
Public Utility District No. 1 of Skagit County

Policy on Governance and Management

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Public Utility District No. 1 of Skagit County
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Section 1. INTRODUCTION

1.1 Public Utility Districts Authorized.

During the heart of the great depression, the people of this state facilitated rural utility service through the creation of public utility districts (commonly known as “PUDs”). At the general election in 1930, the people passed their first-ever voter-approved initiative to the legislature. That initiative approved the creation of PUDs, and was then legislatively documented as Chapter 1, Laws of 1931, and later codified in the Revised Code of Washington (RCW) at Title 54.

Public Utility Districts are nonprofit, locally regulated municipal corporations that are created by a vote of the people. RCW 54.04.020; 54.12.010. Unlike private utilities, public utility districts are run by an elected, nonpartisan board of commissioners who are directly accountable to the voters. Under state law, the purpose of PUDs is “to conserve the water and power resources of the State of Washington for the benefit of the people thereof, and to supply public utility service, including water and electricity for all uses.” Section 1, Chapter 1, Laws of 1931.

1.2 PUD No. 1 of Skagit County.

Public Utility District No. 1 of Skagit County (“District”) was created by vote of the people of Skagit County in 1936. On approximately the third anniversary of its formation – November 4, 1939 – the District formally went into the water business with 3,000 customers. In 2007, the District won accolades for its great tasting water, placing best in the Pacific Northwest and fourth in the nation at American Water Works Association taste test competitions.

By 2013, the District operated the largest water system in the County, providing nine million gallons of piped water to approximately 65,000 people every day. The District maintains nearly 600 miles of pipelines and has over 31 million gallons of storage volume.

1.3 PUD Management.

In a case involving Ferry County PUD, the Washington Court of Appeals has summarized the management structure of a PUD, as follows:

Title 54 RCW governs the operation of public utility districts and dictates the relative roles of a district’s commission and its district manager. While the powers of the district are exercised through the members of the commission, see RCW 54.12.010, commissioners are required to appoint and may remove an experienced executive as district manager, who shall be the chief administrative officer of the district, in control of all administrative functions and shall be responsible to the commission for the efficient administration of the affairs of the district placed in his or her charge. RCW 54.16.100.

Steinbock v. Ferry County PUD No. 1, 165 Wn. App. 479, 491 (2011). Under law, the Commissioners oversee a district manager. It is the district manager that is responsible for all administrative functions of the PUD. At the District, the district manager is called the “General Manager.”

1.4 Purpose for Governance and Management Policy.

The purpose of this Policy is to assure that the District's service to the residents and businesses in Skagit County are consistent with law and sound management principles.

1.5 References.

1.5.1 RCW 54.12.010:

A public utility district that is created as provided in RCW 54.08.010 shall be a municipal corporation of the state of Washington, and the name of such public utility district shall be Public Utility District No. of County.

The powers of the public utility district shall be exercised through a commission consisting of three members in three commissioner districts, and five members in five commissioner districts.

(1) If the public utility district is countywide and the county has three county legislative authority districts, then, at the first election of commissioners and until any change is made in the boundaries of public utility district commissioner districts, one public utility district commissioner shall be chosen from each of the three county legislative authority districts.

(2) If the public utility district comprises only a portion of the county, with boundaries established in accordance with chapter 54.08 RCW, or if the public utility district is countywide and the county does not have three county legislative authority districts, three public utility district commissioner districts, numbered consecutively, each with approximately equal population and following precinct lines, as far as practicable, shall be described in the petition for the formation of the public utility district, subject to appropriate change by the county legislative authority if and when it changes the boundaries of the proposed public utility district. One commissioner shall be elected as a commissioner of each of the public utility district commissioner districts.

(3) Only a registered voter who resides in a commissioner district may be a candidate for, or hold office as, a commissioner of the commissioner district. Only voters of a commissioner district may vote at a primary to nominate candidates for a commissioner of the commissioner district. Voters of the entire public utility district may vote at a general election to elect a person as a commissioner of the commissioner district.

(4) The term of office of each public utility district commissioner other than the commissioners at large shall be six years, and the term of each commissioner at large shall be four years. Each term shall be computed in accordance with RCW 29A.20.040 following the commissioner's election. All public utility district commissioners shall hold office until their successors shall have been elected and have qualified and assume office in accordance with RCW 29A.20.040.

(5) A vacancy in the office of public utility district commissioner shall occur as provided in chapter 42.12 RCW or by nonattendance at meetings of the public utility district commission for a period of sixty days unless excused by the public utility district commission. Vacancies on a board of public utility district commissioners shall be filled as provided in chapter 42.12 RCW.

(6) The boundaries of the public utility district commissioner districts may be changed only by the public utility district commission, and shall be examined every ten years to determine substantial equality of population in accordance with chapter 29A.76 RCW. Except as provided in this section or RCW 54.04.039, the boundaries shall not be changed oftener than once in four years. Boundaries may only be changed when all members of the commission are present. Whenever territory is added to a public utility district under RCW 54.04.035, or added or withdrawn under RCW 54.04.039, the boundaries of the public utility commissioner districts shall be changed to include the additional or exclude the withdrawn territory. Unless the boundaries are changed pursuant to RCW 54.04.039, the proposed change of the boundaries of the public utility district commissioner district must be made by resolution and after public hearing. Notice of the time of the public hearing shall be published for two weeks before the hearing. Upon a referendum petition signed by ten percent of the qualified voters of the public utility district being filed with the county auditor, the county legislative authority shall submit the proposed change of boundaries to the voters of the public utility district for their approval or rejection. The petition must be filed within ninety days after the adoption of resolution of the proposed action. The validity of the petition is governed by the provisions of chapter 54.08 RCW.

1.5.2 RCW 54.16.010:

The commission, by resolution introduced at a regular meeting and adopted at a subsequent regular meeting, shall appoint and may remove at will a district manager, and shall, by resolution, fix his or her compensation.

The manager shall be the chief administrative officer of the district, in control of all administrative functions and shall be responsible to the commission for the efficient administration of the affairs of the district placed in his or her charge. The manager shall be an experienced executive with administrative ability. In the absence or temporary disability of the manager, the manager shall, with the approval of the president of the commission, designate some competent person as acting manager.

The manager may attend all meetings of the commission and its committees, and take part in the discussion of any matters pertaining to the duties of his or her department, but shall have no vote.

The manager shall carry out the orders of the commission, and see that the laws pertaining to matters within the functions of his or her department are enforced; keep the commission fully advised as to the financial condition and needs of the districts; prepare an annual estimate for the ensuing fiscal year of the probable expenses of the department,

and recommend to the commission what development work should be undertaken, and what extensions and additions, if any, should be made during the ensuing fiscal year, with an estimate of the costs of the development work, extensions, and additions; certify to the commission all bills, allowances, and payrolls, including claims due contractors of public works; recommend to the commission compensation of the employees of his or her office, and a scale of compensation to be paid for the different classes of service required by the district; hire and discharge employees under his or her direction; and perform such other duties as may be imposed upon the manager by resolution of the commission. It is unlawful for the manager to make any contribution of money in aid of or in opposition to the election of any candidate for public utility commissioner or to advocate or oppose any such election.

Section 2. THE DISTRICT COMMISSION

2.1 Commission. The District is governed by a 3-member Commission. RCW 54.12.010 (“The powers of the PUD shall be exercised through a Commission consisting of three members in three commissioner districts.”).

2.2 Commission’s Purpose. The District Commission’s purpose is to

2.2.1 Identify and define the purpose, values and vision of the District and communicate them in the form of policies.

2.2.2 Adopt comprehensive and facility plans, budgets and rates and charges for the District’s utility services.

2.2.3 Hire, evaluate, and terminate the General Manager; and, oversee certain operational decisions.

2.2.4 Ensure accountability for financial oversight by a Commission-designated member’s participation in the year-end financial exit audit performed by State Auditor.

2.3 Commission Leadership. The Commission’s governance primarily focuses on:

- Strategic leadership more than administrative detail.
- Encouragement of diversity in viewpoints.
- Recognition of Commission and General Manager Roles.
- Collaborative decision making.
- A focus on the future, with recognition of the District’s history.
- Being proactive rather than reactive.

Specifically, the Commission will direct and evaluate the organization through the careful establishment of written policies reflecting the Commission’s values and vision. The Commission’s major policy focus will be on the District’s long-term impacts outside the organization, not on the administrative or programmatic means of achieving those effects.

Section 3. MEETINGS AND AGENDA

3.1 Open Public Meeting Act. The Commission acts only through open meetings in compliance with the state Open Public Meeting Act. Chapter 42.30 RCW. All meetings are either regular or special. Regular meetings are fixed as to date, time and place by the Commission and posted on the District’s web page at www.skagitpud.org.

Special Meetings, normally held for purposes of discussing specific topics, will be noticed in accordance with RCW 42.30.080. The call and notice shall specify the time and place of the special meeting and the business to be transacted. This notice may take the place of an agenda for special meetings.

In the event of a natural disaster, attack or notice of imminent attack, where it becomes imprudent, inexpedient or impossible to conduct the affairs of the District at the regular or usual place, the Commission may meet at any place within or without its territorial limits on the call of the Commission President or any two members of the Commission. After any emergency relocation, the affairs of the District shall be conducted at such emergency temporary location for the duration of the emergency. RCW 42.14.075.

3.2 Commission’s Actions. All proceedings of the Commission are by motion or resolution, recorded in the Commission’s minute books. Those minute books are public records available to the public. RCW 54.12.090.

3.3 Commission Agenda. The agenda for a Commission meeting identifies in general terms the topics that may be considered by the Commission. The Agenda is typically developed and managed as follows:

3.3.1 The General Manager shall prepare and issue an agenda for each regular Commission Meeting.

3.3.2 Members of the Commission, General Manager, or designee, may request matters be placed on Commission agendas. At each regular Commission Meeting, time will be set aside under “Miscellaneous” for any Commission Member, the General Manager, or designee, to bring before the Commission any business that should be discussed or deliberated upon. Under “Commissioner Comments” any Commission Member will have the opportunity to discuss/recommend business for placement on future agendas.

3.3.3 Items may be placed on either the business agenda or on the consent agenda. An item placed on the consent agenda may be moved to the business agenda at the request of any Commission member during a Commission Meeting and prior to the motion to approve the consent agenda. The moved item will be placed on the business agenda for further discussion.

Section 4. COMMISSION OFFICERS

4.1 Commission President. The President of the Commission shall:

4.1.1 Ensure that the Commission jointly and consistently adheres to its own rules and policies, and those imposed upon it by the laws of the State of Washington.

4.1.2 Ensure that deliberation is fair, open and thorough, but also timely, orderly and kept to the point. The President of the Commission shall preside over and facilitate all Commission Meetings in accordance with this Policy and Roberts Rules of Order (Version 10) as needed.

4.1.3 Schedule and coordinate evaluations of the General Manager.

4.1.4 Preside over and facilitate Commission meetings.

4.1.5 Have no authority to supervise or administratively direct the General Manager, apart from authority expressly granted the President by the Commission.

4.1.6 Assume responsibility of the Commission that is not specifically assigned to another Commission member.

4.1.7 Be authorized to delegate his or her authority, but remains accountable for its use.

4.1.8 Call Special Meetings of the Commission in the event of a business need as provided for in RCW 42.30.080.

4.2 Commission Vice-President. The Vice-President of the Commission shall:

4.2.1 Perform such duties as are assigned by the President.

4.2.2 Have all the power and duties of the President in the absence or inability of the President to act.

4.2.3 Have all the powers and duties of the Secretary in the absence or inability of the Secretary to act, when not acting as the President.

4.3 Commission Secretary. The Secretary of the Commission shall:

4.3.1 Attest all contracts, bonds, deeds, leases and other instruments and documents duly authorized by the Commission unless otherwise delegated by the Commission.

4.3.2 Perform all duties incident to the office of Secretary as may from time to time be required by law or assigned to such office by motion, rule or resolution of the Commission.

4.3.3 Have all of the powers and duties of the President in the absence or inability of both the President and the Vice-President to act.

Section 5. COMMISSION COMMITTEES

5.1 General. The Commission may establish ad hoc advisory and standing committees. All committees should include designation of members, chair and a mission statement describing the committee's purpose. The Commission will review the committees at least annually to determine whether they should continue.

5.2 Committee Conduct.

5.2.1 Committees will ordinarily assist the Commission by gaining education, considering alternatives and implications, and preparing policy alternatives.

5.2.2 Commission committees may not speak or act for the Commission, except when formally given such authority for specific and time-limited purposes.

5.2.3 Commission committees cannot exercise authority over staff nor interfere with the delegation from the Commission to the General Manager.

5.2.4 Participation in committee meetings shall be in compliance with the provisions of the Open Public Meetings Act (*i.e.*, if two or more Commission members are present, then the meeting must be properly noticed as a public meeting).

5.2.5 This policy applies to any group which is formed by Commission action, whether or not it is called a committee.

Section 6. TRAINING, ORIENTATION

The Commission shall ensure that its skills are sufficient to assure excellence in governance of the District subject to available resources, new Commission members shall receive training and orientation in Commission governance, policies and procedures; an orientation on the District's Water System Plan and other comprehensive plans, and with other commissioners, receive training in the skills of effective communication and decision-making. The Commission President shall receive training in the facilitation of public meetings. (RCW 42.56.150)

Section 7. COMMISSION CODE OF CONDUCT

7.1 Commissioners are Trustees. Our courts have held that public office is synonymous with public trust and that a public officer's relationship with the public is that of a fiduciary. *Northport v. Northport Townsite Co.*, 27 Wash. 543, 548-50 (1902). Commissioner loyalty is to the interests of the District's residents and ratepayers. This loyalty supersedes any conflicting loyalty such as that to advocacy or interest groups and membership on other Boards or staffs. It also supersedes the personal interest of any Commission member acting as a consumer of the District's activities. Additionally, holding the public trust requires maintaining high ethical standards.

7.2 State Code of Ethics. The State of Washington has adopted a "Code of Ethics" that applies to all municipal officers. Chapter 42.23 RCW. The declared purpose of the Code of Ethics is to make uniform the laws of the State concerning the transaction of business by municipal officers in conflict with the proper performance of their duties in the public interest, and to promote the efficiency of local government by prohibiting certain instances and areas of conflict while at the same time sanctioning, under sufficient controls, certain other instances and areas of conflict. RCW 42.23.010. The obligations under the state's ethics laws, and other laws impacting local government officials, include:

7.2.1 Commission members are strictly prohibited by law from entering into or engaging in any activity defined by Chapter 42.23 RCW as a conflict of interest with their official duties as a District Commissioner.

7.2.2 At the first regular meeting of each year and in a public forum, each Commissioner shall acknowledge their obligation to disclose any conflicts of interest as defined in Chapter 42.23 RCW.

7.2.3 On a case by case basis, each Commission member will disclose to the other Commission members, in a public forum, any remote conflicts of interest as defined under Chapter 42.23 RCW. Disclosure will be noted in the District's official minutes which are public records. A Commissioner with such remote interest will not participate in any discussion and/or debate concerning such interest, will not vote on the matter, and will do nothing to influence any other Commissioner concerning their decision on the matter.

7.2.4 This Policy incorporates the District's Conflict of Interest Code and Code of Ethics Policy #1010 adopted by the Commission. Consistent with that Policy, Commissioners shall conduct themselves with civility and respect at all times with one another, with staff, and with members of the public.

7.2.5 Commission members will adhere to the District policy on appropriate use of District Resources.

7.2.6 Commission members will become familiar with their individual and joint obligations pertaining to the District's directive on reporting alleged improper governmental action, including actions required of the Commission regarding employee complaints of alleged

improper governmental actions and/or employee claims of retaliation for reporting alleged improper governmental actions.

7.2.7 Commission members understand that all records (including but not limited to letters, memoranda, e-mail and/or interactive computer or electronic information), the subject of which relates to the conduct of the District or the performance of any District function, are public records and may also be subject to disclosure under the Washington Public Records Act, Chapter 42.56 RCW. Any such public record shall be provided to the Public Records Officer for inclusion in the District's records management program.

7.2.8 Commission members will refrain from accepting a gratuity, compensation or reward because he or she is a District Commissioner, subject to District policy.

7.2.9 Commission members shall work with staff through the General Manager, and shall not attempt to or exercise individual authority over District staff, except as explicitly set forth and authorized in Commission policies.

7.2.10 In interactions with the public, press or other entities, Commission members must recognize the same limitation and the inability of any Commission member to speak for the Commission except to repeat explicitly stated and adopted Commission decisions. Commission members are at liberty to exercise their individual freedom of expression, as long as the exercise of this freedom does not put the District at a legal disadvantage or conflict with the Commissioners fiduciary duties to the District.

7.3 Washington's Open Public Meetings Act. Under Washington's Open Public Meetings Act, Commission members:

7.3.1 shall not meet outside of Commission-called public meetings to take any action regarding the business of the District, including discussions or decisions, as defined in Chapter 42.30 RCW;

7.3.2 shall not meet as a quorum outside of a Commission-called public meeting for the purpose of gathering District-related information;

7.3.3 understand that the requirements of the Washington Open Public Meetings Act applies to communications via telephone, e-mail, instant messaging or other forms of electronic communications. Any exchange of communication between any two Commission members may constitute an official meeting of the Commission and be in violation of the Act.

7.3.4 may send information to other members of the Commission on an informational basis; however, replies and/or exchanges of communications regarding District business must not occur outside of an official public meeting of the Commission. Any such e-mail sent for informational purposes as described above, by any member of the Commission, shall be sent individually, not as group e-mail. Commissioners will not "reply" to any e-mail received by another member of the Commission.

7.3.5 shall respect the confidentiality appropriate to issues regarding national security personnel, real estate transactions, proprietary matters, and attorney-client privileged communications, including those requirements listed under RCW 42.30.110, executive sessions and including any other confidential information gained by reason of the Commissioner's position. See RCW 42.23.070 (4) ("**No municipal officer may disclose confidential information gained by reason of the officer's position**, nor may the officer otherwise use such information for his or her personal gain or benefit.).

7.4 Commission Access to Public Records.

7.4.1 The District has a duty to comply with appropriate public records requests as required by the Washington Public Records Act, chapter 42.56 RCW. Commissioners, by reason of their office, do not give up their status as members of the public and therefore can request public records.

7.4.2 Because of the special status conferred upon the Commission as elected representatives, the following protocols are established:

- Commission member requests to inspect District documents that do not meet the criteria of a "public record" under RCW 42.56 and/or which may be confidential in nature, shall be forwarded directly to the General Manager, who will provide the requested files, as allowed by law, for review on District premises.
- No confidential or original documents shall be taken from District premises except with the authorization of the General Manager.
- Commission members shall adhere to the same confidentiality requirements applicable to employees when dealing with the District's records and other documents. District employee personnel files will not be subject to Commission review, consistent with the District's directive relating to Employee Records Confidentiality and Access.
- Access to District public records may be achieved by providing a "Request for Public Records" to the General Manager.

Section 8. COMMISSION, NOT COMMISSIONER, ACTION

8.1 General. The Commission acts through a majority of its members. Only decisions of the Commission acting as a body are binding upon the General Manager, the General Counsel, the District Auditor, or District Treasurer.

8.2 Commissioner Communications.

8.2.1 Decisions or instructions of individual Commission members are not binding on the General Manager, General Counsel, the District Auditor, or District Treasurer or other District staff except in instances when the Commission has specifically authorized such exercise of authority.

8.2.2 In the case of Commission members requesting information or assistance without Commission authorization, the General Manager, General Counsel, the District Auditor, or District Treasurer or other District staff must refuse such requests that may be a conflict of interest between the District and the Commissioner requesting the information or assistance.

8.2.3 Commission member may communicate directly with District employees or contractors. However, the Commission as a body and the Commission members will never give direction to persons who report directly or indirectly to the General Manager, with the exception of the General Counsel, District Auditor or District Treasurer. If a Commissioner is dissatisfied with the response received, the Commissioner may seek resolution through the Commission.

8.2.4 The Commission and its members will refrain from evaluating, either formally or informally, the job performance of any District employee other than the General Manager.

Section 9. COMMISSION STAFF RELATIONSHIPS

9.1 General Manager. The General Manager is responsible for the following:

9.1.1 All operations of the District, as well as the business affairs of the District.

9.1.2 Achieving the results established by the Commission within the appropriate and ethical standards of business conduct set by the Commission.

9.1.3 Enforcing District resolutions, administering directives, staff policies and procedures, hiring and terminating all employees, attending meetings of the Commission and reporting on the general affairs of the District, and keeping the Commission advised as to the current and future business needs of the District.

9.1.4 Ensuring the smooth continuous operation of the District in the event of the planned or unplanned absence of the General Manager. As required under RCW 54.16.100, the General Manager shall designate a competent person as Acting General Manager when absent. On an annual basis, the General Manager shall provide to the Commission a written designation of the order of positions to perform in this capacity.

9.1.5 Interacting with the public and other utilities and government agencies, pursuant to policies and direction adopted by the Commission.

9.1.6 Performing other responsibilities as may be appropriately directed by the Commission.

9.2 Evaluating the General Manager's Performance.

9.2.1 The General Manager's job performance shall be evaluated by comparing the District's operations and results and the General Manager's performance to the policies and direction established by the Commission. The Commission shall evaluate the General Manager's performance on an annual basis.

9.2.2 The General Manager shall propose performance criteria prior to acceptance of the budget for the following twelve months that represents his or her reasonable interpretation of achieving the goals identified by the Commission. The Commission shall accept or modify the criteria.

9.3 General Counsel.

9.3.1 The General Counsel provides legal counsel to the District and to the Commission. The General Counsel reports both to the Commission and to the General Manager.

The Commission is ultimately responsible for hiring (or contracting for) and terminating the General Counsel. As a general practice, the Commission with the General Manager may participate jointly in hiring and terminating the General Counsel.

The General Counsel shall advise the Commissioners regarding potential conflict of interest issues or other ethical matters. General Counsel shall provide assistance to individual Commissioners in complying with applicable statutes and laws only when such advice does not conflict with the General Counsel's obligations to the District or to specific direction of the Commission.

9.3.2 With respect to the Commission, the General Counsel shall:

- Provide advice or counsel whenever required by the Commission.
- Inform the Commission of material legal issues impacting the District or the Commission known to the General Counsel.
- When necessary, act independently of the General Manager.
- The General Counsel shall not provide legal counsel to Commission members except as it relates to their role as District Commission members.

9.4 Auditor & Treasurer.

9.4.1 The District Auditor (Auditor) and District Treasurer (Treasurer) serve in the capacity set forth by Title 54 of the Revised Code of Washington.

9.4.2 The General Manager shall recommend the appointments of Auditor and Treasurer for approval by the Commission. The Commission may interview the recommended individual for the position of Treasurer or Auditor prior to confirming resolution. The Commission, by resolution, shall designate an Auditor and this person may be a District employee other than the General Manager or Treasurer, or it may be a contracted consultant. The Commission, by resolution, may designate some other person having experience in financial or fiscal matters as Treasurer and this person shall be other than the General Manager or Auditor. The Auditor and Treasurer shall perform those duties specified by RCW 54.24.010 and shall be granted direct access to the Commission as necessary in the performance of these duties.

9.4.3 The General Manager may assign additional duties to the Auditor and Treasurer as long as these duties do not interfere with the Auditor and Treasurer duties as specified by law. The General Manager shall consult with the Commission in advance regarding his or her intention to terminate the Auditor or Treasurer.

9.4.4 The Treasurer shall provide reports to the Commission summarizing cash and investment activity, and current financial analysis of the district at a minimum of quarterly and preferably monthly.

9.4.5 The Auditor shall issue warrants for claims against the District. As soon as practical after issuance of such warrants, the Auditor shall provide a list of all warrants issued, and shall certify to the Commission that such disbursements satisfy just, due and unpaid obligations of the District, in a manner specified by the State Auditor. In order that the Auditor

may provide such certification, the Auditor shall conduct internal reviews and audits that provide reasonable assurance as to the internal control systems that provide for the safeguarding of assets from unauthorized use or disposition, adherence to plans, policies, and procedures, and compliance with applicable laws and regulations.

9.4.6 If the Commission disapproves a claim on the District, the Auditor shall recognize the claim as a receivable of the District and pursue collection.

9.4.7 The Auditor, in the performance of his or her duties, shall have unlimited access to all activities, records, property and personnel of the District.

9.4.8 At the direction of the Commission, the Auditor shall serve as the chief liaison with all external audit agencies, shall coordinate the proper independent audit of annual financial statements, and shall ensure that the results and findings of such audits are reported to the Commission. In acting in this capacity, the Auditor does not relieve the Commission of its financial oversight responsibilities.

Section 10. GENERAL MANAGER AS CHIEF ADMINISTRATIVE OFFICER

10.1 General. By law, the General Manager is the chief administrative officer of the District. The Commission will instruct the General Manager through written policies, normally in the form of resolutions, motions, or minute entries, that define the goals and objectives the District is to achieve, and describe the authority of the General Manager.

10.2 General Manager Authority.

10.2.1 The General Manager is authorized to establish all policies, make all decisions, take all actions, establish all practices, and develop all activities to achieve the goals set forth by the Commission for the District.

10.2.2 The General Manager must bring to the Commission's attention circumstances that affect the goals established by the Commission and may request the Commission to take appropriate actions.

10.2.3 The Commission may change its direction to the General Manager at any time, thereby expanding or limiting the authority of the General Manager (except where specifically provided by law). See Section 1.5.2. Whenever a particular direction is in place, the Commission will abide by the General Manager's decisions in those areas.

Section 11. BUDGET & PROCUREMENT

11.1 General.

By resolution, the Commission shall set forth the authority of the General Manager to manage and expend District funds in accordance with financial policies and budgetary limits. Procurement of goods and services shall take place in accordance with applicable legal requirements in a fair, competitive and inclusive manner to maximize the benefit to the District's ratepayers/customers.

11.2 Financial Policies.

The Commission, by resolution, shall adopt financial policies that provide guidance to the General Manager in managing the finances of the District and in developing budgets, financial plans and rates. At a minimum, these policies shall 1) provide for sufficient liquidity relative to the District's risk profile, 2) provide for adequate coverage to meet debt covenants, 3) establish criteria for debt and rate – financed capital expenditures, 4) require that budgets be developed based on conservative and prudent assumptions consistent with standard industry practice, and 5) establish budgetary and procurement controls over expenditures.

11.3 Budgetary Authority.

The Commission, by resolution, shall approve the District's budget prior to the start of each calendar year. The District's financial transactions shall be recorded within proprietary fund(s) adopted by the Commission. As such, the District does not have governmental funds with legally adopted budgets that carry the force of law. The General Manager shall manage the District's operations within the approved budget levels consistent with authority levels set forth in the financial policies.

11.4 Procurement Authority.

The Commission, by resolution, shall establish procurement authorities and guidelines for the General Manager consistent with state laws and regulations. The General Manager shall establish procurement controls that provide reasonable assurance that the procurement of goods and services are made for a valid business purpose and within authorized budget levels.

It is District policy that procurement decisions be made free from actual or perceived conflicts of interest consistent with the District's Code of Ethics.

It is District policy that due diligence and prudent judgment be exercised in the making of procurement decisions, including conducting a risk assessment. If the General Manager reasonably determines that a procurement activity presents, regardless of the size of the financial commitment, either: (i) a unique and significant operational risk to the District; or (ii) a significant impact to customers, the General Manager shall inform the Commission.

RESOLUTION NO. 2219-15

A RESOLUTION OF THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON, ADOPTING A POLICY ON GOVERNANCE AND MANAGEMENT

WHEREAS, The Commission of Skagit County PUD No.1 values the responsibilities and authorities granted it through the legislature in the form of laws codified in large part under Title 54, RCW; and

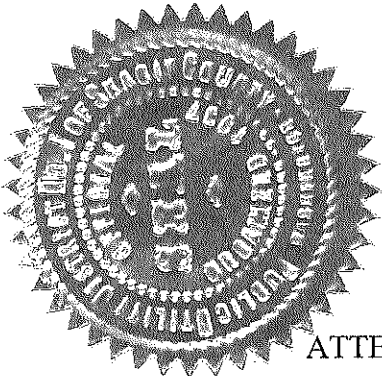
WHEREAS, The Commission of Skagit County PUD No.1 recognizes the responsibilities placed upon it by the citizens of Skagit County in guiding the District through the use of established policies, values and vision, for the betterment of its customers and the community in which it serves; and

WHEREAS, The Commission of Skagit County PUD No.1 understands that effective board governance can be accomplished through strategic leadership, collaborative decision-making, and the recognition of appropriate board-staff relationships; and

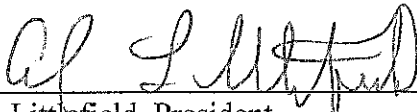
WHEREAS, annually the Governance and Management Policy will be reviewed to ensure appropriate laws, fiduciary responsibilities, Commission and staff-delegated authorities are in alignment with Commission expectations and business needs.

NOW THEREFORE BE IT HEREBY RESOLVED that the Commission adopts the Policy on Governance and Management attached hereto as a part of this resolution.


ADOPTED by the Commission of Public Utility District No. 1 of Skagit County, Washington, at a regular open meeting held this 24th day of February, 2015.



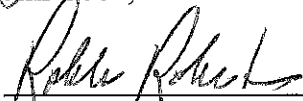
ATTEST



Al Littlefield, President



Jim Cook, Vice President



Robbie Robertson, Secretary

Excerpt of 07/11/17 Commission Meeting Minutes

Under New Business:

8. Governance Policy Revisions - Action

General Manager Sidhu stated that he added one revision to Section 7.2.2., which addresses Commission obligation to disclose any conflicts of interest as defined in Chapter 42.23 RCW. Commissioner Berg moved to approve the revised Governance Policy dated June 27, 2017. The motion passed. Commissioner Littlefield stated he assumed that if a conflict comes up following the first meeting in January the Commission should bring it up at a meeting; Attorney Gilbert replied yes.