

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

December 22, 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 December 22, 2009.

The meeting was called to order at 4:33 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; Greg Peterka, Engineering Manager; Christine Blake, Auditor; Brad Spangler, Operations Manager; Harry Meyer, Special Project Coordinator; Kevin Tate, Community Relations Manager; Jamie Klunder, Human Resources Generalist; Doug McConnell, Contract Administrator; Bobbie Olin, Customer Service Supervisor; Nick Johnson, Jordan Cook; and Kim Carpenter, Recording Secretary.

Commissioner Littlefield led the Pledge of Allegiance.

Commissioner Littlefield moved to approve the Consent Agenda for December 22, 2009:

- a. Approval of Minutes - Commission Meeting 12/8/09; Work Session 12/15/09
- b. Approval of Vouchers  
No. 2316 – Voucher Nos. 80919-80959 (\$212,426.05) 12/15/09  
No. 2317 – Voucher Nos. 80960-81007, Payroll Warrant Nos. 24760-24772 (\$409,505.63) 12/22/09

The motion passed.

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

**System Development Fees – Water Policy Manual**

Per **Section 4.2.5** of the Water Policy Manual, the District shall adjust the System Development Fees on January 1 each year **based on increases** in the Engineering News Record Construction Cost Index for the Seattle area from November of the preceding year. The fee adjustment in the 5/8-inch meter size is to be based on the change in the construction cost index for the preceding 12 months, using the previous November as a baseline. The fee shall be rounded to the nearest \$5.00 increment. Fees for other meter sizes are incrementally determined using a multiplier upon the 5/8-inch rounded meter fee.

The index based on November, 2008:	8,793.47
The index based on November, 2009	8,645.09

The index **decreased** by 148.38 points or 1.69%.

Our policy is written on the basis of an **“increase”** in the Engineering News Record Construction Cost Index. Therefore, there is some confusion on whether the District would adjust the System Development Fee below its current amount of \$2,390.

A decrease has occurred once before when the index from November, 2006 through November, 2007, decreased by 0.5% and we reduced our System Development Fee in that situation from \$2,350 to \$2,340 for the 2008 year. The 2009 year increased by \$50 from \$2,340 to \$2,390.

**A decrease for January 1, 2010 would reduce our System Development Fee from \$2,390 to \$2,350 for a 5/8-inch meter.**

Some clarification and/or interpretation of our language within the Water Policy Manual may be something to consider.

Manager Johnson stated that the District has looked at projections for other agencies and recommended deferring a decision regarding SDF until mid January. Discussion ensued regarding various aspects of the current policy. Commissioner Robertson moved to defer the SDF decision to the meeting of January 26, 2010. The motion passed.

**United Way Campaign**

District staff pledged \$4,120 through payroll deductions for the annual Skagit County United Way Campaign. The United Way helps people in need and young people in our area. The overall fundraising goal this year for Skagit County is \$1 million.

Under New Business, Manager Johnson presented a Letter of Understanding between the District and Teamsters Local No. 231 regarding no cost of living (COLA) increases for 2010 and a one year extension of the existing Collective Bargaining Agreement from December 31, 2011 to December 31, 2012. Manager Johnson reviewed the proposed Letter of Understanding and recommended approval and requested authorization to sign on behalf of the District. Commissioner Robertson moved to approve the Letter of Understanding as presented and to authorize the General Manager to sign same on behalf of the District. The motion passed. Commissioner Robertson expressed his appreciation of the union employees stepping forward and postponing their COLA increases. Manager Johnson stated that there was quite a bit of stress with job security and the union stepped up to support change and the direction of the PUD which says a lot and it is appreciated.

Under New Business, Manager Johnson presented the annual recognition of uncollectible accounts. He stated that the Commission received a memorandum regarding accounts that have been submitted to Skagit Bonded Collectors from September 1, 2008 through August 31, 2009 in the amount of \$36,709.80 and remain uncollected at this time. Manager Johnson stated that the proposed write off is a little larger than last year; however, water sales were also up over last year during the same period. Discussion ensued regarding various accounts that have been submitted for collection. Commissioner Robertson moved to authorize the bad debt write off in the amount of \$36,709.80. The motion passed. Commissioner Littlefield suggested proposing legislation that would require water accounts to be in the name of the owner rather than renters, which in his opinion would eliminate a great deal of bad debt write off.

Under New Business, Manager Johnson presented Resolution No. 2165-09, A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ACCEPTING THE WORK PERFORMED BY MKB CONSTRUCTORS FOR CONSTRUCTION OF THE SKAGIT RIVER DIVERSION PUMP STATION AND PIPELINE PROJECT, SCHEDULE "A", AS PER THE CONTRACT DOCUMENT, SKAGIT RIVER DIVERSION PUMP STATION AND PIPELINE PROJECT, SCHEDULE "A", ENTERED INTO JULY 3, 2006. Manager Johnson reviewed the proposed resolution and recommended adoption. Commissioner Littlefield moved to adopt Resolution No. 2165-09 as presented. The motion passed.

Under New Business, Manager Johnson presented Resolution No. 2166-09, A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ADOPTING THE FINAL BUDGET FOR PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON FOR THE CALENDAR YEAR 2010. Manager Johnson reviewed the proposed resolution and recommended adoption. Auditor Blake reviewed the minor revisions to the Budget stating that it is nearly identical to the document presented on October 4. Discussion ensued regarding various aspects of the revisions including work force reductions, non-operating expense increases, and treatment operating expense decrease. Commissioner Robertson asked about Commissioner pay increases under state statutes once the District's revenue reached \$15 million; Auditor Blake replied that District revenue was \$14.4 million in 2009 and she would need to review the statutes to determine what would be required for implementation of pay increases. Commissioner Littlefield moved to adopt Resolution No. 2166-09 as presented. The motion passed.

Under New Business, Manager Johnson presented Water Policy Manual Revisions to Appendix A and resulting changes to Sections 2, 3 & 4. Community Relations Manager Tate reviewed the proposed revisions to Appendix A (Rates, Fees, Charges and Deposits), stating that based on the Commission work session in November the proposed changes are recommended for approval. He stated that the most significant change will be the implementation of a late fee for past due billings and significant increases of other charges. Discussion ensued regarding notice of implementation of the new fees and charges. Commissioner Robertson moved to approve Water Policy Manual changes to Appendix A and Sections 2, 3 & 4 as presented and to be implemented no earlier than April 1, 2010. The motion passed.

Under New Business, Manager Johnson presented Change Order No. 8 to the Water Treatment Plant Expansion Project with Hawk Mechanical Contractors, Inc. Manager Johnson reviewed the proposed change order for an extension of 80 calendar days after

substantial completion is granted predicated on the withdrawal of the Systems Interface, Inc., project lien dated August 19, 2009. Discussion ensued regarding the proposed change order and questions concerning unconditional release of lien rights. Commissioner Robertson stated that since Attorney Gilbert was not present, he was reluctant to move forward due to potential litigation. Manager Johnson recommended pulling the voucher to Hawk Mechanical. Commissioner Littlefield moved to amend his motion to regarding approval of Vouchers to hold Voucher No. 80936 until after and Executive Session on January 5, 2010. The motion passed. Change Order No. 8 to the Water Treatment Plant Expansion Project with Hawk Mechanical Contractors, Inc. was tabled until January 5, 2010.

Under New Business, Manager Johnson asked Operations Manager Spangler to address Judy Reservoir Source of Supply. Operations Manager Spangler used the District's website to illustrate stream flow data for Gilligan, Turner, Mundt, and Salmon Creeks and also the Skagit River Diversion. He stated that the stream flows have been low during the cold snap and the intakes have been turned off. Operations Manager Spangler indicated that the real issue is the La Nina weather pattern and forecasts predicting warmer winter weather and the low snowpack. He stated that if the reservoir continues to drop at the current level, the District will be out of water in 75 days. He stated that conserving stream intake and running one pump from the Skagit River Diversion, the reservoir should be back to spill by May. Operations Manager Spangler shared photographs of weather related damage to streambeds. A lengthy discussion ensued regarding stream flows, weather predictions, snow pack, average reservoir levels, working out an adaptive management plan with partners to maximize taking water from the streams, Skagit River Diversion operating scenarios, pros and cons of Whatcom PUD vs. PSE for the provision of power, ability to change power provider, and Whatcom PUD's recommendation of using Schedule 31 for a year. Manager Johnson recommended Schedule 31 for as long as possible until the District can gain enough experience with the plant to make an informed alternate decision. He stated that the District is developing a tool to help determine the optimum stream and river intakes and a model on historical averages on system demand. Manager Johnson stated that the District is in the beginning of the process with talented staff looking at the various options to predict resource requirements; however, it is a long process. Operations Manager Spangler stated he would bring back additional information in two weeks regarding PSE and whether the Commission would accept confirmation of no contractual obligation.

Under Miscellaneous, CR Manager Tate presented the annual employee slide show. The Commission commended CR Manager Tate for his efforts.

Also Under Miscellaneous, Manager Johnson stated that the annual employee training day will be held on December 24 and requested that one Commissioner attend to help present employee service awards. Commissioner Robertson stated he would attend.

Under Audience Comments, Engineer Peterka stated that this would be the last Commission meeting that Engineer Meyer would be attending, as he is retiring on December 31. Engineer Meyer thanked the Commission stating he has enjoyed the last seven and a half years. The Commission expressed their thanks to Engineer Meyer for his work.

Under Commissioner Comments, the Commission wished everyone happy holidays.

Having no further business to come before the Board, Commissioner Littlefield moved for adjournment. The motion passed and the meeting of December 22, 2009 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