

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

September 15, 2009

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 September 15, 2009.

The meeting was called to order at 4:32 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; Greg Peterka, Engineering Manager; Harry Meyer, Special Project Coordinator; Gary Riddle, Ron Sheahan, Tyrone Kaech, Wes Stene, Alan Staniford, Jim Lee, Meter and Construction Personnel; Kristen Whitner, Mount Vernon Chamber of Commerce; Ken Saunderson, Hamilton/Saunderson; Bud Norris, Mayor and Eric Stendal, City of Mount Vernon; Alan Dashen and Scott Bauer, Dashen & Musselman; Peter Gilbert, Attorney; and Kim Carpenter, Recording Secretary.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for September 15, 2009:

- a. Approval of Minutes – Commission Meeting 9/1/09
- b. Approval of Vouchers
  - No. 2300 - Voucher Nos. 80307-80348 (\$1,159,277.06) 9/8/09
  - No. 2301 - Voucher Nos. 80349 (\$1,118.48) 9/10/09
  - No. 2302 - Voucher Nos. 80350-80397, Payroll Warrant Nos. 24653-24671 (\$303,832.65) 9/15/09
- c. Project Acceptance - Knapp Road; Creekside Meadows (Mount Vernon Rural)

The motion passed.

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

**Judy Reservoir – Mount Vernon Transmission Pipeline Phase I Project and Kulshan Force Main Project**

Shoreline Construction has begun planning for the testing and future tie-in of the new 36-inch transmission line. The connection into the existing 24-inch transmission line has taken place at College Way near the Seventh Day Adventist Church, which consisted of a hot tap; a 24-inch valve has been installed to facilitate the connection to the new 36-inch waterline. Shoreline plans to start filling the new 36-inch waterline this week and will proceed with hydrostatic and bacteriological testing before the final connection at LaVenture Road.

The LaVenture tie-in is considerably more complex and will involve coordination between the contractor and District personnel. Since the existing 24-inch transmission line must be shut down and drained for this connection, Draper Valley Farms will be served water from the 9<sup>th</sup> & Highland tank, which will supply them with less pressure than normal. Because of this, Draper Valley Farms has asked the District if the connection can be made over a weekend in order to minimize their concerns and any impacts to their operation. Although this will result in additional overtime to be paid by the District, staff is inclined to schedule this shutdown for a weekend, probably in October. Discussion ensued regarding the potential impact to Draper Valley Farms and the Commission indicated their preference is for staff to work with and accommodate Draper Valley Farms.

At this time, Commissioner Cook moved forward on the agenda to New Business.

Under New Business, Manager Johnson state that City of Mount Vernon Mayor Bud Norris had requested time on the agenda to discuss the Mount Vernon Marketing Campaign. Mayor Norris thanked the Commission for their time and participation in the campaign, which he stated has been successful. He stated that Ken Saunderson would address the advertising portion of the campaign and where it is headed. Mr. Saunderson presented an overview of the campaign to date which included a handout from the Mount Vernon Community Marketing Committee entitled Impact of 2009 Marketing Initiatives, Phase I: February-May 2009 and Draft Marketing Action Plan and Budget Phase II: June 2009-

May 2010. Mr. Saunderson elaborated on various elements of the handout including radio, video, print ads, web site visits, additional marketing campaign stakeholders, investment summary of phase I and draft plan for phase II. Discussion ensued regarding various aspects of the marketing plan.

Mayor Norris presented an overview of the City's plans for redevelopment of the downtown waterfront including an illustration of a commercial and residential area from Division Street to Lion's Park. Mayor Norris stated he appreciates the District's cooperation with City projects including the widening of Freeway Drive and the College Way/LaVenture Road water and sewer pipeline project, adding that cooperation has never been better. Discussion ensued regarding various elements of the redevelopment plans. The Commission thanked Mayor Norris and Mr. Saunderson for coming.

Under New Business, Manager Johnson stated that Alan Dashen of Dashen & Musselman was present to give an overview of the upcoming bond sale. Mr. Dashen introduced Scott Bauer and stated they would present a financing overview of the \$5 million Water System Revenue Bonds, 2009. Mr. Dashen reviewed the upcoming schedule including rating to be received, bond sale, board meeting to approve the sale and bond closing. Mr. Bauer addressed market conditions including bond buyer 20-bond general obligation index from September 1999 to 2009 and the market yield curve municipal market data index, indicating a very strong bond market. Mr. Dashen spoke to bond structuring options of level debt service or wrapped debt service and advantages and disadvantages of both. Mr. Dashen also addressed Build America Bonds (BABS) and explained the advantages and disadvantages of taxable bonds. Discussion ensued regarding various elements of the information presented, including reliability of BABS, upfront costs, ongoing maintenance aspect, and whether the District can get the required paperwork in order in time for the BAB option. Mr. Dashen stated that the Commission may need to meet earlier in the day on September 29 for the bond sale if the BAB option is chosen. Mr. Dashen stated that he will work with Treasurer Fredlund on the bond structuring options and that Mark would report back to the Commission next week. Commissioner Littlefield asked about meeting on September 29 at 11:30; Mr. Dashen replied that time would work. Discussion continued regarding bond interest rates, basis points for BABS, mandatory call requirements and penalties, and interest and costs associated with level and wrap structures. The Commission thanked Mr. Dashen and Mr. Bauer for their time.

At this time Commissioner Cook returned to the Manager's Report under Old Business.

#### **Judy Reservoir – Mount Vernon Transmission Pipeline Phase I Project and Kulshan Force Main Project** (continued)

Manager Johnson shared photographs of the tie-in at the Seventh Day Adventist Church on College Way. Engineer Peterka stated that the project has been fairly smooth, but there will most likely be change orders for the shutdown, reconciling quantities and a conflict not shown on the plans.

#### **Marblemount LUD No. 28**

The final assessment hearing will take place next Tuesday, September 22 at 6:30 PM. Staff is preparing PowerPoint presentations to view during the hearing. Jim Dodge (Macaulay & Associates) and Steve DiJulio (Foster Pepper) will be attending with a court reporter. Manager Johnson requested that Engineer Meyer give an update regarding feedback from property owners regarding the assessments. Engineer Meyer stated that the calls he has received concern not having funds to pay the assessment, disagreement between the benefit and assessment to property and open space issues. He stated that he has referred property owners to Rural Development for financing assistance and that Elizabeth Elliot will attend the assessment hearing to represent Rural Development; Jim Dodge will be present to answer questions regarding property appraisal and special benefit levels; and open space issues have been referred to Steve DiJulio. Discussion ensued regarding the initial reason property owners sought the Marblemount LUD (red flag warnings on wells by DOH), work by staff to attain grant funding and financial participation by the District. Manager Johnson stated that a system may need to be installed at Marblemount in the future, similar to water quality equipment installed at Skagit View Village for iron and manganese testing. He stated the District is currently testing the system on a regular basis to determine the presence of iron and manganese in the water.

**Emergency Planning Drill**

Select staff will be responding to a broadcast by the weather service that will announce a test tsunami/earthquake scenario. This drill has precipitated additional PUD interest in participating with the County Emergency Services Department in future drills. The County will not be participating in the drill tomorrow. Manager Johnson stated he has asked staff to set up an emergency flood response drill.

Commissioner Robertson asked how the satellite monitoring system was going; Manager Johnson shared a pictometry photograph of the watershed, illustrating large areas of clear-cutting which would indicate why there was so much runoff damage during the past winter storms. He stated that Pete Rittmueller, EES, is working with staff regarding signal problems at Gilligan and Mundt Creeks.

**Operations**

Construction successfully tied in to the new 12-inch water main on Highway 20 in Sedro-Woolley. Water Quality and Engineering visited the Mount Vernon Wastewater Treatment Plant to meet DOH requirements.

Miscellaneous

Commissioner Littlefield asked how many customers the District has lost to the economic situation; Manager Johnson replied the District has lost some customers. Treasurer Fredlund stated that the District currently has 400-500 inactive meters; however, active customer numbers are going up. Commissioner Robertson stated that there are 2.5 – 3 trustee sales per day and asked if that has impacted the District; Treasurer Fredlund replied that water sales are good and he does not know if the banks are taking over responsibility for water services on foreclosures. Commissioner Robertson asked about LUD property in default; Treasurer Fredlund replied that the District attends the sale when LUD property is in default and to make sure the minimum bid covers its lien.

**Current Stream Flows:**

Gilligan/Turner/Mundt/Salmon	0 GPM
Skagit River Diversion	0 MGD
Flow to System	8 MGD

Under New Business, Manager Johnson reported that the District has submitted a grant application for the WSDOT Early Action Plan-Transmission Waterline Improvements, Old Highway 99, SR-11/I-5 Interchange Project (Josh Wilson Road Project). He stated that the application was submitted prior to coming to the Board, as staff was up against a time deadline. Manager Johnson stated that the District does not have to accept the grant, but applying will get the project rated. Engineer Peterka stated that the grant funds are for counties with high unemployment and Skagit County scored well. Manager Johnson stated that Engineer Peterka, Treasurer Fredlund, Environmental Services Coordinator Brower and Engineering Technician Benton worked on getting the application submitted.

Under New Business, Manager Johnson presented Draft Policy #1019 – Reduction in Force/Severance. He stated that the District currently does not have a reduction in force/severance policy. He stated that since the District is discussing potential layoffs, it was apparent that it was necessary to develop a policy. Manager Johnson reviewed the proposed policy, stating that he was not asking for a decision by the Commission today, but the policy would appear on the September 22 agenda for action. He stated that the policy includes a minimum notice of two weeks and employees would be paid for the two week notice period regardless of whether they choose to work to the end of the notice period and a severance allowance of two weeks basic compensation plus one week of additional compensation for each completed year of service in excess of one year, up to four weeks. Commissioner Littlefield asked about COBRA and would employees be covered for medical; Manager Johnson replied that Auditor Blake is working with PURMS and any employee who has worked 80 hours in a month would already have insurance covered for the next month. He stated that going on COBRA or not would be the employee’s choice. He stated that the federal government is covering 65% of COBRA premiums through December 31. Commissioner Cook asked about item #5, sick leave; Manager Johnson replied that the District used to offer both sick leave and vacation and that policy was changed to personal leave some years ago, but some employees still have unused sick leave hours on the books. Commissioner Littlefield mentioned that Skagit County employees had an option of selling sick leave hours back; Manager Johnson replied that District employees can cash out personal leave hours. Commissioner Cook asked about Employee

Handbook policy prevailing; Recording Secretary Carpenter replied that there needs to be reference to the Employee Handbook until policies and administrative practice and procedures have been approved to cover all the information it contained. Commissioner Robertson stated that he has experienced companies using layoffs to oust employees they don't like; Manager Johnson replied that layoffs are a sensitive issue and this is a learning process for him, as he has not been previously involved with layoffs. He stated that positions will be looked at, not people when determining potential layoffs. Manager Johnson requested that any comments, questions or concerns be sent to either himself or Recording Secretary Carpenter for policy revision prior to the next meeting. Commissioner Robertson stated that the proposed budget must anticipate layoffs. He stated that puts the Commission in an awkward position with only two meetings before the budget hearing to finalize a fair and equitable policy before the hearing for a budget that includes layoffs. Attorney Gilbert stated that the District would operate under the systems in place currently if the policy is not completed prior to the hearing. Commissioner Robertson asked if Manager Johnson is planning to bring a deficit budget before the Commission; Manager Johnson replied that the Commission hired a manager to run the business and make recommendations for the best long term viability of the District and the budget in the best interest of the District unfortunately involves layoffs. He stated costs have to be cut somewhere and unless the Commission approves a rate increase of 7.9% the budget that will be presented will include layoffs. Manager Johnson again requested that the Commissioner Littlefield asked about clarification of the language that medical coverage will not end immediately; Manager Johnson replied that the purpose is to simplify to the policy and Auditor Blake is out sick, but will review the revisions upon her return.

Under Miscellaneous, Manager Johnson read aloud two letters of appreciation and support from customers Cindy McGuinness and Gary Rothenbuhler, both of which thanked the crew for their courteous response to questions and the efficient manner in which CM Workers Middleton and Haveman repaired a water service.

Under Audience Comments, Engineer Peterka complimented all who worked on the employee picnic, stating that he had a great time.

Under Commissioner Comments, Commissioner Robertson apologized for missing the picnic due to family matters. Manager Johnson extended his apologies for not attending as well. Commissioner Cook stated he attended the picnic and had a great salmon lunch. Commissioner Littlefield stated he was unable to attend as he was out of town. Commissioner Robertson stated he would be attending WA PUD Association meetings the next three days in Olympia. Commissioner Cook stated he would be attending the Skagit Council of Governments (SCOG) meeting tomorrow.

At this time, President Cook recessed the regular meeting to go into executive session to discuss a potential litigation for the Skagit River Diversion Project and a personnel issue for an approximate duration of one hour. The meeting was recessed at 6:15 PM.

President Cook convened the executive session at 6:21 PM

President Cook reconvened the regular meeting of the Commission at 7:14 PM.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of September 15, 2009 was adjourned at 7:15 PM.

ATTEST

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Jim Cook, President

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Al Littlefield, Secretary

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Robbie Robertson, Vice President