PLEDGE OF ALLEGIANCE

CONSENT AGENDA
1. Approval of Agenda 08/29/19
2. Approval of Minutes 08/08/19 Commission Meeting
3. Ratification of Vouchers 08/13/19, 08/20/19, 08/27/19
4. Project Acceptance – Holtcamp RV Park Cook Road (Sedro-Woolley)
5. Policy #1022 Fixed Theft Sensitive Assets; Administrative Practice & Procedure (AP&P) #2045

TREASURER’S REPORT July 2019

AUDIENCE COMMENTS

OLD BUSINESS
6. Manager’s Report
7. Quarterly Report – Operations
   Rate Study, Cost of Service Analysis and System Development Fees

NEW BUSINESS
9. Water Policy Manual – Cross Connection Control Updates – Discussion
10. Resolution No. 2264-19 Competitive Purchase Waiver Bulk Water Fill Station – Action
11. Judy Reservoir to Mount Vernon Transmission Pipeline Phase 2
   Clear Valley Environmental Farms Easement Purchase - Action

MISCELLANEOUS

COMMISSIONER COMMENTS

12. Thirst Buster Demonstration

EXECUTIVE SESSIONS - Approximate 20-30 Minute Combined Duration
   Mundt Creek Water Rights – Per RCW 42.30.110(1)(i)(ii)
   Review Performance of a Public Employee – Per RCW 42.30.110(1)(g)

ADJOURNMENT

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

August 8, 2019

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 August 8, 2019.

The meeting was called to order at 4:30 PM. Those Commissioners in attendance were: Eron Berg, President; Al Littlefield, Vice President and Joe Lindquist, Secretary. Also in attendance were: George Sidhu, General Manager; Sally Saxton, Treasurer, Peter Gilbert, Attorney, and Kim Carpenter, Clerk of the Board; Audience: Andrew Entrikin, Port of Skagit County; Judy Littlefield, Les Walker, Sam Shipp; District Employees: Luis Gonzalez, Kathy White, Mark Semrau, Kevin Tate, Rob Sager, Bill Trueman, Brian Henshaw, Ed Heidt, and Jay Sedivy.

Commissioner Berg led the Pledge of Allegiance.

Commissioner Lindquist moved to approve the Consent Agenda for August 8, 2019

1. Approval of Agenda 08/08/19
2. Approval of Minutes 07/23/19 Commission Meeting
3. Ratification of Vouchers 07/30/19; 08/06/19
   No. 2873-Voucher Nos. 16076-16123 ($566,721.66)
   No. 2874-Voucher Nos. 16124-16184, Payroll Check Nos. 27145-27227 ($351,648.07)
4. Approval of Vouchers 08/08/19 Deleted
5. Project Acceptance
   Plat of Woodrow Place (Sedro-Woolley)
   Skagit Imaging Pavilion, Mount Vernon (Mount Vernon)
6. Policy #1014 Damage Claims

The motion passed unanimously.

There were no audience comments.

Under Old Business:

7. SkagitNET Update
   Mr. Entriken presented a SkagitNET update and handout that included a financial summary, balance sheet, OP profit as of June 13, expenses in the future, outside funding, capital projects, archaeological assessment, service connections, administrative forms and plan of initial plan of operations.

8. Manager Sidhu presented a Manager’s Report which included:

   • Application for drought funding; the District received funding for leak detection equipment in the amount of $16,550
• EPA Risk and Resiliency – Additional guidelines came out last week; will meet with the City of Anacortes tomorrow and will hopefully jointly come up with a plan to address EPA requirements and emergency response plan.
• State Auditor’s Office will begin the 2018 audit the week of August 19.

9. PUD Campus Location – Scope and Fee for Driftmier Architects- Action
The Commissioner has made the decision to remodel and/or expand the headquarters facilities. A recommendation was presented for Task Order No. 1 which includes facility assessment and schematic design as well as a request for authorization for a budget adjustment of $81,000. Discussion ensued regarding various aspects of the recommendation. Commissioner Lindquist moved to authorize the General Manager to execute Task Order No. 001 with The Driftmier Architects, PS in the amount of $175,718.00 for services to complete a schematic design for a new District headquarters facility and to authorize a budget adjustment to increase the 2019 amount for this project by $81,000. The motion passed unanimously.

Manager Sidhu reported that he and Finance Manager Henshaw met with NW Municipal Advisors to discuss the financing plan for funding the District’s capital program. A draft financing plan has been developed for the Board’s information and there will be milestones along the path that will call for Board direction. FCS Group will attend the Commission meeting of August 29 to discuss rates and the capital program. The District applied to the Public Works Trust Fund (PWTF) for multipurpose funding but did not receive funding.

NEW BUSINESS
11. Draft Fixed and Theft Sensitive Assets – Policy #1022 and Administrative Practice and Procedure (AP&P) #2045- Discussion
Manager Sidhu stated that Policy #1022 was last modified in 2005 and since that time there have been many changes that need to be addressed. This review and update aligns the policy and AP&P with current regulations, technology, and industry best practices. He stated that both the policy and proposed AP&P are being presented for discussion purposes. Staff will be through with asset review prior to the State Auditors being on site. Commissioner Berg stated he would like to see this item under the Consent Agenda on August 29.

12. Little Mountain Road Pipeline Extension Phase I-Preliminary Engineering MURRAYSMITH – Task Order No. 6 – Action
Manager Sidhu stated that this task is for preliminary engineering and the District would like to have them on board to show progress by January to seek additional funding. Commissioner Littlefield moved to authorize the General Manager to execute Task Order No. 6 with MURRAYSMITH in the amount of $568,474.00 for preliminary engineering services for the Little Mountain Road Pipeline Extension Project and create a budget line item called “Little Mountain Road Pipeline Extension” in the amount of $650,000 in 2019. The motion passed unanimously.
13. Emergency Water Rights Transfer Request by Drainage and Irrigation Districts 15 & 22 – Action

Manager Sidhu stated that Jason VanderKooy called this week and requested a temporary water rights transfer similar to 2015, but slightly different in that it would authorize 48 hours continuous pumping. The 2015 transfer included 5 cfs from the District and 15 cfs from the City of Anacortes. The request is for an immediate emergency transfer for watering crops. Discussion took place yesterday with DOE, the City of Anacortes and the Tribes. Manager Sidhu recommended going with the same process as in 2015. The pumping will be metered with no specific cost and using the rights allocated to the District; the City of Anacortes would wheel water to the District to offset the demand from allowing farmers to take water out of the river. Commissioner Berg moved to authorize and delegate authority to the General Manager to authorize a temporary emergency drought water right transfer with Department of Ecology. The motion passed unanimously. Manager Sidhu stated that DOE is preparing a temporary authorization similar to the copy in your notebook from 2015. Commissioner Berg stated he would like to see an addition to the Water Policy Manual to avoid future emergency action; Manager Sidhu replied that a permanent solution is necessary, and he would eventually like to see an agreement with the dike and drainage districts.

Under Miscellaneous, Manager Sidhu stated that the Commission notebooks include an obituary for Alvera Rothrock who worked for the District in the Customer Service Department for 32 years and a copy of the obituary for Bob Yale who also worked for the District over 30 years.

14. Cross-Connection Control Devices – Demonstration

At this time, President Berg recessed the regular meeting for the cross-connection control device demonstration. The meeting was recessed at 5:10 PM.

At this time, President Berg convened an executive session regarding Mundt Creek Water Rights per RCW 42.30.110(1)(i)(ii) for an approximate duration of 30-60 minutes. The executive session convened at 5:33 PM.

At 6:30 PM no audience members remained to notify that the executive session would extend beyond 60 minutes.

President Berg reconvened the regular meeting of the Commission at 7:20 PM.
Having no further business to come before the Board, Commissioner Littlefield moved to adjourn the meeting of August 8, 2019 at 7:21 PM. The motion passed unanimously.

Respectfully submitted:

____________________________________
Kim Carpenter
Clerk of the Board
Agenda Item #4

August 29, 2019

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: Holtcamp RV Park Cook Road
Reference: C.O. # 5031, Project # 3754
Location: Sedro-Woolley
Developer: Tom Holtcamp
Contractor: Kaaland Construction, 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

cc: George Sidhu, P.E., General Manager
    Michael E. Demers, Engineering Technician
Fixed and Theft Sensitive Asset
Policy #1022

In accordance with the authority granted by Board Resolution No. 2160-09, the Fixed and Theft Sensitive Asset Policy, as described below, is hereby established for Public Utility District No. 1 of Skagit County.

Purpose. The purpose of this policy is to provide stewardship over District resources through control of and accountability for the District’s assets and to collect and maintain complete and accurate capital asset records required for the preparation of the District’s financial statements. The District prepares its financial statements in accordance with Generally Accepted Accounting Principles.

1. The term *capital asset* includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations and have an expected useful life greater than one year and have an initial individual cost above the threshold established for each asset category.

2. When measuring “initial individual cost”, the District will include ancillary costs necessary to place the asset in its intended location and intended condition for use.

3. Donated assets will be capitalized if the fair market value exceeds the capitalization cost threshold as determined by a Bill of Sale or District estimate.

4. Betterments to existing assets (improvements that provide additional value to the asset and its useful life) will be capitalized when the cost of the improvement exceeds the capitalization threshold.

5. Expenses for maintenance and repairs that retain the asset’s value rather than add to its useful life are expensed when incurred, regardless of cost.

6. Initial depreciation is recorded in the year following the purchase or completed construction of the asset.
7. The District will manage capital assets purchased with grant funds and/or debt proceeds in accordance with any requirements established in the grant and/or debt documents; and in accordance to 2 CFR 200.33 for all federal grants.

8. A complete physical inventory of capital assets will be performed once during every five years. Assets that cannot be physically observed (such as underground infrastructure) will be “inventoried” with analytical or other procedures that reasonably support the existence of the asset.

9. Capital assets that are surplus to the District’s needs may be removed from the fixed asset ledger with approval by motion from the Board of Commissioners (See Fixed and Theft Sensitive Asset Procedures for steps to declare property surplus to the District’s needs).

10. Theft Sensitive Assets are small, portable, durable items that may not meet the minimum capitalization threshold but require special attention because of their potential to be stolen. Such assets will be affixed (or engraved if necessary) with an identifying tag number, when a serial number is not available, and tracked by location and user.

11. A complete inventory of Theft Sensitive Assets will be performed once every two calendar years.

12. Theft Sensitive Assets may be removed from the asset listing (for sale, disposal, or recycle) with the written approval of the Department Manager, Finance Manager, and General Manager.

13. District assets may be donated to another government agency or a non-profit organization with written approval of the Board of Commissioners.

14. The General Manager will approve written procedures designed to ensure compliance with these policies.

<table>
<thead>
<tr>
<th>Former Title/Policy #:</th>
<th>Fixed and Tagged Asset Policy #1022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date:</td>
<td>August 29, 2019</td>
</tr>
<tr>
<td>Revision Date:</td>
<td></td>
</tr>
<tr>
<td>General Manager Signature:</td>
<td>Date:</td>
</tr>
</tbody>
</table>
Fixed and Theft Sensitive Asset Procedures
Administrative Practice & Procedure #2045

Purpose
The District’s Fixed and Theft Sensitive Asset Policy #1022 provides stewardship over District assets and provides a means to collect and maintain complete and accurate records required for the preparation of the District’s financial statements. This document provides procedural guidance on how to apply the District Policy in day-to-day practices. In addition, these procedures will:

- Establish guidelines and criteria for fixed assets
- Establish guidelines and criteria for theft sensitive assets
- Monitor and safeguard District assets
- Comply with state regulatory requirements
- Provide accurate information for financial reports
- Provide information for insurance coverage
- Articulate practices to account for assets owned by the District, in accordance with generally accepted accounting principles
- Establish guidelines for physical inventories of assets

Definitions

Assets - are resources expected to add value to the organization. Assets may be real, intangible or tangible property and acquired through purchase, donation, or construction.

Asset Number - is a unique number assigned to each asset. It is used for identification in the asset database and may be the manufacturers serial number or a unique generated number.

Fixed Assets - are long-lived assets such as land, buildings, improvements, infrastructure, software, machinery and equipment. These assets can be tangible or intangible assets. The asset must exceed the cost threshold amount set out for its asset category and the estimated useful life of the asset must exceed one year. Examples of items not considered to be Fixed assets are desks, new carpet, and office remodeling.

Fixed Asset Cost Threshold - is the minimum cost per unit at which an asset must be valued to be considered a Fixed asset. The various Fixed asset categories have different cost thresholds as set out in this policy. Assets purchased with grant funds may have a different threshold amount
as stipulated by the grant. Usage and disposal of assets acquired by a grant are subject to the grant agreement which supersedes this policy.

**Capital Lease** - is any agreement entered into by the District involving the lease of property and granting the lessor rights to the property similar to those rights which would have existed if the agreement had been that of an outright purchase. For accounting purposes, such leases will be accounted for as Capital leases when the lease agreement meets GAAP criteria and the District's Fixed capitalization threshold.

**Construction-In-Progress (CIP)** - is a category of Fixed assets, which represent the cost of building, improvements other than buildings, infrastructure or equipment under construction. When completed, the total cost is removed from CIP and reported under the appropriate Fixed asset category. CIP is not depreciated.

**Depreciation** - is the systematic allocation of expending the exhaustible cost of Fixed assets according to their estimated useful lives.

**Donations** - are defined by GASB Statement No. 33, Accounting and Financial Reporting for non-exchange transactions, as a voluntary non-exchange transaction entered into willingly by two or more parties.

**Infrastructure** - refers to public property or public domain Fixed assets. It is defined as long-lived Fixed assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most Fixed assets. Examples of infrastructure are roads, water transmission and distribution lines, sewer lines, and fiber.

**Intangible Asset** - is a Fixed asset such as software or water rights, which has no physical substance but whose value comes from the long-term rights or advantages it offers to the owner.

**Physical Inventory** - is a systematic and periodic physical verification of the existence and location of Fixed assets, equipment, and theft sensitive assets assigned to a department.

**Land** - is a category of Fixed assets which includes all land and land rights acquired by the District for its own use. Acquisition could be by purchase, donation, trade and/or condemnation.

**Operating Lease** - is any lease agreement that does not qualify as a Capital lease. Periodic lease payments are accounted for as an operating expense.

**Original Cost** - is the sum of all costs necessary in placing an asset into service. Fixed costs begin to accrue when the District commits to purchasing the asset and ends when the asset is placed into service.

**Right-of-Way** - is the area of land needed to provide the right of passage that is a servitude imposed by law or convention, and by which one has a right to pass through the estate of another.

**Surplus** - assets are declared by the custodial department as no longer required or useful to that department.

**Theft Sensitive Assets** – are small, portable, durable items that may not meet the minimum capitalization threshold but require special attention because of their potential to be stolen. Examples of these items include but are not limited to tools, laptops, tablets, and phones. Regardless of initial acquisition cost, these items are tracked by the District, but are not capitalized.
**Useful Life** - is the estimated average life (in years) over which a depreciable Fixed asset is expected to provide service. This estimate should be made and updated periodically based on:

- Current conditions
- Expected future use including anticipated changes in future usage rates or patterns
- Anticipated replacement schedule
- Prior experience
- Environmental factors

**Applicability**

The Fixed and Theft Sensitive Asset procedures apply to all departments of the District.

Department Responsibilities - Department managers are responsible for protecting and controlling the use of District assets assigned to their department. This responsibility includes notifying the Finance Department of asset-related transactions and events, such as acquisition, retirement, disposal, transfers, loss, or theft.

The Finance Department is responsible for keeping records of all asset acquisitions, retirements, disposals, location transfers, and reported loss or theft of an asset. Any loss will be reported to the State Auditor’s Office as required by State law (RCW 43.09.185).

**Fixed Assets**

1. **Fixed Asset Accounting vs. Fixed Improvement Program Budgeting**

Project budgets may include funds for aspects of the project that should not be capitalized. In the accounting system, the decision to "capitalize" an expenditure – an expenditure that creates or adds to a Fixed asset – must follow the criteria contained in this policy regardless of funding sources used to build or buy the asset. The exception is for grant-funded projects, where the requirements of a grant may supersede the criteria contained in this policy.

2. **Acquiring Fixed Assets**

The District may acquire fixed assets via purchase, construction, or donation. In all three cases, the District’s work management system is used to track costs and ensure complete and accurate valuation of the assets.

- Purchased Fixed assets are purchased in close-to-serviceable condition, rather than being designed and constructed over time. Each individual item must meet the minimum threshold amount for its asset category.
- Fixed assets acquired through construction will be assigned a project number by the Engineering Department.
- Donations of fixed assets are part of a construction project and the District generally receives a Bill of Sale from the developer/owner. A copy of the Bill of Sale is provided to Finance and is used to identify the type and value of asset additions. The Bill of Sales value will be added to the project costs.
After each project is closed the related asset will be capitalized directly to Fixed assets. Assets are added to the District’s fixed asset ledger each month when appropriate with depreciation starting in January of the following year. A member of Finance will notify the District’s insurance provider of asset additions as necessary.

3. Betterments/Repair/Maintenance Expenses
Repairs and maintenance expenses help retain existing value in assets and help the asset to operate for its intended useful life. Repairs and maintenance do not add value, years of life, or capacity to the asset. Routine repair and maintenance costs will be expensed as incurred and will not be capitalized.

4. Improvements/Betterments
Improvements provide additional value by either lengthening a Fixed asset’s estimated useful life or increasing a Fixed asset’s ability to provide service and will then be capitalized for the full additional value. Depreciation charges for future periods will be revised based on the new book value and the new estimated remaining useful life when the cost of the improvement / betterment is above the capitalization threshold. No adjustment will be made to prior periods.

5. Depreciation of Assets
Except for land, which has an inexhaustible useful life, Fixed assets have limited useful lives and systematically decrease in value while used in operations. The District uses the straight-line method of depreciating its Fixed assets. The period of depreciation is based on the estimated useful life of the asset, as determined by department policy or the State of Washington's useful life schedule. CIP is not depreciated, however when the project is completed it is removed from CIP and recorded under its appropriate Fixed asset category. Depreciation commences on January 1st of the year following the project being deemed “substantially” complete by engineering.
The following table provides the capitalization threshold for each category of Fixed asset:

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Examples</th>
<th>Dollar Threshold</th>
<th>Useful Live</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Property parcels, Right-of-Way, Easement</td>
<td>Capitalize All</td>
<td>Non-depreciable</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>Land improvements - walkways, parking lots</td>
<td>$25,000</td>
<td>50 years</td>
</tr>
<tr>
<td>Buildings &amp; Improvements</td>
<td>Major refurbishment &amp; renovations (roof)</td>
<td>$25,000</td>
<td>20-50 years</td>
</tr>
<tr>
<td></td>
<td>Dams</td>
<td>$25,000</td>
<td>50 years</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Water transmission, Distribution &amp; supply lines</td>
<td>$5,000</td>
<td>30-50 years</td>
</tr>
<tr>
<td></td>
<td>Services</td>
<td>$5,000</td>
<td>30 years</td>
</tr>
<tr>
<td></td>
<td>Intakes, wells, reservoirs, standpipes, and hydrants</td>
<td>$5,000</td>
<td>30 years</td>
</tr>
<tr>
<td></td>
<td>Meters</td>
<td>$5,000</td>
<td>15 years</td>
</tr>
<tr>
<td>Network communication</td>
<td>Switches, radio systems, servers, etc.</td>
<td>$5,000</td>
<td>4 years</td>
</tr>
<tr>
<td>Electronic Systems Equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Machinery &amp; Equipment</td>
<td>General tools, printers</td>
<td>$5,000</td>
<td>10 years</td>
</tr>
<tr>
<td></td>
<td>Office equipment, Copiers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Office furniture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicles &amp; Power Operated Equipment</td>
<td>Vehicles, machinery and equipment</td>
<td>$5,000</td>
<td>6.67 years</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>Water Rights, Software developed or obtained for internal use</td>
<td>$5,000</td>
<td>varies</td>
</tr>
<tr>
<td>Grant-funded Equipment or Improvements</td>
<td>Any asset funded or partially funded by federal or state</td>
<td>*If grant requirements do not specify capitalization criteria, use the thresholds above</td>
<td>Per grant</td>
</tr>
</tbody>
</table>
6. Ancillary Costs
The District Capitalizes the following types of costs incurred with the purchase, construction, or donation of acquired assets. Normally, ancillary costs will be included in the cost of a fixed asset. However, minor ancillary costs not measurable at the time a fixed asset is recorded are not required to be capitalized.

Ancillary costs for Land may include:
- Legal and title fees;
- Professional fees of engineers, attorneys, appraisers, financial advisors, etc.;
- Surveying fees;
- Appraisal and negotiation fees;
- Damage payments;
- Site preparation costs; and
- Costs related to demolition of unwanted structures.

Ancillary costs for Infrastructure may include:
- Professional fees of engineers, attorneys, appraisers, financial advisors;
- Survey fees;
- Appraisal and negotiation fees;
- Site preparation costs; and
- Costs related to demolition of unwanted structures.

Ancillary costs for Buildings and Building Improvements may include:
- Professional fees of architects, engineers, attorneys, appraisers;
- Damage payments;
- Costs of fixtures permanently attached to a building or structure;
- Insurance premiums and related costs incurred during construction; and
- Any other costs necessary to place a building or structure into its intended location and condition for use.

For furnishings, equipment, or other fixed assets ancillary costs may include;
- Transportation charges;
- Sales tax;
- Installation costs; and
- Extended maintenance/warranty contracts or any other normal or necessary costs required to place the asset in its intended location and condition for use.

7. Intangible Assets including computer software
The District will capitalize the purchase or development of centralized computer software with costs above the threshold level and a useful life of more than one year. Computer hardware purchases are not capitalized as part of software fixed asset. If the cost of the computer hardware meets the fixed asset cost threshold, it will be capitalized as a separate fixed asset. Software development generally involves these phases and ancillary costs:

1. Capitalization of software costs should begin once the preliminary project phase is complete and management commits to funding the software project.
2. Capitalization costs should cease at the time at which the substantial testing is complete, and the software is ready for its intended purpose or rendered in service.

8. Fixed leases
These are agreements that meet at least one of the following criteria per GASB 34:

- Ownership transfers to the lessee by the end of the lease term
- A bargain purchase option is available in the lease
- The lease term is equal to at least 75% of the estimated economic life of the leased asset
- The present value of the lease payments equals at least 90% of the fair value of the leased asset

Leases that do not meet any one of the four criteria listed above are treated as an operating lease and the lease payments are recorded as rent. Fixed leases are recorded at an amount equal to the present value of the minimum lease payments but not to exceed the fair market value of the property.

9. Grant Funded Assets will be Capitalized based on the criteria specified by each grant
Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. These assets are identified in the asset system as grant funded for tracking purchases in the event of a sale or surplus of the item.

10. Recording Assets
Departments are responsible for reporting all Fixed and Theft Sensitive assets acquired by purchase, construction, donation or leases to the Finance Department using an asset acquisition form.

The Finance Department is responsible for the maintenance of an accurate Fixed and Theft Sensitive asset system based on the information provided. The asset system shall include the following information, if available, about a specific asset:

- Description
- Serial Number
- Model Number
- Asset Number
- Funding Source
- Purchase Date
- Purchase Price
- Location

A copy of the Fixed Asset Acquisition Form and a copy of the Purchase Invoice shall be kept on file in the Finance Department for the life of the asset.

11. Numbering of Assets
All assets shall be identified with a unique number. In the case of buildings, land, and certain improvements a number will be assigned to the item even though it will not be physically attached.
12. Updating Fixed Asset Information.
Fixed asset information shall be updated on a regular basis as information is received in the Finance Department and all files shall be updated at the time of the physical inventory and/or audit.

13. Retirements
Fixed asset retirements may occur due to replacement, abandonment, surplus, loss, theft, or involuntary conversion (fire, flood, etc.). The Department Manager who manages the asset is responsible for notifying the Finance Department via the Asset Transfer/Disposal Form or through the work management process when an asset is to be retired/disposed/surplused.

14. Disposal
Disposal or retirement of fixed assets requires approval by the Board of Commissioners, except when directly related to a construction project. Disposal will be made in whatever manner is determined to be most beneficial to the District. This may include sale, disposal, or any other means as determined by District management. When an asset is purchased with state, local, or federal funds, the disposal process must conform to the applicable state, local, or federal requirements.

15. Inventory
Periodically a complete physical inventory of all District property shall be conducted. The purpose of the inventory is to provide assurance that all district property is still in possession of the District and properly accounted for. The Finance Department will be responsible for administering the inventory process. Each department will conduct a physical inventory of the assets assigned to it by Finance, verifying the existence, location, and condition of each item and making note of any additions, deletions, change in location, or modifications of property that are not reflected on the list. The final inventory results will be reviewed and signed by the department manager before being returned to the Finance Department.

Written physical inventory instructions will be documented and distributed to each person participating in the inventory process. The instructions will describe:

- How and where to record each item
- What information to record
- What to do when they have a question
- What procedures to follow when they finish their assignments
- What procedures to follow when assets are located but are not on the list
- The procedure by which the person counting the assets attests to the accuracy of the count, such as by signing his or her name at the bottom of each inventory page, or signing a cover page for a group of pages sorted by another method (batches, location, equipment type, etc.), and
- How to record assets not being used or in obviously unserviceable condition
After the physical inventory is completed, the Finance Department will conduct the reconciliation process. Only when all differences have been identified and explained, is the inventory considered reconciled and complete. The reconciliation process should include the following steps:

- Search the inventory lists to determine whether inventory noted during the count as unrecorded is, in fact, listed on another portion of the inventory
- Enter unrecorded assets into the inventory system as soon as possible after discovery
- Verify the responsible department has made a reasonable effort to locate missing assets
- For assets not located, follow lost or stolen property procedures in this document

After the inventory is reconciled, the Finance Department will adjust the fixed asset ledger and the general ledger. Such adjustments will be reviewed and approved by the Auditor prior to being posted.

The reconciliation and the inventory listing serves as the support for the inventory balance and for accounting adjustments, if any, and will be retained by the Finance Department. The documentation will be retained in accordance with the approved records retention schedules.

**Theft Sensitive Assets**

1. **Theft Sensitive Assets**
   Regardless of initial acquisition cost, theft sensitive items are tagged and tracked by the District but are not capitalized. Examples of these items include but are not limited to tools, laptops, tablets, and phones.

2. **Additions**
   The District acquires theft sensitive assets through purchasing. Items requiring tracking will be identified by the requestor and Finance Department during the purchase order approval process. Stores staff are responsible for attaching asset tags and/or recording the assets serial number and providing notification of the asset to the Finance department.

   When payment for an item that is to be tracked is processed, the asset accountant will cross-reference with the notification of the asset tracking from Stores staff to ensure newly acquired theft sensitive assets are properly accounted for.

3. **Disposal**
   Assets may be disposed via recycle, garbage, auction, or donation. An Asset Transfer/Disposal form is required before the disposal can take place. The disposal must be pre-approved by the Department Manager, Auditor, and General Manager.

   - Theft sensitive assets may not be discarded without written authorization. Stores personnel will perform the disposal after receiving the completed Asset Transfer/Disposal form. Assets disposed via recycling or garbage must be witnessed by two people who both sign the form. After verifying the disposal has taken place Stores will forward the form to the Finance department who will remove the item from the Theft sensitive asset listing.
For assets sold or auctioned, the Auditor will complete the appropriate section of the Asset Transfer/Disposal form before the item is sold or auctioned. The Auditor or designee will be primarily responsible for coordinating the sale of all assets, including any assets placed on the public auction website.

Assets may only be donated to other governmental agencies or non-profit organizations with Board authorization. The Auditor will complete the appropriate section of the Asset Transfer/Disposal form before the item is donated. The Auditor or designee will be primarily responsible for coordinating the donation of all assets.

4. Transfer
A transfer occurs when the physical location of the tagged asset is changed from the location identified in the asset listing. Employees are responsible for completing an Asset/Transfer/Disposal Form and providing it to the Finance Department.

5. Inventory
Inventory of theft sensitive assets will be completed once every two years. The Finance Department will be responsible for administering the inventory process. The process will require that all theft sensitive assets be located and identified by tag or serial number. The record of tagged assets must be reconciled and items that cannot be located must be recorded as missing after a reasonable effort has been made to find them. The complete inventory and record of missing assets will be provided to the Auditor for review and follow-up.

SURPLUS AND DISPOSAL OF DISTRICT REAL PROPERTY

1. Establish the fair market value of the property preferably by an independent appraisal or by another method acceptable to the Board.

2. If the estimated value of the property is more than fifty thousand dollars ($50,000.00), the District shall hold a public hearing. At least ten days, but not more than twenty-five days prior to the hearing, there shall be published a public notice setting forth the date, time, and place of the hearing at least once in a newspaper of general circulation in the area where the property is located. The public notice shall identify the real property using a description which can easily be understood by the public and should describe the proposed use of the lands involved.

3. The Board of Commissioners must declare by resolution that the property is surplus to the District’s needs.

4. Sell the property by bid, negotiation, auction or any other appropriate method desired by the District.

5. If the property disposal will be part of a land swap or exchange all pieces of property should be appraised by an independent qualified appraiser. If the value of the property owned by the District exceeds the value of the property it is receiving, additional cash or
other consideration should be a part of the transaction. The values do not have to be identical, but there should not be significant disparity in the value of the property conveyed by the District. The Board may then authorize the District to negotiate with various parties concerning the proposed exchange. It is not necessary that the District use a bid procedure with regard to the sale or exchange of the property.

**LOST OR STOLEN PROPERTY**

When suspected or known losses of fixed assets or theft sensitive items occur, departments should conduct a search for the missing property. The search should include transfers to other divisions or departments, storage, scrapping, conversion to another asset, etc.

If the missing property is not found:

- Notify the department head.
- Have the individual deemed to be primarily responsible for the asset, as well as that individual’s supervisor, sign a statement to include a description of events surrounding the disappearance of the property, who was notified of the loss, and steps taken to locate the property.
- The Finance Department will report known or suspected losses of assets to the State Auditor’s office in accordance with RCW 43.09.185, and a copy of the report will be provided to the department head and General Manager.
- The Finance Department will remove the lost or stolen property from the department’s inventory and accounting records where applicable.

<table>
<thead>
<tr>
<th>Former AP&amp;P #:</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective Date:</td>
<td>08/30/19</td>
</tr>
<tr>
<td>Revision Date:</td>
<td></td>
</tr>
<tr>
<td>General Manager Signature:</td>
<td>Date:</td>
</tr>
</tbody>
</table>
### Balance of District Funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Revenue Fund</td>
<td>$9,397,578</td>
</tr>
<tr>
<td>Capital Project Construct</td>
<td>$1,857,437</td>
</tr>
<tr>
<td>System Development Fund</td>
<td>$4,551,574</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>$958,287</td>
</tr>
<tr>
<td>Bond Reserve Fund</td>
<td>$1,333,394</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$18,098,270</strong></td>
</tr>
</tbody>
</table>

### Investment of District Funds

<table>
<thead>
<tr>
<th>Fund</th>
<th>Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>LGIP</td>
<td>$15,228,750</td>
</tr>
<tr>
<td>Cash</td>
<td>$378,319</td>
</tr>
<tr>
<td>Govt Securities</td>
<td>$2,491,201</td>
</tr>
<tr>
<td><strong>Total Funds</strong></td>
<td><strong>$18,098,270</strong></td>
</tr>
</tbody>
</table>

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

- Fed Natl Mtg Assn (mat 10/19)
- Resolute Funding Corp (mat 7/20)
- Face Value
- Fed Natl Mtg Assn (mat 8/19) $500k

### Interest Rate

- LGIP
- FNMA
- RFC
- 2 YR US Treasury

### Graphs

- Pie chart showing balance of district funds.
- Pie chart showing investment of district funds.
- Line graph showing interest rates.
- Line graph showing market value vs. face value of government securities.
## Public Utility District No. 1 of Skagit County

### Treasurer Report

For the month ending July 31, 2019

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Customer Receipts</td>
<td>2,075,641</td>
<td>2,075,641</td>
<td>13.19%</td>
</tr>
<tr>
<td>System Development Fees</td>
<td>181,976</td>
<td>181,976</td>
<td>-9.43%</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>83,138</td>
<td>83,138</td>
<td>-30.45%</td>
</tr>
<tr>
<td>LUD, Int. &amp; Pen.</td>
<td>9,180</td>
<td>9,180</td>
<td>-24.88%</td>
</tr>
<tr>
<td>Investment Income</td>
<td>15,749</td>
<td>5,412</td>
<td>9,132</td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
<td>(196)</td>
<td>(196)</td>
<td>-106.82%</td>
</tr>
</tbody>
</table>

| Debt Proceeds: | | | |
| **Total Debt Proceeds** | 0 | 0 | 0 | 0 | 690,229 | 0 |
| Transfers from Other Funds | 0 | 0 | 0 | 269,815 | 269,815 | -77.02% | 1,174,083 | 268,731 | 1,066,313 |
| **Total Revenue** | 2,174,331 | 5,412 | 191,108 | 0 | 587,147 | 824,252 | 1,172,579 | 834,397 |

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>1,108,087</td>
<td>1,108,087</td>
<td>-9.16%</td>
</tr>
<tr>
<td>Utility &amp; City Taxes</td>
<td>185,763</td>
<td>185,763</td>
<td>-0.90%</td>
</tr>
<tr>
<td><strong>Total Operating Expenditures</strong></td>
<td>1,293,850</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

| Capital Expenditures: | | | |
| Capital Projects | 248,266 | 721,967 | 970,233 | 17.71% | 824,252 | 1,172,579 | 834,397 |
| **Total Capital Expenditures** | 248,266 | 721,967 | 0 | 0 | 910,233 | 824,252 | 1,172,579 | 834,397 |

| Debt Service Payments: | | | |
| Principal & Interest Payments | 587,147 | 587,147 | 7.63% | 545,548 | 0 |
| **Total Debt Service Payments** | 587,147 | 587,147 | 7.63% | 545,548 | 0 |
| Transfers to Other Funds | 269,815 | 0 | 0 | 0 | 269,815 | -77.02% | 1,174,083 | 268,731 | 1,066,313 |
| **Total Expenditures** | 3,951,170 | 721,967 | 0 | 0 | 3,121,045 | -21.01% | 3,951,170 | 2,707,679 | 3,074,830 |

| Increase (Decrease) in Fund Balance | 362,400.46 | 191,108 | (304,513) | (467,560) | (576,801) | 411,569 | (10,400) |

| Services sold: | | | |
| ERU's | 37 | 41 | 37 | 25 |
| Services | 19 | 27 | 28 | 22 |
| Re-Activations (under 10 years) | 4 | 4 | 10 | 7 |
| Re-Activations (over 10 years) | 0 | 0 | 2 | 0 |
For the seven months ending July 31, 2019

<table>
<thead>
<tr>
<th>Resources:</th>
<th>0.58%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Revenue:</strong></td>
<td>Comb. 26,018</td>
</tr>
<tr>
<td>Water Customer Receipts</td>
<td>13,682,435</td>
</tr>
<tr>
<td>System Development Fees</td>
<td>990,678</td>
</tr>
<tr>
<td>Capital Contributions</td>
<td>769,446</td>
</tr>
<tr>
<td>Grants</td>
<td>30,000</td>
</tr>
<tr>
<td>LUD Assessments, Interest, Penalties</td>
<td>96,725</td>
</tr>
<tr>
<td>Investment Income</td>
<td>107,087</td>
</tr>
<tr>
<td>Total External Revenue</td>
<td>14,655,693</td>
</tr>
</tbody>
</table>

| Debt Proceeds:                           | Comb. 0       |
| Debt Proceeds - DWSRF Loan Draws        | 0             |
| Debt Proceeds - Bonds                    | 4,000,000     |
| Total Debt Proceeds                      | 4,000,000     |

| Transfers from Other Funds               | Comb. 1,845,662|
| Total Revenue                            | 14,655,693    |

| Uses:                                    | Comb. 2,815,068|
| Operating Expenditures                   | 7,055,621      |
| Utility & City Taxes                     | 705,181        |
| Total Operating Expenditures             | 7,760,802      |

| Capital Expenditures:                    | 1,365,453      |
| Capital Projects                         | (30,039)       |
| Total Capital Expenditures               | (33,447)       |

| Debt Service Payments:                   | Comb. 0       |
| Federal Tax Credit for 2009B Bonds       | 2,357,328      |
| Total Debt Service Payments              | 2,357,328      |

| Transfers to Other Funds                 | Comb. 1,845,662|
| Total Expenditures                       | 11,666,917     |

| Increase (Decrease) in Fund Balance      | 2,988,776      |

| Services sold:                           | 2,471,051      |
| ERU’s                                    | 2,471,051      |
| Services                                 | 2,471,051      |


<table>
<thead>
<tr>
<th>YTD 2018</th>
<th>YTD 2017</th>
<th>YTD 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comb. 25,781</td>
<td>Comb. 25,490</td>
<td>Comb. 25,314</td>
</tr>
</tbody>
</table>
August 29, 2019

TO: George Sidhu, P.E., General Manager
FROM: Mark Handzlik, P.E. Engineering Manager
SUBJECT: Cross-Connection Control Requirements

Requested Action:
No action requested at this time.

Background:
Currently, the District policy references and relies on Washington Administrative Codes (WAC) for cross-connection control requirements, authority, and enforcement in the application of the District’s program. Furthermore, the WAC references and relies on the Cross-Connection Control Manual prepared by the Pacific Northwest Section of AWWA.

The District’s Cross Connection Control program has generally relied on these documents in the past; however, the referenced documents are written for very broad application of their use and in doing so leave open some interpretation of risk with ambiguous guidance. The ambiguous guidance has led to situations where our customers interpret cross-connection control requirements with a different perspective than the District. We are seeking to provide clarity on the District’s interpretation of those requirements through updates to our Water Policy Manual to help reduce the misunderstandings so customers can adequately plan for their projects.

An independently authored “Skagit PUD Cross-Connection Control Program Manual” is an efficient method to state the District’s polices related to cross-connection control, and a document that could act as a resource to our customers. The manual is being proposed as an appendix to the District’s Water Policy Manual and a draft is attached for your review.

The formation of the Cross-Connection Control Program Manual is proposed as a two-step process:

1) The initial introduction of the topic at today’s meeting, which consists of presenting draft sections that include: Definitions, Premises Isolation Requirements, and Facility Survey Schedule.
2) At a subsequent meeting, staff will discuss and ask for direction regarding the enforcement of the manual.

Staff are seeking comments and input on the topics included in the attached draft manual including agreement on premises isolation requirements. The remainder of the manual will be drafted around the direction provided on these subjects.

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

kac

Attached: Draft Cross-Connection Control Program Manual
CROSS-CONNECTION CONTROL PROGRAM MANUAL
CROSS CONNECTION CONTROL PROGRAM

PUD #1 of Skagit County
CROSS-CONNECTION CONTROL PROGRAM

TABLE OF CONTENTS
CROSS CONNECTION CONTROL PROGRAM

1. INTRODUCTION

2. DEFINITIONS:

AGRICULTURAL (farms and dairies) – TBD

APPROVED AIR GAP (AG) – a physical separation between the free-flowing end of a potable water supply pipeline and the overflow rim of an open or non-pressurized receiving vessel. To be approved the separation must be at least:

- Twice the diameter of the supply piping measured vertically from the overflow rim of the receiving vessel, and in no case be less than one inch, when unaffected by vertical surfaces (sidewalls);
- Three times the diameter of the supply piping if the horizontal distance between the supply pipe and a vertical surface (sidewall) is less than or equal to three times the diameter of the supply pipe. Or if the horizontal distance between the supply pipe and intersecting vertical surfaces (sidewalls) is less than or equal to four times the diameter of the supply pipe and in no case less than one and one-half inches.

APPROVED BACKFLOW PREVENTION ASSEMBLY – a backflow preventer assembled as a unit with properly located and approved shutoff valves and test cocks and currently recognized by the University of Southern California Foundation for Cross-Connection Control and Hydraulic Research (USC FCCCHR) as meeting metrical, construction and operating requirements acceptable to the District.

AUTHORITY HAVING JURISDICTION – the local official, board, department, or agency authorized to administer and enforce the provisions of the Uniform Plumbing Code as adopted under chapter 19.27 RCW.

AUXILIARY WATER SUPPLY – any water supply on or available to the premise other than the District’s approved public water supply. Auxiliary supplies may include water from another purveyor’s public water supply, or any natural source such as a well, river, lake, and/or reclaimed water or industrial fluids.

AUXILIARY WATER SUPPLY- APPROVED – an auxiliary water supply which has been investigated and approved by the administrative authority as meeting water quality regulations and that is acceptable to the District.

AUXILIARY WATER SUPPLY- UNAPPROVED – an auxiliary water supply that is not approved by the administrative authority, the District, or both.

BACKFLOW – the undesirable reversal of flow of water or other substances through a cross-connection into the District’s water system, or consumer’s potable water system.

BACKFLOW ASSEMBLY TESTER (BAT) – a person who is certified by the Washington State Department of Health to test backflow prevention assemblies.
CROSS CONNECTION CONTROL PROGRAM

BACKFLOW PREVENTION DEVICE – Refers to a backflow preventer that is not designed for in-line testing.

BACKPRESSURE – backflow caused by a pump, elevated tank, boiler, or other means that could create pressure within the system greater than the supply pressure.

BACKSIPHONAGE – a form of backflow due to a negative or sub-atmospheric pressure within a water system.

CERTIFIED CROSS-CONNECTION CONTROL SPECIALIST – an individual certified by the State and approved by the District to administer a cross-connection control program and to conduct cross-connection surveys.

CROSS-CONNECTION – any actual or potential connection or structural arrangement between a public or a consumer’s potable water system and any other source or system through which it is possible to introduce into any part of the potable system any used water, industrial fluid, gas, or substance other than the intended potable water with which the system is supplied. Bypass arrangements, jumper connection, removable sections, swivel or change-over devices and other temporary or permanent devices through which or because of which backflow can occur are considered to be cross-connections.

DEGREE OF HAZARD – the type of potential risk or hazard, such as pollution or contamination, that is determined by an evaluation of the conditions within a consumer’s water system.

DOUBLE CHECK DETECTOR ASSEMBLY (DCDA) – a backflow prevention assembly consisting of two approved double check valve assemblies, set in parallel, equipped with a meter on the bypass line to detect small amounts of water leakage or use.

DOUBLE CHECK VALVE ASSEMBLY (DCVA) – a backflow prevention assembly composed of two single, independently acting check valves, spring loaded to the closed position, and installed as a unit with, and between, two resilient seated shutoff valves and having four properly located resilient seated test cocks.

FACILITY SURVEY – an on-site review to assess the degree of hazard. A survey of the customer’s premises is not intended to be an inspection of the entire plumbing system; it allows a District cross-connection specialist to decide the degree of hazard and commensurate backflow prevention requirements. The District may waive an on-site review depending on information received from the customer, or when related to proposed new service connections.

FIRE PROTECTION SERVICE CONNECTION – a water service for fire protection that is fitted with such fixtures only as are needed for fire protection and is entirely disconnected from those used for other purposes.

HEALTH HAZARD – Any physical, chemical, biological, or radiological substance that may enter the drinking water supply and impair the quality of the potable water and may result in injury, poisoning, or the spread of disease.
CROSS CONNECTION CONTROL PROGRAM

IN-PREMISES ISOLATION – the practice of installing backflow prevention assemblies, devices or methods at the point of hazard.

IRRIGATION SERVICE CONNECTION – a meter installed solely for the purpose of metering irrigation water to a customer’s premises.

LOW HEALTH HAZARD – those contaminants which, at the levels found in the water, could cause adverse aesthetic problems to the drinking water supply such as taste, odor and color of the water but do not present a danger to public health.

MULTI-FAMILY RESIDENTIAL BUILDING – common wall residential buildings that consist of four or more units.

NON-POTABLE – any water, liquid, gas, or other substance that is not intended for human consumption.

NON-RESIDENTIAL SERVICE CONNECTION – all service connections that do not meet the definition of residential service connection. Does not include service connections dedicated solely to fire protection or irrigation systems.

POTABLE WATER – water which is safe for human consumption and free from harmful or objectionable materials that could cause injury, disease or harmful physiological effects.

PREMISES – any property where water service is provided, including all buildings, improvements, moveable and permanent structures.

PREMISES ISOLATION – the practice of protecting the public water supply by installing an approved backflow prevention assembly or an approved air gap at or near the service connection, and before any other branch connections, to isolate the consumer’s water system from the purveyor's distribution system.

REDUCED PRESSURE BACKFLOW ASSEMBLY (RPBA) – a backflow prevention assembly composed of two independently acting check valves spring loaded to the closed position and an automatically opening differential relief valve located between the two check valves. Installed as a unit with, and between, two resilient seated shutoff valves and having four properly located resilient seated test cocks.

REDUCED PRESSURE DETECTOR ASSEMBLY (RPDA) – a backflow prevention assembly incorporated of two approved reduced pressure backflow assemblies, set in parallel, equipped with a meter on the bypass line to detect small amounts of water leakage or use.

RESIDENTIAL SERVICE CONNECTION – a meter serving three or fewer common wall residential units.
3. PREMISES ISOLATION REQUIREMENTS

The control or elimination of cross-connections shall be in accordance with the provisions of WAC 246-290-490 and no less stringent than the following. Premises with activities or water uses that may create a potential or actual cross-connection require the premise owner to provide backflow prevention methods, as determined by the District, commensurate with the degree of hazard. The following list includes, but is not limited to, the type of premise, and/or the type of activity or water use, at or within a premise, that require backflow prevention, and the District’s minimum allowable method of backflow prevention for each.

<table>
<thead>
<tr>
<th>Description of Hazard or Premise</th>
<th>Minimum Protection at Service Connection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural (farms and dairies)</td>
<td>RPBA</td>
</tr>
<tr>
<td>Fire protection system*</td>
<td></td>
</tr>
<tr>
<td>With chemical injection</td>
<td>RPDA</td>
</tr>
<tr>
<td>Without chemical injection</td>
<td>DCDA</td>
</tr>
<tr>
<td>Hydroponics</td>
<td>RPBA</td>
</tr>
<tr>
<td>Irrigation system</td>
<td>RPBA</td>
</tr>
<tr>
<td>With chemical injection</td>
<td>DCVA</td>
</tr>
<tr>
<td>Without chemical injection</td>
<td></td>
</tr>
<tr>
<td>Large parcels (5+ acres)</td>
<td>DCVA</td>
</tr>
<tr>
<td>Non-residential service connection</td>
<td>RPBA</td>
</tr>
<tr>
<td>Residential booster pump</td>
<td>DCVA</td>
</tr>
<tr>
<td>Residential sewage pump, lift station and/or grinder pump</td>
<td>RPBA</td>
</tr>
<tr>
<td>Solar heating system, heat exchangers</td>
<td>RPBA</td>
</tr>
<tr>
<td>With chemicals</td>
<td></td>
</tr>
<tr>
<td>Without chemicals</td>
<td>DCVA</td>
</tr>
<tr>
<td>Survey access denied or restricted</td>
<td>RPBA</td>
</tr>
<tr>
<td>Unapproved auxiliary supply (well)</td>
<td>RPBA</td>
</tr>
</tbody>
</table>

*Backflow prevention not required on residential flow-through fire protection systems constructed entirely of approved potable water piping, materials and fixtures.

Backflow protection is allowed at the point of hazard for residential hazards such as, but not limited to, the following:

<table>
<thead>
<tr>
<th>Description of Fixture, Equipment, or Use of Water</th>
<th>Minimum Protection at Fixture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dialysis equipment</td>
<td>RPBA</td>
</tr>
<tr>
<td>Recirculating pumps</td>
<td>RPBA</td>
</tr>
<tr>
<td>Swimming pool</td>
<td>AG, RPBA</td>
</tr>
</tbody>
</table>

All other uses will require a facility survey, conducted by the District, to determine requirements for backflow protection.
CROSS CONNECTION CONTROL PROGRAM

4. FACILITY SURVEY SCHEDULE

A. The District will establish the priority of its facility surveys based on the risk management policies established by the District, and the minimum requirements imposed by the State Department of Health. The District may also establish more stringent requirements deemed necessary to reduce the risk of contamination of the public water supply system.

B. Facility surveys and customer communications will occur as follows:

1. NEW SERVICE CONNECTION
   - Upon application for water service, the District will interview the customer about the proposed use and use the information provided to determine the appropriate level of backflow prevention required. These requirements will be communicated to the customer prior to processing the application.
   - A passing test of the backflow prevention assembly shall occur, and a test report completed by a certified Washington State Backflow Assembly Tester must be received by the District.

2. EXISTING SERVICE CONNECTION
   - A facility survey is required when the District is notified of permit-driven activity or use changes.
   - Following a facility survey of an existing service, approved backflow prevention assemblies must be installed under the following time frame:
     - Low-Health Hazard - 90 days
     - High-Health Hazard - 30 days
     - Severe-Health Hazard - immediately

5. ENFORCEMENT

Phase 2 – Develop after discussion of CCC requirements
August 29, 2019

TO: George Sidhu, P.E., General Manager
FROM: Mark Handzlik, P.E., Engineering Manager
BY: Wendy LaRocque, Environmental Compliance Coordinator

SUBJECT: Sedro-Woolley Bulk Fill Station

Requested Action:
Adopt Resolution 2264-19 waiving the competitive process for the purchase of a curbside bulk water dispenser and allow a one-time direct purchase from Johlin Measurements Ltd. for $37,000.

Background:
As a result of increased need for trucked water during drought conditions and related increased risk to District water systems using hydrant meters, the District installed automated bulk water fill stations in the Bow Hill and Conway areas in 2015. These unmanned fill stations allow bulk water to be purchased and hauled by the customer or a delivery service.

The District has determined that the installation of a new fill station in the Sedro-Woolley area is necessary to better serve the mobile bulk water needs of the community.

In 2015, a Requests for Proposals (RFP) was prepared to select a vendor to design and build bulk water stations for the Conway and Bow Hill area. Through the 2015 RFP process, three vendors were evaluated based on experience, equipment, design, and cost. Johlin Measurements Ltd. was selected as a result of that competitive process in 2015.

The District is now ready to purchase another unit, to be located in the Sedro-Woolley area. Staff proposes to use Johlin Measurements Ltd. to maintain consistency within the units for ease of repair and compatibility with software programs within the units for tracking and cashiering. Purchasing the same unit and software programs will also reduce additional staff training time.

This action will provide an exemption to the District’s normal purchasing procedure as outline in Section 1.1.5 of District Resolution 2167-10 regarding purchasing procedures.

Fiscal Impact:
Funding for this project will come from 2019 budget line item number 7, Sedro-Woolley Bulk Water Fill Station. The $37,000 expenditure is consistent with the purpose and intended use of these funds. The Governor has declared a drought emergency in the Lower Skagit -Samish and the Upper Skagit Watersheds, among nearly half the watersheds in Washington State. The District will be applying for Department of Ecology Water Resources Drought Assistance (at 50% cost share) for this project.

kac
RESOLUTION NO. 2264-19

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, PURSUANT TO RCW 54.04.070 AND RCW 39.04.280, AND DISTRICT RESOLUTION NO. 2167-10 REGARDING PURCHASE OF A BULK FILL STATION.

WHEREAS, in 2015 the District initiated a Request for Proposal (RFP) process to select the most qualified vendor for two bulk water fill stations to be located along Bow Hill Road and within the Town of Conway; and

WHEREAS, Johlin Measurements Ltd. was selected through that RFP process; and

WHEREAS, the District now desires to locate a bulk water fill station at a Sedro-Woolley location; and

WHEREAS, the District desires to maintain consistency and compatibility with the two existing bulk water fill stations both in design and software; and

WHEREAS, Johlin Measurements Ltd. is providing software updates for all the bulk water fill stations at the time of installation of this unit.

NOW, THEREFORE, BE IT RESOLVED, that based on the foregoing facts, the Board of Commissioners of Public Utility District No. 1 of Skagit County, Washington, finds that it is in the public interest to purchase a unit that is consistent with the other two bulk water fill stations and compatible with the operation and point of sale software, and therefore finds that the requirements defined in RCW Chapter 54.04.070 and 39.04.280 and Section 1.1.5 of District Resolution No. 2167-10 with reference for such purchase are hereby waived.

ADOPTED by the Commission of Public Utility District No. 1 of Skagit County, Washington, at a regular open public meeting thereof this 29th day of August 2019.

Eron Berg, President

Al Littlefield, Vice President

ATTEST

Joe Lindquist, Secretary
August 23, 2019

TO: George Sidhu, P.E., General Manager
FROM: Mark Handzlik, P.E., Engineering Manager

SUBJECT: Judy Reservoir to Mount Vernon Transmission Pipeline Phase 2 Clear Valley Environmental Farms Easement Purchase

Requested Action:
Authorize the General Manager to acquire the necessary easements for the Judy Reservoir to Mount Vernon Transmission Pipeline from the Clear Valley Environmental Farms (aka Skagit Environmental Bank) for the negotiated amount of $281,520.

Background:
Following the selection of the transmission pipeline route in January 2017, District staff began moving forward with acquiring necessary easements. New easements needed to be acquired across several parcels owned by the Clear Valley Environmental Farm, which is also known as the Skagit Environmental Bank. These parcels cover much of the Nookachamps Valley. The easement purchase involves 2.04 acres of property at the previously negotiated price of $138,000 per acre.

On November 14, 2017, the Commission adopted Resolution 2254-17, which authorized the General Manager to secure easement necessary for the new Judy Reservoir to Mount Vernon Transmission Pipeline. Negotiations have included amending the Bank Use Plan and executing an agreement with Forterra for new encumbrances to the Conservation Easement overlaying the parcels.

Fiscal Impact:
Funding for easement acquisitions is provided through 2019 Budget Line Item No. 13 – Transmission Line Judy- MV Phase 2. The use of these funds is consistent with their intended purpose.

kac
Agenda Item #11

Clear Valley Environmental Farm, LLC

Invoice

Invoice: Skagit PUD - Loss of Credit for Easements
Date: August 9, 2019
RE: JR-MV Transmission Pipeline Easements

Bill to:
Public Utility District No. 1 of Skagit County
c/o Mr. Mark Semrau, PE
1415 Freeway Drive
PO Box 1438
Mt Vernon, WA 98273

<table>
<thead>
<tr>
<th>Easements</th>
<th>Acres</th>
<th>Cost</th>
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<tbody>
<tr>
<td>RR / Hwy 9 Easement</td>
<td>0.73</td>
<td>$ 100,740.00</td>
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<tr>
<td>Nookachamps Creek Crossing Easement</td>
<td>0.80</td>
<td>$ 110,400.00</td>
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<tr>
<td>Easement (not recorded)</td>
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<td>$ 70,380.00</td>
</tr>
<tr>
<td>Easement AF#604967 (omitted in exceptions)</td>
<td>0.17</td>
<td>$</td>
</tr>
</tbody>
</table>

Total Invoice                                      |    | $ 281,520.00 |

Total DUE                                           |    | $ 281,520.00 |

Please make checks payable to Clear Valley Environmental Farm, LLC and mail

Clear Valley Environmental Farm, LLC
Jeff Poetsch, Managing Member
1028 Wilmington Way
Redwood City, CA 94062

APPROVED FOR PAYMENT
Date: August 13, 2019
GL#: 
WO#: WAT 1005-1/9850
PO#: 
Sign: Mark Semrau
July 7, 2017

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

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

BY: Mark Semrall, P.E., Capital Project Manager

SUBJECT: Judy Reservoir to Mount Vernon Transmission Line Project

Proposed Easement Agreements with Environmental Bank

Requested Action:
No action requested at this time.

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

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

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

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

kac
September 6, 2017

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

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

BY: Mark Semrau, P.E., P.M.P, Capital Projects Manager

SUBJECT: Judy WTP to Mount Vernon Transmission Pipeline Project, Phase II Clear Valley Environmental Farms Easement Purchase

Requested Action:
Request the Commission to authorize the General Manager to execute the Cost Reimbursement Agreement with the Clear Valley Environmental Farms.

Review changes to the Mitigation Credit Purchase Sale and Option Agreement with Clear Valley Environmental Farms which was previously authorized for execution by General Manager Sidhu at the July 25, 2017, regular meeting of the Commission.

Background:
The new route for the Judy WTP to Mount Vernon Transmission Pipeline Phase II will have an impact on existing wetlands; however, the impact will not be fully known until the design is completed and the project permits have been issued. The use of mitigation credits is a viable way to address these wetland impacts. The pre-purchase of this one (1) mitigation credit allows the District to set the price of future mitigation credits that may be needed for this project.

The new transmission pipeline alignment will also require new easements from the Clear Valley Environmental Farm. These new easements require that Clear Valley Environmental Farm amend the Mitigation Banking Instrument and the Conservation Easement. The Cost Reimbursement Agreement requires Clear Valley Environmental Farm to proceed with amending the two documents and requires the District to pay for the cost of these amendments.

The Mitigation Credit Purchase Sale and Option Agreement also sets the land value for easements that the District needs to obtain from the Clear Valley Environmental Farm.

Fiscal Impact:
The cost for this pre-purchased mitigation credit and the cost reimbursement has been accounted for in the project budget for FY2017.
November 2, 2017

TO: George Sidhu, P.E.
FROM: Mark Handzlik, P.E.
BY: Mark Semrau, P.E., PMP
SUBJECT: Clear Valley Environmental Farms Conservation Easement Amendment

Requested Action:
Adopt Resolution 2254-17 stating the charter and intent of the District to provide water supply within Skagit County for the public health and safety and clarify the General Manager’s authority to negotiate property and easement acquisition.

Background:
The District desires to construct a new transmission pipeline from the City of Mount Vernon where the previous project terminated, to the Judy Reservoir Water Treatment Plant. This project completes the transmission line replacement as identified in the District’s Water System Plan.

The route of the new transmission line will follow the alignment of the existing pipeline for a portion of the project. In other areas, a new alignment will be chosen to provide greater access for maintenance and repair throughout the year. This new alignment will go through lands where the District does not currently have an easement, including a portion that will run through property owned by the Clear Valley Environmental Farms, LLC.

To accomplish this project, the Mitigation Banking Instrument and the Conservation Easement will need to be amended to include additional utility easements. The Commission has already authorized the General Manager to enter into agreements for proceeding with these amendments. These new easements are allowed, but a resolution from the Commission will help establish the “public good” nature of the project. Specifically:

- There is a clear resolution that this action is for public health and safety,
- The District has the right of eminent domain, and
- The District recognizes the sequencing requirements of the SEPA to avoid, minimize, and mitigate for adverse environmental impacts.

The Resolution will also clarify the General Manager’s authority to negotiate the purchase of easements and rights of way.

Fiscal Impact:
There is no financial impact associated with this resolution that was not captured in the project budget.

kac
RESOLUTION NO. 2254-17

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, AUTHORIZING THE GENERAL MANAGER TO SECURE EASEMENTS NECESSARY TO IMPLEMENT THE JUDY RESERVOIR TO MOUNT VERNON PIPELINE

WHEREAS, Public Utility District No. 1 of Skagit County, Washington, as part of the District’s preparation of its 2013 Water System Plan, has performed a distribution system analysis that evaluated the water system during a peak hour demand analysis and a maximum day demand plus fire flow analysis, and

WHEREAS, the most significant project that was identified during analysis to meet the peak hour demand was the transmission line between Judy Reservoir and the City of Mount Vernon (the “Project”), and

WHEREAS, the Project is necessary to protect public health and safety by ensuring adequate and redundant water supply and fire flow to the District’s most populated area, and

WHEREAS, the District’s purchasing policy authorizes the General Manager to make purchases less than thirty-five thousand dollars ($35,000) without approval of the Commission, and

WHEREAS, the Project will likely require additional utility easements, some of which may be on properties with existing conservation easements and other deed restrictions that may require amendments and other third-party actions and/or condemnation actions by the District.

NOW, THEREFORE, BE IT RESOLVED that the Commission authorizes its General Manager to take those actions necessary to secure the easements required to implement the Project, authorize the purchase of individual easements up to thirty-five thousand dollars ($35,000), to bring condemnation recommendations to the Commission, all pursuant to the legal rights provided to the District.

BE IT FURTHER RESOLVED that the District is committed to ensuring that in the implementation of this Project, significant adverse environmental impacts are avoided, or, if avoidance is not possible, minimized to the greatest extent possible under the circumstances with adequate mitigation provided, during the State Environmental Policy Act (SEPA) process for the Project.

ADOPTED by the Commission of Public Utility District No. 1 of Skagit County, Washington, at a regular meeting held this 14th day of November, 2017.

Robbie Robertson, President

Eron Berg, Vice President

ATTEST Al Littlefield, Secretary