

# Section 1

## Introduction and Overview

### 1.1 Purpose

This Manual outlines the policies and procedures to be applied by District staff in providing water service to individual properties served by the District, managing extension and improvement of the District's water distribution facilities, and providing service to satellite water systems owned or operated by the District. Nothing in this Manual shall be interpreted to apply to District actions with regard to provision of electrical or other utility services besides water. A copy of this document shall be available for the public during regular District business hours in the District's office complex located at 1415 Freeway Drive, Mount Vernon, WA 98273.

### 1.2 Application of Policies and Procedures

In specific instances, the General Manager may, at his/her discretion, waive or modify the application of the policies and procedures described herein, including the application of standard fees and charges, provided that such waiver or modification allows for more effective or efficient achievement of District goals, objectives, and overall policies.

In cases where such waiver or modification involves a significant cost, or where its relationship to existing policies is not clear, the General Manager must report any waivers or modifications to the Board of Commissioners within the next two regularly scheduled meetings of the Board.

If authorized by the Board of Commissioners, specific fees and charges may be adjusted for inflation automatically on an annual basis. Standard fees and charges may be modified/adjusted, and new fees and charges may be levied.

### 1.3 Revision

These Policies and Procedures codify all previous Resolutions of the District, effective the date of adoption by the Board of Commissioners. These Policies and Procedures may be revised, supplemented, or otherwise modified only by action of the Board of Commissioners; except that in an emergency situation the General Manager may make such reasonable modifications as he/she deems necessary; provided, however, such modifications are reported to and ratified by the Board of Commissioners within the next two regularly scheduled meetings of the Board.

### 1.4 Conflict

In case of conflict between this Policy and Procedures Manual and the provisions of any resolution of the Board of Commissioners, rate schedule, or special contract, the provisions of the resolution, rate schedule, or special contract shall apply.

## 1.5 Saving Clause

If any clause, sentence, paragraph, section, or portion of these Policies and Procedures, for any reason shall be adjudged invalid by a court of competent jurisdiction, such judgment shall not affect, impair, or invalidate the remainder.

## 1.6 Related Policies

### 1.6.1 Water System Plan

The District has prepared, and the Washington Department of Health has approved, a Water System Plan (Plan) for the District's service area. This Plan projects service area needs over a 20-year time frame. The District's capital improvement program and incremental extensions and improvements to the District's system must be consistent with the Plan, as updated from time to time, whether they are carried out by the District or a third party.

Decisions on system extension, pipeline capacity, gridding, etc. will be guided by the Plan. The District's General Manager will, at his/her discretion, determine the extent to which capital improvements are for the purposes of transmission or other general system needs; which are for the purposes of distribution within an area of the District; and which are for the sole benefit of a single subdivision or development. When new developments are proposed, the District may require the Developer to dedicate permanent utility easements for installation of water pipelines and other facilities in order to facilitate construction of the overall District system in accordance with the Plan. The District's share of the cost of new facilities will be determined by this Manual and by the General Manager.

### 1.6.2 Skagit County Comprehensive Plan

The District's function is not to plan land uses within its boundaries, but to respond to land uses planned for the urban and rural areas of Skagit County under the applicable land use plan of Skagit County or the respective cities. The District's facilities, their encumbrances and their impact on the community will not be used as tools for implementing changes in the character or timing of planned land uses.

## 1.7 Overview of PUD Organization

A description of the PUD organization is provided in attached Figure 1-1.

## 1.8 Funds and Fund Accounts

The District is classified as a special purpose district and as a stand-alone governmental entity. Governmental accounting systems are established on a fund basis. As defined as a governmental entity in the utility business, the governmental accounting profession defines our utility as a Proprietary Fund and further defines the utility as an Enterprise Fund. Enterprise Funds are governmental classifications used to account for operations that are financed and operated in a manner similar to private business enterprises. An Enterprise Fund has the intent of providing

goods or services to the general public on a continuing basis and the costs are primarily recovered through user charges.

For management and administrative purposes, the District has established specific funds dedicated for tracking cash activities and balances in the following District functional areas:

#### 1.8.1 Revenue Fund

##### Skagit County Washington, Public Utility District No. 1 Revenue Fund

Commonly referred to as the “Revenue Fund” or “General Fund.” This fund receives all income, revenues, receipts, and profits derived by the District plus any proceeds from the sale, lease, or disposition of any properties or facilities of the District. The funds in this account are used for the purpose of operation and maintenance, repairs, renewals and replacements, and constructing additions, extensions, improvements, and principal and interest on bonds. The Major Capital Fund is a sub-fund of the Revenue Fund for anticipated major expenditures.

#### 1.8.2 System Development Fund

This account is comprised of funds received from new services based on the cost of existing and future capital improvements to serve customers. The funds are restricted by the Commissioners of the District and used for growth related or capacity related projects.

#### 1.8.3 Consumer Deposit Fund

This account is the accumulated outstanding deposits received from customers as a condition for service. The funds are returned to customers by application to their account if a satisfactory payment record is maintained.

#### 1.8.4 Water Revenue Bond Funds

Revenue bond funds are derived from District revenues and are set aside to be used solely for the purpose of paying principal and interest on bonds. Sometimes, the District also sets aside funds to a Reserve Account within the Bond Funds as additional security for bond payments.

#### 1.8.5 Local Utility District Bond Funds

Local Utility District Bond Funds are received from special assessments against properties that benefit from the installation of District facilities. The LUD Bond Funds are used for principal and interest on bonds.

#### 1.8.6 Construction and Grant Funds

Construction funds are most commonly obtained from the issuance of bonds and the proceeds are restricted for the use as stated in bond covenants. They are usually used for large projects. Grant funds are usually obtained from federal or state government and are also dedicated to specific projects and are typically large construction projects.