

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

September 29, 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 29, 2009.

The meeting was called to order at 4:34 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; Christine Blake, Auditor; Jamie Klunder, Human Resources Generalist; Ron Sheahan, Wes Stene, Pat Haveman, Construction Personnel; Mark Greenough, Foster Pepper; Scott Bauer, DashenMusselman; Lindsay Sovde, Seattle-Northwest Securities Corporation; Peter Gilbert, Attorney; and Kim Carpenter, Recording Secretary.

Commissioner Littlefield led the Pledge of Allegiance.

At this time, President Cook moved forward on the Agenda to New Business.

Under New Business, Scott Bauer, DashenMusselman, and Lindsey Sovde, Seattle-Northwest Securities, presented a summary of financing regarding the sale of District Water Revenue Bonds. Mr. Bauer stated that bonds were sold in two series, Series A as tax-exempt and Series B as taxable Build America Bonds and the resulting interest cost for the bonds is 3.73%. He stated by utilizing the Build America Bonds, the District saved in net present value approximately \$200,000. He stated that the 2009 Bonds are structured with level debt service and have a 10-year par call feature. Ms. Sovde stated that the bonds were priced through a negotiated process with Seattle-Northwest Securities in a strong bond market and Moody's Investors Service confirmed the District's A1 bond rating. Mr. Bauer stated that the Commission is being asked to approve the bond sale with a bond purchase contract so the issue can be finalized. Mr. Bauer and Ms. Sovde thanked Treasurer Fredlund for his assistance through the process. Discussion ensued regarding various aspects of the bond sale, including market data index, ratings, and bond insurance.

Under New Business, Manager Johnson stated that Marc Greenough, Foster Pepper, would present Resolution No. 2162-09, A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, RELATING TO THE WATER SUPPLY AND DISTRIBUTION SYSTEM OF THE DISTRICT; PROVIDING FOR THE ISSUANCE OF \$4,995,000 PAR VALUE OF WATER REVENUE BONDS, 2009, OF THE DISTRICT TO PROVIDE THE FUNDS WITH WHICH TO FINANCE OR REIMBURSE THE COST OF THE SKAGIT RIVER DIVERSION AND INTAKE PUMP STATION PROJECT, THE TREATMENT PLANT EXPANSION, THE JUDY RESERVOIR TO MOUNT VERNON TRANSMISSION PIPELINE PROJECT AND OTHER CAPITAL PROJECTS OF THE DISTRICT; TO PROVIDE FOR THE RESERVE REQUIREMENT FOR SUCH BONDS AND TO PAY THE COSTS OF ISSUING AND SELLING SUCH BONDS; FIXING THE DATE, INTEREST RATES, FORM, MATURITIES, TERMS, COVENANTS AND USES OF THE PROCEEDS OF THE BONDS; PROVIDING FOR THE PURCHASE OF BOND INSURANCE; AND PROVIDING FOR THE SALE AND DELIVERY OF THE BONDS TO SEATTLE-NORTHWEST SECURITIES CORPORATION OF SEATTLE, WASHINGTON. Mr. Greenough stated he is part of the bond counsel team of Foster Pepper. He reviewed the proposed resolution, stating that the bonds would close on October 8, 2009. He stated that the proposed resolution includes authorization to execute the purchase agreement with Seattle-Northwest Securities Corporation. He stated it was a pleasure to work with District staff. Discussion ensued regarding various aspects of the resolution, including bond insurance, conditions, and Securities and Exchange Commission (SEC) filing requirements. Commissioner Robertson moved to adopt Resolution No. 2162-09 as presented. The motion passed.

At this time, President Cook recessed the regular meeting for a short break in order to sign the bond documents. The meeting was recessed at 4:49 PM.

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

Manager Johnson thanked everyone involved for organizing and executing the bond sale.

At this time President Cook returned to the Consent Agenda.

Commissioner Littlefield moved to approve the Consent Agenda for September 29, 2009:

- a. Approval of Minutes – Commission Meeting 9/22/09
- b. Approval of Vouchers - No. 2304  
Voucher Nos. 80444-80481, Payroll Warrant Nos. 24672-24687 (\$682,429.28) 9/29/09  
(Voucher No. 80446 was deleted)

The motion passed.

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

**Skagit River Pump Station Project**

MKB has requested a final inspection on October 1. Documents regarding the arbitrator's ruling will be presented for action on October 5. Manager Johnson gave a brief summary of the arbitrator's ruling and several outstanding issues that need to be addressed with MKB. He stated that he would be meeting with Mark Jensen on Thursday, October 1 at 1:30, at his request.

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

Shoreline Construction continues with pressure and health testing of the 36-inch waterline.

**Marblemount LUD No. 28**

Steve DiJulio, Foster Pepper, suggests that the Board, following its deliberations, by motion direct preparation of draft findings and a resolution approving and confirming the assessment roll for consideration. Commissioner Robertson stated that 10 letters of protest were received and asked if each property owner will receive a personal letter regarding the outcome of their protest; Manager Johnson replied yes, once Foster Pepper has prepared the findings of fact and conclusions of law, Engineer Meyer will prepare individual letters.

**Build-Your-Own Rain Barrel Workshop**

Community Relations Manager Tate reported that the District will hold its first two Build-Your-Own Rain Barrel Workshops on Saturday, October 17 from 9:30 to 11:30 AM. Each workshop will run with 15-20 participants. We have over 250 people who have requested barrels through our survey process; many of whom want multiple barrels. By developing partnerships with local businesses for supplies (ACE Hardware and Excel Dairy Service) we have been able to keep costs down, making barrels affordable for more customers.

**Operations**

District crews responded to pump failure at Blackburn Road near Little Mountain Road. The 1969 Blackburn pump burned up a starter and had a failed switch in the replacement pump motor, but is now running and in service. One of the two failed pumps has been repaired in Seattle and returned to the District as a backup. District Operations and Engineering staff are investigating alternatives to provide gravity service to East Blackburn and Cedar Hills to eliminate those two closed pump systems.

Manager Johnson illustrated the area of discussion on the white board, stating that he has requested staff to resolve the issues of the closed systems to eliminate pumping. He stated that the District received a call from Mount Vernon Mayor Bud Norris on Wednesday reporting that he was out of water at the time the District experienced the pump failure. Commissioner Robertson asked if the Mayor's neighbors have had problems assuming they also have auxiliary pumps; Manager Johnson replied some have pumps, but none have experienced any problems.

Manager Johnson explained proposals to eliminate pumping that was originally installed as a temporary solution. Discussion ensued regarding the Blackburn Road and Cedar Hills systems and developing permanent long-term solutions, including pressure zones, gridding of the system, elimination of pumps, and Eaglemont and Gentry Development issues.

**State Audit Exit Conference**

The Auditor's would like to conduct the exit conference on October 8 or 9. Auditor Blake recommended meeting on Thursday, October 8 at 9:00 AM. Commissioner Cook requested a reminder of the meeting date and time.

### **2010 Budget/Rate Hearing**

Monday, October 5 at 5:00 PM. Commissioner Littlefield asked if there have been any changes to the proposed budget; Manager Johnson replied there have been no changes to the preliminary budget presented in August.

### **Miscellaneous**

In 1983, Resolution No. 1395 retained the services of Otto Klein with the firm of Syrdal Danelo Klein & Myre, for legal assistance in matters pertaining to District personnel. This firm no longer exists and Mr. Klein currently works for the Summit Law Group. Manager Johnson recommended rescinding Resolution No. 1395 and researching obtaining legal assistance for consultation on future personnel matters. Attorney Gilbert stated that it appears that the resolution was implemented for an issue prior to Warren Gilbert's representation of the District. He stated that it is no longer necessary, and should expert counsel be required, his firm would refer the District to appropriate counsel. Attorney Gilbert stated he could see no problem with rescinding Resolution No. 1395.

Commissioner Robertson moved to rescind Resolution No. 1395. The motion passed.

Under New Business, Manager Johnson requested a motion from the Commission regarding authorization for Foster Pepper to prepare findings of fact and conclusions of law and a resolution approving and confirming the assessment roll of Marblemount LUD No. 28. Commissioner Littlefield moved to authorize Foster Pepper to prepare findings of fact and conclusions of law and a resolution approving and confirming the assessment roll of Marblemount LUD No. 28. The motion passed.

Under Miscellaneous, Manager Johnson stated that the Commission has copies of Policy #1019 as finalized and signed.

Also Under Miscellaneous, Manager Johnson read aloud a letter from the State Department of Health recognizing the District's water treatment plant staff for outstanding performance in the Treatment Optimization Program (TOP) working toward meeting treatment optimization goals for particle removal and disinfection that are more stringent than current regulatory requirements. He stated that the silver certificate will be framed and hung at the treatment plant. The Commission congratulated the WTP staff. Commissioner Robertson stated that this is the type of thing that makes the District one of the top utilities in the state and believes it is an opportunity for positive media public relations; CR Manager Tate replied that he will send the information to the media.

Also Under Miscellaneous, Manager Johnson read aloud a news release from the Northwest Public Power Association (NWPPA) regarding the 2009 Excellence in Communication Award Winners. He stated that the District took first place for the Pipeline newsletter, which CR Manager Tate produces quarterly, in the Group B division (Group A utilities have the smallest number of customers and Group D utilities have the largest). Manager Johnson stated that the District belongs to NWPPA as an education sustaining member, for training purposes. The Commission commended CR Manager Tate for his efforts. Commissioner Robertson suggested that a copy of the news release be included with the notification to the media.

Under Commissioner Comments, Commissioners Littlefield and Robertson gave summaries of their attendance at the WA PUD Association (WPUDA) Water Workshop in Leavenworth. Commissioner Cook gave a brief summary of his attendance at the recent Skagit Council of Governments (SCOG) meeting. Commissioner Robertson reported that the WPUDA 2009 Sourcebook shows that Skagit PUD is the largest water revenue source in the state and has the second largest number of customers.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of September 29, 2009 was adjourned at 5:55 PM.

ATTEST

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Jim Cook, President

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Al Littlefield, Secretary

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Robbie Robertson, Vice President