

MINUTES OF THE WORK SESSION OF THE COMMISSION  
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

July 20, 2010

A Work Session 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 July 20, 2010.

The work session 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; Gary Chrysler, Information/Communication System Administrator; Mike Benton, Engineering Technician; Dave Ostergaard, Operations Manager; Jones Atterberry, District 3 Commissioner Candidate; Peter Gilbert, Attorney; and Kim Carpenter, Recording Secretary.

At this time, President Cook recessed the work session to go into executive session to discuss potential litigation regarding COMgroup – Mount Vernon to Concrete Broadband Connectivity Project for an approximate duration of 20 minutes. The meeting was recessed at 4:35 PM.

Information/Communication System Administrator Chrysler, Engineering Technician Benton and Attorney Gilbert exited at the conclusion of the executive session.

President Cook reconvened the regular meeting of the Commission at 4:55 PM.

The Agenda includes the following topic for the work session:

- Financial Policy Discussion

Auditor Blake stated that financial policy is a broad area and today's presentation touches on useful areas for formal written policies.

The power point presentation (copy attached) included the following:

- Discussion Outline
- Why are we here
  - Why do we need Financial Policies?
  - Long-term financial strength of PUD
  - Bond rating agencies like to know we have policies and reserves
  - Continuity over time
  - Clarity in our approach to the annual budget process
  - Good business practice: The Government Finance Officers Association and the National Advisory Council on State and Local Budgeting "strongly recommend" adopting formal financial policies.
- Financial Policy Overview
  1. Stabilization of Funds
  2. Debt Issuance and Management, including Debt Level and Capacity
  3. Evaluate the use of Unpredictable Revenues – System Development Fees are a good example
  4. Balancing the Operating Budget
  5. Contingency Planning
  - Financial policies should be continually reviewed and updated to address our needs.
  - Future Policy Considerations:
    - Operating Budget
    - Debt Management
    - Investments
    - Capital Improvement
- Current and Proposed Structure of Our Funds

- Discussion/Recommendations
  - Revenue Fund
  - Bond Fund
  - SDF
  - Customer Deposit Fund
  - Construction Fund
  - Major Capital Fund
  - Rate Stabilization Fund
  - Renewal and Replacement and Opening Tax Funds
  - Other recommended policies:
    - Capital Budget – establish annual commitment to capital renewal, replacement and equipment.
    - Balanced Budget – define what “balanced” means, and establish a commitment to avoid using reserves to balance the budget.
- Summary of Policy Recommendations:
  1. Establish a targeted minimum balance for the reserve fund
  2. Consider limiting our reliance on SDF for debt repayment
  3. Eliminate unneeded funds: Consumer Deposit, Renewal and Replacement and Operating Tax Funds
  4. Establish guidelines for the Major Capital Projects Fund – definitions, funding, borrowing from the fund and changing designated use of project money
  5. Rate Stabilization Fund – Actively use this existing fund to set aside money for emergencies and budget shortfalls. Identify a plan to establish, build, and maintain fund balance. Identify allowable use of funds and our target minimum balance.
  6. Establish an annual Capital Budget commitment and funding plan
  7. Establish our commitment to approving “balanced budgets”

Discussion ensued regarding various aspects of the information presented. Auditor Blake stated that she has copies of Franklin and Benton PUD financial policies if the Commission is interested.

The work session was adjourned at 6:30 PM.

ATTEST

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Jim Cook, President

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Al Littlefield, Secretary

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Robbie Robertson, Vice President