

MINUTES OF THE REGULAR MEETING OF THE COMMISSION PUBLIC
UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON
April 20, 2010

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 April 20, 2010.

The meeting was called to order at 4:30 PM. Those Commissioners in attendance were: Jim Cook, President; Robbie Robertson, Vice President; and Al Littlefield, Secretary. Also in attendance were: Dave Johnson, General Manager; Mark Fredlund, Treasurer; Christine Blake, Auditor; Larry Saunders, Engineering Supervisor; David Ostergaard, Operations Manager; Vanessa Dales, Accountant; Kevin Tate, Community Relations Manager; Doug McConnell, Contract Administrator; Pete Gilbert, Attorney; George Campeau, former District Inspector; Dale Rettinghouse; Mr. & Mrs. David Johnson, Sr.; and Kim Carpenter, Recording Secretary.

Commissioner Littlefield led the Pledge of Allegiance.

At this time, Manager Johnson introduced new District employees, Vanessa Dales, Accountant and David Ostergaard, Operations Manager. Each gave a brief introduction and they were welcomed by the Commission to the District.

Commissioner Littlefield moved to approve the Consent Agenda for April 20, 2010:

- a. Approval of Minutes - Commission Meeting 4/6/10
- b. Approval of Vouchers
No. 2332 – Voucher Nos. 81655-81726, Payroll Warrant Nos. 24864-24876 (\$449,850.82) 4/13/10
No. 2333 – Voucher Nos. 81727-81768 (\$175,895.92) 4/20/10
- c. Project Acceptance – Burlington Heights Drive, Bendtsen Heights (Burlington)

The motion passed.

Under Old Business, Manager Johnson presented the Manager's Report which included the following items:

Grounds Maintenance Services

Sterling Lawn Service accepted the Agreement for Groundskeeping Services and began landscaping duties April 9.

Gilligan Creek 2009 Winter Storm Hazard Mitigation Work

Two bids were received on April 15. The apparent low bidder is TBH & Associates at \$146,827.32; the next lowest bid was submitted by Condon-Johnson & Associates at \$171,675.53. A budget update will be completed and the revised budget will be presented to FEMA for approval. Commissioner Cook asked how the project was bid; Engineering Manager Saunders replied through the Small Works process and that two bids were received. Commissioner Cook asked what the engineer's estimate was for the project; Engineering Supervisor Saunders replied that he did not have the exact number with him, but that the bids were slightly over the engineer's estimate. Manager Johnson stated that the small works roster is available on the District's website.

Booster Pump Station to assist Pleasant Ridge Area

Mapping is complete and detail design is underway. Engineering Supervisor Saunders explained the project design.

Community Relations

Community Relations Manager Tate reported on the following community events:

Schmooze Fair: The District was well represented at the annual Schmooze Fair with over 300 visits to our booth, where staff had the opportunity to share simple water-saving ideas people can use at home or work.

Energy Savings Workshop: The District had a display table at the Energy Savings Workshop held at the Concrete Senior Center on April 15. The event was sponsored by WSU Extension Climate Stewards Program in partnership with Padilla Bay. The workshops are designed to provide education on ways to reduce household carbon footprints. The District had information and materials available on the rain barrel program, WaterSense labeled products, and 5-minute shower timers.

Earth Day Celebration & Planting: A team from Skagit PUD braved the rain and mud to help celebrate Earth Day on April 17 by restoring riparian habitat along Hansen Creek at Northern State Recreational Area County Park. Over 130 volunteers turned out for the event, installing 16,000 native trees and plants. The event was sponsored by Skagit Parks Foundation in partnership with Skagit Fisheries Enhancement Group, Upper Skagit Indian Tribe, and the Skagit County Physical Activity Coalition.

Swinomish Earth Day activities will be held on Saturday this week. CR Manager Tate encouraged the Commission to come out.

Manager Johnson stated that he would be cooking pancakes on Saturday for the YMCA-Oasis Teen Shelter pancake breakfast fundraiser sponsored by Mount Vernon Rotary and YMCA, and encouraged staff and Commission to attend

Water Quality

For approximately the past five weeks, the District has been experiencing moderate levels of unpleasant tastes and odors (T/O) at multiple locations throughout our distribution system. What set the current T/O issue apart from past occurrences is the earlier time of year and the significant lower level of algae growth in the reservoir. In the past, T/O issues have been associated with elevated levels of algae growth in the reservoir, during specific times of the year.

The Water Quality Division is taking several different steps to address the current T/O issues while laying the foundation for how the issues are handled in the future. We have been communicating daily with the treatment plant, have conducted aesthetic sampling at over 35 different sites throughout distribution, are awaiting the results of a new 10-component sampling panel that has recently been sent to an advanced CH2M Hill lab in Corvallis, Oregon and are in the midst of establishing a PUD employee involved Flavor Profile Analysis team (water testing).

Discussion ensued regarding taste and odor issues, including reservoir depth temperatures, algae sources, reservoir chemistry with addition of Skagit River water, number of calls received, and use of Anacortes water and the District's water supply agreement with the City. Commissioner Robertson asked if Fidalgo Island infrastructure is self-sustaining in costs and stated he would like to see the numbers.

Under New Business, Engineering Supervisor Saunders presented a request for use of System Development Funds for pipe upsizing in conjunction with the State Route 20, Township East to Skagit Farmers Development Project. He stated that Skagit Farmers plan to tear down the old facility and build a new one. He stated that the customer is required to install approximately 652 feet of 8-inch ductile iron pipe along the south side of State Route 20 from Township Street to the east property line of the development to provide water service to proposed lots. He stated the District is proposing to upsize the required 8-inch to 12-inch plant to meet future anticipated demands. The estimated difference in cost of material between 8-inch and 12-inch ductile iron pipe is \$10,000.00. Manager Johnson recommended approval and requested authorization for use of System Development Funds. Commissioner Robertson moved to approve upsizing in conjunction with the State Route 20, Township East to Skagit Farmers Development Project and to authorize use of System Development Funds in the amount of \$10,000.00. The motion passed.

Under New Business, Treasurer Fredlund presented an overview of the Financial/Customer Information System Software selection process to date including the use of a graph illustrating the 10-year total cost of ownership and how staff arrived at selecting Tyler, the preferred provider. Discussion ensued regarding various aspects of the process and the impact of implementation of a new system on staff. Manager Johnson stated that the plan is to use the software out of the box and customize District processes to fit the software, which is much less costly than customizing the software to fit the District. He stated that financial systems will be implemented first and will be up and running prior to implementation of the customer information system. Treasurer Fredlund requested a motion to authorize the General Manager to proceed with contract negotiations. Attorney Gilbert recommended inclusion of language regarding non-binding arbitration with appeal to a Skagit County venue. Commissioner Robertson moved to authorize the General Manager and Treasurer to proceed with contract negotiations with Tyler for the purchase and implementation of Financial/Customer Information System Software. The motion passed.

Under Miscellaneous, Manager Johnson stated that the Mayor of the Town of Lyman has signed the Interlocal Cooperative Agreement with the Town of Lyman for Emergency Infrastructure Repairs and the agreement will be brought before the Commission at an upcoming meeting for approval.

Also Under Miscellaneous, Manager Johnson shared a note of thanks he received from Elson Floyd, President of Washington State University, regarding his attendance at the Economic Development Association of Skagit County (EDASC) meeting last week.

Under Audience Comments, George Campeau stated that he was glad to hear that Skagit Farmers were upgrading their facility.

Dale Rettinghouse addressed the Commission regarding questions concerning an agreement to waive water pipeline extension requirements, unless property is developed beyond his parcel. Discussion ensued regarding the process to date. Attorney Gilbert stated that the draft agreement was sent to Engineering Supervisor Saunders and has also been forwarded to Manager Johnson and Treasurer Fredlund for review. Commissioner Cook commented on the System Development Fee increase; Manager Johnson recommended that Mr. Rettinghouse be grandfathered in to the fee prior to the April 15 increase; the Commission concurred with the recommendation. Manager Johnson stated that the agreement will be sent to Mr. Rettinghouse for signature and then presented to the Commission for approval at an upcoming meeting. Mr. Rettinghouse stated that he had concerns regarding the trigger for development beyond his property; Manager Johnson replied that issue is addressed in the agreement.

Under Commissioner Comments, Commissioner Littlefield gave a brief summary of his attendance at the retirement party for Steve Johnson, outgoing Executive Director of the WA PUD Association (WPUDA).

Under Commissioner Comments, Commissioner Robertson commented on the fact that Steve Johnson has been the Executive Director of WPUDA for 24 years and how lucky the Association was to have him. He stated that John Kounts will act as the interim Executive Director until the position is filled. Commissioner Robertson stated that he is currently President of the WPUDA Executive Board and in their search for a new Executive Director are finding that there are not many young people in the industry and there appears to be a need for community outreach. Commissioner Robertson asked if the District can offer internships; Manager Johnson replied yes.

Under Commissioner Comments, Commissioner Cook stated that he will be attending the Skagit Council of Governments (SCOG) meeting tomorrow at 2:30. Manager Johnson stated he plans to attend the meeting as well.

At this time, President Cook recessed the regular meeting to go into executive session to discuss potential litigation regarding the proposed settlement agreement with Hawk Mechanical Contractors for the WTP Expansion Project for an approximate duration of 30 minutes. The meeting was recessed at 5:37 PM.

The Executive Session convened at approximately 5:42 PM.

President Cook reconvened the regular meeting of the Commission at 5:57 PM.

Under New Business, Manager Johnson presented Change Order No. 9 to the Water Treatment Plant Expansion Project with Hawk Mechanical Contractors, Inc., in the amount of \$121,174.69. Manager Johnson reviewed the proposed change order which includes extension of the substantial completion date by 298 calendar days and agreement to pay above referenced costs outlined in the proposed Settlement Agreement. Manager Johnson recommended approval and requested authorization for the General Manager to sign said Change Order on behalf of the District. Commissioner Robertson moved to approve Change Order No. 9 to the Water Treatment Plant Expansion Project with Hawk Mechanical Contractors, Inc., in the amount of \$121,174.69, and to authorize the General Manager to sign said Change Order. The motion passed.

Under New Business, Manager Johnson presented a Release and Settlement Agreement between the District and Hawk Mechanical Contractors, Inc., Razz Construction, Inc., Concrete Restoration, Inc., and First Mercury Insurance Company. Commissioner Robertson moved to authorize the General Manager to enter into and sign the

aforementioned Release and Settlement Agreement in the amount of \$451,727.00. The motion passed.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of April 20, 2010 was adjourned at 6:00 PM.

ATTEST

Jim Cook, President

Al Littlefield, Secretary

Robbie Robertson, Vice President