
RESOLUTION NO. 2260-18

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ESTABLISHING POSITIONS AND SALARY RANGES FOR NON-UNION STAFF AND SUPERVISING EMPLOYEES.

WHEREAS, R.C.W. 54.12.090 authorizes the Commission to create positions by resolution, and

WHEREAS, the Commission has delegated authority to set position titles to the General Manager, including the creation of new positions with salary ranges created by market research or deletion of positions no longer necessary to the operation of the District; and

WHEREAS, the General Manager has reviewed the organization of the District and established positions for non-union staff and supervisory employees required to efficiently administer the affairs of the District; and

WHEREAS, R.C.W. 54.16.100 requires that the Manager recommend to the Commission salary ranges for said employees; and

WHEREAS, salaries for all employees, except the General Manager will be set by the General Manager. Salary for the General Manager will be set by the Commission through resolution.

WHEREAS, the General Manager has recommended the salary ranges for such positions become effective January 1, 2019.

NOW, THEREFORE, BE IT RESOLVED by the Commission of Public Utility District No. 1 of Skagit County, Washington, that the Positions and Salary Ranges listed below shall become effective January 1, 2019.

<table>
<thead>
<tr>
<th>DEPARTMENT/POSITION TITLES</th>
<th>MINIMUM</th>
<th>MIDPOINT</th>
<th>MAXIMUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Administrative Assistant</td>
<td>25.27</td>
<td>30.32</td>
<td>36.39</td>
</tr>
<tr>
<td>Executive Assistant/Clerk of Board</td>
<td>30.12</td>
<td>36.14</td>
<td>44.26</td>
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<tr>
<td>Finance A/P Accounting Tech</td>
<td>24.65</td>
<td>29.58</td>
<td>35.49</td>
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<tr>
<td>Finance Manager</td>
<td>43.47</td>
<td>52.16</td>
<td>62.58</td>
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<td>Payroll Accounting Tech</td>
<td>26.09</td>
<td>31.30</td>
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<td>Senior Accountant</td>
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<td>Information Technology Financial Systems Administrator</td>
<td>35.90</td>
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<td>51.69</td>
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<td>IT Manager</td>
<td>46.29</td>
<td>55.54</td>
<td>66.65</td>
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<tr>
<td>IT Support Analyst</td>
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<td>33.81</td>
<td>40.57</td>
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<tr>
<td>Network Systems Administrator</td>
<td>31.69</td>
<td>38.04</td>
<td>45.64</td>
</tr>
<tr>
<td>Community Relations/Customer Service Community Relations Manager</td>
<td>42.62</td>
<td>51.15</td>
<td>61.38</td>
</tr>
<tr>
<td>Customer Service Billing Clerk</td>
<td>24.53</td>
<td>29.45</td>
<td>35.33</td>
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<tr>
<td>Customer Service Representative</td>
<td>21.34</td>
<td>25.61</td>
<td>30.72</td>
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<td>Customer Service Supervisor</td>
<td>33.86</td>
<td>40.62</td>
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<td>Human Resources Human Resources Manager</td>
<td>47.95</td>
<td>57.54</td>
<td>69.04</td>
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<tr>
<td>Safety Safety/Risk Coordinator</td>
<td>36.97</td>
<td>44.36</td>
<td>53.23</td>
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<tr>
<td>Operations Operations Manager</td>
<td>48.28</td>
<td>57.94</td>
<td>69.53</td>
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<tr>
<td>Operations Project Coordinator</td>
<td>34.51</td>
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<tr>
<td>Water Quality Lab Analyst</td>
<td>35.71</td>
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<tr>
<td>WTP Plant Superintendent</td>
<td>42.12</td>
<td>50.54</td>
<td>60.65</td>
</tr>
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</table>
### Agenda Item #11

#### Salary Ranges

<table>
<thead>
<tr>
<th>Position</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Analyst</td>
<td>29.28</td>
<td>35.13</td>
</tr>
<tr>
<td>Capital Projects Manager</td>
<td>46.36</td>
<td>55.63</td>
</tr>
<tr>
<td>Construction Superintendent</td>
<td>38.75</td>
<td>46.49</td>
</tr>
<tr>
<td>Contract Administrator</td>
<td>30.44</td>
<td>36.52</td>
</tr>
<tr>
<td>Cross Connection Control Coordinator</td>
<td>29.28</td>
<td>35.13</td>
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<tr>
<td>Data Technician</td>
<td>21.35</td>
<td>25.62</td>
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<tr>
<td>Engineering Manager</td>
<td>58.69</td>
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<tr>
<td>Engineering Supervisor</td>
<td>48.28</td>
<td>57.93</td>
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<tr>
<td>Engineering Tech I</td>
<td>24.38</td>
<td>29.25</td>
</tr>
<tr>
<td>Engineering Tech II</td>
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<td>32.05</td>
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<tr>
<td>Engineering Tech III</td>
<td>29.28</td>
<td>35.13</td>
</tr>
<tr>
<td>Engineering Tech III/Inspector</td>
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<tr>
<td>Environmental Compliance Coordinator</td>
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<tr>
<td>GIS Analyst</td>
<td>28.14</td>
<td>33.76</td>
</tr>
<tr>
<td>GIS/Asset Program Lead</td>
<td>36.72</td>
<td>44.06</td>
</tr>
<tr>
<td>Locator Technician</td>
<td>23.31</td>
<td>27.97</td>
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<tr>
<td>Planning Engineer</td>
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<td>43.70</td>
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<tr>
<td>Project Manager</td>
<td>38.34</td>
<td>46.00</td>
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<tr>
<td>Surveyor/Locator II</td>
<td>26.18</td>
<td>31.42</td>
</tr>
</tbody>
</table>

- **a.** One Range maximum has been adjusted by 2.05% to reflect current pay rate outside of current market range.
- **b.** Salary Ranges for On Call, Part-Time Positions; i.e. Flaggers, Surveyors, Maintenance/Grounds, Seasonal Positions and Interns will be determined by market research prior to hiring.

BE IT FURTHER RESOLVED, that Resolution No. 2256-17 is hereby superseded.

ADOPTED by the Commission of Public Utility District No. 1 of Skagit County, Washington, at a regular open public meeting thereof this 11th day of December, 2018.

---

Robbie Robertson, President

Eron Berg, Vice President

ATTEST

Al Littlefield, Secretary
December 6, 2018

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

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

SUBJECT: Veteran’s Park Development
Request for Use of System Development Funds (SDF)

Requested Action:
Authorize the use of up to $8,500 from SDF for the installation of 3-inch HDPE fiber optic conduit in conjunction with water system line extension improvements required of the Veteran’s Park project in Sedro-Woolley.

Background:
Skagit County Parks Department, in conjunction with funding partners, is pursuing a Veteran’s Memorial Park project that requires a waterline extension from the southeast corner of the Northern State property east across the park property to Helmick Road.

This system improvement will position other entities like the Upper Skagit Tribe to extend the water system to serve other areas. As the water system moves east and north, the land increases in elevation. This will require the installation of a booster pump station and reservoir to serve these areas.

Installation of conduit is not part of the minimum pipe requirements; however, conduit should be installed with this project to position the District to monitor its future systems through SCADA. The conduit may also be joined with fiber optics in the Northern State property from which SkagitNet may provide service to properties within the Upper Skagit Reservation.

Fiscal Impact:
Up to $8,500 from the System Development Fund. Actual costs will be determined at time of conduit purchase. Current inventory cost is $2.89 per foot; the estimate is based on a price of $4.25. The use of these funds is consistent with their intended purpose.

kac