

PUBLIC UTILITY DISTRICT No. 1
of Whatcom County

Agenda for the
Regular Meeting of May 10, 2016
8:00 a.m. at the PUD Office

1. Public Comment
2. Approval of the Minutes of the Meeting held April 26, 2016
3. Approval of Claims for May 10, 2016
4. Approval of 2017 Budget Development Schedule
- NEW 5. Approval of Revisions to 2015 Financial Report
6. Update and Overview: Public Records Act, Open Public Meetings Act and Ethics
7. Manager's Report
8. Adjourn

Next Commission Meetings

May 24 and June 14, 2016 – Regular Meetings

*All meetings begin at 8:00 a.m. at PUD Administration Office -
1705 Trigg Road, Ferndale, WA unless other location announced.*

PUD #1 of Whatcom County • (360) 384-4288

MINUTES OF THE MEETING OF THE COMMISSION

April 26, 2016

The regular meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 8:00 a.m. by Commissioner Mike Murphy. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Jeff McClure and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Brian Walters, Director of Utility Operations; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Annette Smith, Director of Finance; Jon Littlefield, Electric System Supervisor; Fred Disch, Water Systems Supervisor; Paul Siegmund, Manager of Automation and Technology; Duane Holden, Manager of Construction and Facilities; Alec Strand, Project Manager; Lew Gaskill, Accountant I; Mike Macomber, IT/SCADA Technician; and Aaron Peterson, IT/SCADA Technician.

Public attending: Rick Maricle, Phillips66;
Theresa Sygitowicz, Well Owner

◆ **Public Comment**
None made.

◆ **Approval of the Meeting Minutes and Claims**

The Commissioners were presented with the Minutes of the Regular Meeting held April 12, 2016, and the following Claims of April 26, 2016:

VENDOR NAME	AMOUNT
APPLIED DIGITAL IMAGING	13.04
BANK OF NEW YORK	58,753.13
BONNEVILLE POWER ADMINISTRATION	715,566.00
CESCO NEW CONCEPT CHEMICAL PRODUCTS	65.12
COMCAST	115.97
EASYPower LLC	1,008.00
EDGE ANALYTICAL LABORATORIES	20.00
ELECTRIC POWER SYSTEMS - EPS	14,391.16
FASTENERS, INC	30.60
FERNDALE ACE HARDWARE	24.97
INTELLIRENT CO, LTD	582.96
INTERNAL REVENUE SERVICE	14,384.86
LISTEN AUDIOLOGY SERVICES, INC	500.00
MT BAKER CABLE, LLC	15,500.00
P&P EXCAVATING, LLC	1,822.80
PACIFIC SURVEY & ENGINEERING	6,460.25
PAYROLL	159,289.34
PAYLOCITY	123.30
PORTAL WAY FARM & GARDEN	216.27
PUBLIC UTILITY RISK MANAGEMENT SERVICES	34,143.32
PUD #1 OF WHATCOM COUNTY	14.12
PUGET SOUND ENERGY, INC	151.23
RH2 ENGINEERING, INC	10,021.25
RICOH USA FINANCIAL SVC	152.18
SOFTWIRED	95.00
SOUND SHREDDING & RECYCLING	28.00

DRAFT

STREMLER GRAVEL, INC	9,022.10
UTILITIES UNDERGROUND LOCATION	24.51
WA FEDERAL VISA CARD MEMBER SERVICES	2,875.99
WA ST DEPT OF REVENUE	72,051.45
WESTERN CONFERENCE OF TEAMSTERS	5,962.00
WONDERWARE PACWEST	16,291.28
GRAND TOTAL	\$ 1,139,700.20

ACTION: Commissioner McClure motioned to approve the Minutes of the Regular Meeting held April 12, 2016, and the Claims of April 26, 2016. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Approve 2015 Financial Report**

Finance Director Smith provided an overview of the 2015 District Financial Statement. The District's financial policies conform to the Generally Accepted Accounting Principles (GAAP) and the financial statements have been developed in compliance with the Governmental Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments.

2015 Annual Financial Presentation

	2015	2014	Variance 2015- 2014	%	2015 Budget	Variance 2015 - Budget	%
OPERATING REVENUE							
1	Service Revenues - Cherry Point	\$ 7,998,155	\$ 7,616,799	\$ 381,356	5%	\$ 7,985,984	\$ 12,171 0%
2	Service Revenues - Irrigation	84,581	50,149	\$ 34,432	69%	63,708	20,873 33%
3	Service Revenues - Grandview Utility	187,006	168,314	18,693	11%	178,274	8,732 5%
4	Service Revenues - Electric Utility	1,971,624	1,877,724	93,900	5%	1,963,801	7,823 0%
5	Misc, Business Service & Grant Revenue	195,037	122,120	72,917	60%	247,000	(51,963) -21%
	TOTAL OPERATING REVENUE	<u>\$10,436,403</u>	<u>\$ 9,835,106</u>	<u>\$ 601,297</u>	6%	<u>\$10,438,767</u>	<u>\$ (2,364)</u> 0%
OPERATING EXPENSES							
6	Operations	(5,421,096)	(4,448,576)	(972,520)	22%	(5,055,569)	(365,527) 7%
7	Depreciation Expense	(1,563,916)	(911,437)	(652,479)	72%	(2,088,261)	524,345 -25%
	TOTAL OPERATING EXPENSES	<u>\$ (6,985,012)</u>	<u>\$ (5,360,013)</u>	<u>\$ (1,625,000)</u>	30%	<u>\$ (7,143,830)</u>	<u>\$ 158,818</u> -2%
	OPERATING INCOME (LOSS)	<u>\$ 3,451,391</u>	<u>\$ 4,475,093</u>	<u>\$ (1,023,702)</u>	-23%	<u>\$ 3,294,937</u>	<u>\$ 156,454</u> 5%
8	Net Non-operating Income (Expenses)	(1,176,230)	(1,413,587)	237,357	-17%	(1,225,152)	48,921 -4%
9	INCOME BEFORE EXTRAORDINARY ITEMS AND CAPITAL CONTRIBUTIONS	<u>\$ 2,275,160</u>	<u>\$ 3,061,506</u>	<u>\$ (786,345)</u>	-26%	<u>\$ 2,069,785</u>	<u>\$ 205,375</u> 10%

The summary financial statement shown here is similar to the Statement of Revenues and Expenses and Changes in Net Position shown on page four of the Annual report, except that Phillips 66 power billings and related taxes have been removed. The Phillips 66 billings are a straight pass-thru from BPA and have a zero net effect on the financial statements. The resulting statement provides a more relevant comparison between 2015 and 2014 actual results and the 2015 actual results to the 2015 budget.

- 1) *Service Revenues – Cherry Point* –Total water consumption for Cherry Point slightly decreased between 2014 and 2015. The 2015 revenues for Cherry Point increased from the 2014 revenues due primarily to the increase in rates for 2015. The 2015 actual revenues were right on target with budget.

DRAFT

- 2) *Service Revenues – Irrigation* – Water consumption for the Irrigation customers increased 81% in 2015 compared to 2014.

OPERATING REVENUES	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015 - Budget	%
Service Revenues Irrigation	\$84,581	\$50,149	\$34,432	69%	\$63,708	\$20,873	33%
CONSUMPTION (Gallons)	71,797,595	39,730,284	32,067,311	81%	51,000,000	20,797,595	41%
RATE							
Fixed Rate	\$428.83	\$408.41					
Variable Rate per mg	\$969.40	\$923.24					
Number of Customers:	35	33					

Irrigation revenues are highly contingent upon the amount of rainfall during the year and therefore vary from previous years and budget more than other utilities. 2015 was a very hot, dry summer and consumption was up. Irrigation encompasses seasonal (May – Oct.) and municipal customers.

- 3) *Service Revenues – Grandview Utility* – Water consumption for the Grandview utility increased by 12% in 2015 compared to 2014. The 2015 revenues for the Grandview utility rose 11% over 2014 and 5% over budget due to rate increases and increased consumption.
- 4) *Service Revenues – Electric Utility* - This line includes Electric service revenues for District services only (O&M, admin, labor, etc.). The pass-through revenues for BPA power, transmission, and tax costs have been removed from this statement. The budget, 2015 and 2014 actual amounts are in line with expectations.
- 5) *Miscellaneous, Business Service and Grant Revenue* – This line includes any miscellaneous income along with revenue generated from business services and grants.

OPERATING REVENUE	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015 - Budget	%
Misc. Business Service & Grant Revenue	\$195,037	\$122,120	\$72,917	60%	\$247,000	(51,963)	-21%
DOH N County Nitrates Study	\$58,679	\$100,326	(41,647)		\$122,000	\$(63,321)	
DOH Central City Water	\$29,979		29,979		30,000	(21)	
DOH Roederland Water	\$29,992		29,992		30,000	(8)	
DOH Everson Auction Barn	\$16,000		16,000		15,000	1,000	
DOH S. Lake Samish Study	\$9,381	18,924	(9,543)			9,381	
BP Water Reclaim. Study	\$47,051		47,051		50,000	(2,949)	
CREP		463	(463)			-	
Misc. Income & Penalties	3,955	2,408	1,548			3,955	
	\$195,037	\$122,120	\$72,917	60%	\$247,000	\$(51,963)	-21%

The majority of the variance between actual, 2014 and budgeted amounts occurs in the grant revenue and the BP reimbursement for the reclaimed water study. In 2015, \$144,031 was recorded in grant revenue, offset by \$133,289 in expenses. The difference being the timing and receipt of payments. The revenue for the completion of the BP reclaimed water study totaled \$47,051.

- 6) *Operations* – This line includes all operating, planning and business development, and administrative costs, including power costs for the water treatment plants, but excluding power costs passed through to Phillips 66. The Phillips 66 power costs are a straight pass-thru from BPA and have a zero net effect.

DRAFT

OPERATING EXPENSES	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015- Budget	%
Operations	(5,421,096)	(4,448,576)	(972,520)	22%	(5,055,569)	(365,527)	7%
	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015- Budget	%
Labor (O & M)	\$1,173,041	\$993,736	\$179,304	18%	\$1,202,861	(29,820)	-2%
Labor (Admin)	1,464,941	1,279,542	185,399	14%	1,249,757	215,184	17%
Purchased Power Water	506,300	518,008	(11,707)	-2%	455,398	50,902	11%
BPA Credits	(332,853)	(291,930)	(40,924)	14%	(310,380)	(22,473)	7%
Chemicals	220,795	209,274	11,521	6%	221,538	(743)	0%
O & M Services	274,843	138,408	136,435	99%	158,785	116,058	73%
O & M Materials & Supplies	194,798	96,884	97,914	101%	123,525	71,273	58%
O & M Extraordinary Mtc	258,396	109,456	175,940	161%	414,092	(128,965)	-31%
Business Development	56,455	19,585	36,870	188%	87,000	(30,545)	-35%
Business Services	133,289	167,764	(34,475)	-21%	197,000	(63,711)	-32%
Education & Conferences	37,388	39,000	(1,612)	-4%	39,600	(2,212)	6%
Elections and Misc.	761	\$126,579	(125,818)	-99%	-	761	0%
Fees, Permits, Assessments	24,700	21,668	3,033	14%	25,520	(820)	-3%
Insurance	92,344	121,383	(29,039)	-24%	122,651	(30,306)	-25%
Office Supplies & Rent	149,560	159,886	(10,326)	-6%	90,880	58,680	65%
Outside Services (Legal, Engineering, Accounting)	558,259	204,547	353,711	173%	407,059	151,200	37%
Subscriptions/Memberships	37,013	20,037	16,976	85%	27,796	9,217	33%
Taxes	536,190	503,806	32,384	6%	532,178	4,012	1%
Other Operating Expenses	7,876	10,941	(3,065)	-28%	10,311	(2,435)	-24%
	\$5,421,096	\$4,448,576	\$972,520	22%	\$5,055,569	\$365,527	7%

The 2015 actual costs of \$5,421,000 resulted in an overall increase from 2014 of \$973,000. The largest changes being:

- \$365,000 -- Increase in overall labor due to the lack of capital projects.
- \$354,000 -- Increase coming from Outside Services due primarily to the following:
 - \$140,000 Water System Storage Engineering Expenses;
 - \$93,000 Transmission Structure Survey;
 - \$43,000 FCS Group Rate Study;
 - \$176,000 Extraordinary Maintenance planned increase – as an increase in O & M, as more focus is on O & M instead of large capital projects of \$235,000;
 - (126,000) Decrease in Election Costs.

The major contributors to the \$366,000 increase between 2015 actual costs and the budget came from a \$129,000 decrease in extraordinary maintenance due primarily to the delay in the Douglas Road Vault maintenance, \$185,000 increase in overall labor due to the switch back to O&M instead of capital, a \$151,000 increase over budget of outside services due to expensing of capital projects, and a \$116,000 increase in O&M services due to multiple projects.

DRAFT

7) *Depreciation Expense* – The actual amounts for 2014 and 2015 include depreciation expenses exclusively.

OPERATING EXPENSES	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015 - Budget	%
Depreciation/Capital Transfers	(1,563,916)	(911,437)	(652,479)	72%	(2,088,261)	524,345	-25%
	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015 - Budget	%
ACTUAL DEPRECIATION							
Industrial Raw Water	\$1,021,665	\$508,541	513,124	101%	1,190,233	(168,568)	-14%
Grandview	\$75,720	73,084	2,636	4%	-	75,720	0%
Electric	466,532	329,812	136,720	41%	898,028	(431,496)	-48%
	\$1,563,916	\$911,437	\$652,479	72%	\$2,088,261	(524,345)	-25%

The budgeted amount is actually the amount of the rate funded capital transfer referred to as funding depreciation from a budgetary stand point plus any adjustments. The difference between actual depreciation and the budgeted capital transfer is due to the increase in funding capital. The 2015 actual amount increased from 2014 by \$652,000 due to the large capital projects capitalized at the end of 2014. The capital transfers target to be at least the amount of depreciation. The Industrial Raw Water and Electric utilities meet those criteria. Grandview is still not able to afford to cover depreciation.

8) *Net Non-operating Income (Expenses)* – This line includes all revenues and expenses unrelated to the normal operations of the District.

	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015 - Budget	%
Net-Non Operating Income (Expenses)	\$(1,176,230)	\$(1,413,587)	237,357	-17%	\$(1,225,152)	48,921	-4%
NONOPERATING INCOME	2015	2014	Variance 2015-2014	%	2015 Budget	Variance 2015 - Budget	%
Interest Income	\$63,867	\$51,382	\$12,485	24%	\$41,962	\$21,905	52%
Lease Income	22,562	24,744	(2,218)	-9%	18,586	3,940	21%
Assessment Income	226,370	279,771	(53,401)	-19%	201,034	25,336	13%
NONOPERATING EXPENSE							
Interest Expense	1,481,787	1,539,160	(57,373)	-4%	1,486,734	(4,947)	0%
Loss on Asset	7,206	230,325	(223,119)	-97%	-	7,206	0%
	\$(1,176,230)	\$(1,413,587)	237,357	-17%	\$(1,225,152)	48,921	0%

LUD assessments, interest income and interest expense being the major components. The reason for the increase of \$237,000 between 2015 and 2014 is due primarily to the decrease in Loss on Assets of \$223,000 due to the removal of assets during the capital projects in 2014. The difference between 2015 and budget of \$68,000 was mainly due to the Assessment Income (\$25,000 over budget) and Interest Income (\$40,000 over budget). Our non-operating expenses exceeded our non-operating income for 2015 by \$1,176,000.

Smith explained that in 2014, there were assets on the books that still had shelf-life. The interest expense becomes less as the debt is paid off.

DRAFT

- 9) *Income Before Extraordinary Items* – this line is computed by subtracting expenses from revenue. The Net Income before Extraordinary Items and Capital Contributions in 2015 is \$2,275,000, a \$786,000 decrease from 2014.

Cash Flow

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$19,064,072
Payments to Suppliers	(12,187,327)
Payments to Employees (labor only)	(1,831,271)

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES

Payments Received for Non-operating work	22,526
--	--------

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of Capital Assets	(654,797)
Principal paid on Capital Debt	(2,220,000)
Interest paid on Capital Debt	(1,486,734)
Capital Contributions	314,609
Payment from Assessments to pay '07 debt payments	226,370

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	63,867
-------------------	--------

NET INCREASE (DECREASE) IN CASH \$1,311,316

BALANCE BEGINNING OF YEAR \$8,469,634

BALANCE END OF YEAR **\$9,780,950**

Reserves

	Begin	End
Operating Cash & Investments	\$1,132,565	\$1,659,005
Capital Investments	2,313,047	3,116,491
Operating Reserves	336,109	336,109
Capital Reserve	282,619	282,619
Emergency Reserve	350,000	350,000
Bond Reserves	3,711,510	3,711,510
LUD Assessments	283,784	265,216
Special Mitigation Reserve	60,000	60,000
	\$8,469,634	\$9,780,950

Smith explained that Operating Cash and Investments and Capital Investments are the District's "working" accounts. Operating Reserve, Capital Reserve and Emergency Reserve are Reserve funds established by the District (Resolution No. 288) and can only be utilized by action taken by the Commission. Bond Reserves, LUD Assessments, and the Special Mitigation Reserves are established with external parties.

(This space left intentionally blank)

DRAFT

Capital Projects

COSTS – CWIP	2014	2015	Budgeted					TOTAL
			2016	2017	2018	2019	2020	
Plant 2 Remodel	4,750,131							4,750,131
Main Line Valves		227,968	85,239	493,378				806,585
Water Equipment		66,878						66,878
Plant 1 Remodel/Refurb.		94,650						94,650
Standby Power					1,400,000			1,400,000
Misc. Small Raw Water Projects	206,370	82,437	46,000			13,286	30,270	378,363
Grandview Fire System	65,905							65,905
Electric Trans Line Replace	67,471	153,573	785,666	786,012	784,330	953,282	942,262	4,473,242
Enterprise Sub.	379,239							379,239
Refinery	17,681							17,681
Vehicles			72,000					72,000
Upgrade Ferndale Sub.			30,000	329,000				359,000
Misc. Small Electric Projects		18,914						18,914
Trigg Road Improvements		62,854	167,000					229,854
Admin Vehicles					33,903		28132	62,035
SCADA	61,743	39,327	50,000	70,000	39,000	39,000	35,000	334,070
Office Equip. & Computers			80,000	8,000	14,000	13,000	64,000	179,000
Comm. Backbone			450,000	377,000				827,000
Misc. Smaller Admin Projects	11,907		33,000					44,907
TOTAL COSTS	\$5,560,393	746,602	1,798,905	2,063,390	2,271,233	1,018,568	1,100,364	14,559,455

The 2014 and 2015 columns shown are actual figures, and some of the projects are pending such as the Grandview Fire System, Plant 1 Remodel/Refurbish, and the Electric Line Transmission Replacement, therefore no future forecasts have been established. One of the challenges the District faces is making capital improvements at an acceptable level for an increase in rates – i.e. how to balance capital investments, management of debt and keeping rates sustainable.

Commissioner McClure commented that the District has predictable revenues, as our major customers are fairly consistent. Two components of the industrial raw water contracts are the fixed capital charges (rates and capital investments) as well as an operating demand (amount consumed).

The Commissioners received and reviewed the complete financial report and thanked Smith for the work on the report and presentation.

ACTION: Commissioner McClure motioned to accept the District’s 2015 Annual Financial Report. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Award of Bid: Trigg Road Entrance Project**

Background – The Trigg Road Entrance Project is one of several comprising the approved 2016 CIP Budget. The primary task of the project is the construction of main entrance improvements for better access and security at the entrance to the PUD’s property at Trigg. Pacific Survey & Engineering (PSE) was retained by the PUD as Engineer for the project. This Bid Award request covers the tasks identified in the scope of work for the project.

On April 19, 2016, Whatcom PUD staff received and publicly read aloud the four (4) bids submitted by the bid deadline. The results are as follows:

DRAFT

Contractor	Bid Total (including tax @ 8.5%)
Stremler Gravel, Inc.	\$169,091.83
Iverson Earth Works, LLC.....	\$156,999.50
Larry Brown Construction, Inc.	\$175,959.88
P & P Excavating LLC.....	\$155,686.65
<i>Engineer's Estimate (including sales tax).....</i>	<i>\$144,419.00</i>

Although all of the bids came in above the Engineer's Estimate, P & P Excavating LLC submitted the lowest responsible bid. Upon review of the bid documents, staff determined that the company submitted all of the required bid forms and that the forms were completed accurately. The total amount of P & P's Bid for the Project is approximately eight percent (8%) more than the Engineer's Estimate.

Two of the bids were over 15% higher than the Engineer's Estimate and P & P Excavating LLC's Bid is less than fifteen percent (15%) above the Engineer's Estimate, which is the maximum allowed for under the public works bidding provisions for PUDs under the applicable RCW. Staff's recommendation is to accept P & P Excavating LLC bid proposal as the lowest cost responsive Bid for a cost of \$155,686.65.

Under the original scope of work, the District had anticipated performing in-house work on the electrical portion of the project but has decided to change the scope to include electrical work being done by the contractor. This project is included as part of the approved 2016 CIP Budget. Although the total cost of the Trigg Road Entrance Project will exceed the line item budget for this project, staff will manage this overage within the overall 2016 CIP Budget. As such there will be no fiscal impact to the 2016 Budget.

ACTION: Commissioner McClure motioned to award the Bid for the Whatcom PUD Main Entrance Improvements (CIP IS-3) to P & P Excavating LLC for the cost not to exceed bid amount of \$155,686.65 and authorize the General Manager to sign and execute the contract. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Manager's Report**

Jilk distributed handouts to the Commissioners regarding climate change and water supply issues, along with a report from the Washington Water Utilities Commission (WWUC) by John Kounts (lobbyist from Washington Public Utility Districts Association). The report details bills that passed through the legislature this session relating to water supply and electric utilities.

◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 8:34 a.m.

President/Commissioner

Secretary/Commissioner

Commissioner

PUBLIC UTILITY DISTRICT NO. 1
of Whatcom County

1705 Trigg Road ● Ferndale, WA 98248
P: (360) 384-4288 ● F: (360) 384-4849

Memo

AGENDA ITEM # 4
May 10, 2016

To: Commissioners Kenner, Murphy, and McClure
From: Stephan Jilk, General Manager
Date: May 10, 2016
Re: Approval of 2017 Budget Development Schedule

This is a request for the Commission’s approval of the schedule for the development of the 2017 District Operating and Capital Budget, and approval of the rates and charges for water and electric service for 2017.

The proposed schedule allows time for:

- Work Sessions by the Commission before adopting the final budget and rates;
- Meetings with the different customer groups we have;
- A Public Hearing and a Commission Meeting/Work Session that allows for public/customer input to the Commission for the 2017 Budget and rate setting process.

Schedule:

August 9, 2016..... Commission receives 2016 First Half Financial Report
September 13, 2016..... Commission Work Session to discuss Budget parameters for 2017
October 25, 2016 Draft 2017 Budget presented to the Commission
November 1 – 4, 2016..... Customer Meetings on Draft 2017 Budget
November 22, 2016..... Public Hearing on 2017 Budget/Rates, 2nd Commission Work Session
December 13, 2016..... 2017 Budget and 2017 Rates/Charges approved

Requested Action: Approve the 2017 Budget Development Schedule.

PUBLIC UTILITY DISTRICT No.1
of Whatcom County

1705 Trigg Road • Ferndale, WA 98248
P: (360) 384-4288 • F: (360) 384-4849

Memo

AGENDA ITEM # 5
May 10, 2016

To: Commissioners Kenner, Murphy, and McClure
From: Annette Smith, Director of Finance
Date: May 10, 2016
Re: 2015 Annual Financial Report Revisions

Requested Action – Accept the revisions to the District’s 2015 Annual Financial Report, which is due to the State Auditor’s Office (SAO) by May 29, 2016.

Background – On April 26th, the commission approved the District’s 2015 Annual Report. The State Auditor’s Office has changed formatting and submission requirements on certain supplemental schedules. After attempting to submit, two revisions were made to the Supplemental Schedules at the back of the report to adjust to the new requirements. They are:

- **Schedule 01** – The format and activity included in this schedule has changed. The revision includes the additional, required information. This does not change any content in the body of the Annual Report or any financial reports.
- **Schedule 21** – The SAO now requires the submission of Schedule 21, Local Government Risk Assumption. This schedule reports any measures that the District would have to self-insure. We only needed to include the schedule and report that we do not self-insure. This schedule was not included on the original Annual Report approved in April.

The revised Supplemental Schedule section is attached to this memo.

Fiscal Impact – None.

Recommended Action – Accept the revisions to the District’s 2015 Annual Financial Report.

Public Utility District No. 1 of Whatcom County
SUPPLEMENTAL SCHEDULES
For The Year Ended December 31, 2015

Table of Contents

	<u>Page</u>
Schedule 01	Revenues and Expenses 29
Schedule 09	Long-Term Liabilities 31
Schedule 15	State Financial Assistance 32
Schedule 21	Risk Assumption 33

Public Utility District No. 1 of Whatcom County
SCHEDULE 01 – Revenues and Expenses
For The Year Ended December 31, 2015

MCAG	Fund Number	Fund Name	Account Code	Account Title	Amount
1806	403	Industrial Raw Water	5081900	Restricted Net Position-Ending	2,849,655
1806	403	Industrial Raw Water	5086000	Net Investment in Capital Assets-Ending	2,630,227
1806	403	Industrial Raw Water	5088900	Unrestricted Net Position-Ending	4,228,920
1806	403	Industrial Raw Water	3081900	Restricted Net Position - Beginning	2,849,655
1806	403	Industrial Raw Water	3086000	Net Investment in Capital Assets - Beginning	1,650,699
1806	403	Industrial Raw Water	3088900	Unrestricted Net Position - Beginning	3,436,076
1806	403	Industrial Raw Water	3340690	State Grant from Other State Agencies	191,082
1806	403	Industrial Raw Water	3434000	Water Sales and Services	8,068,311
1806	403	Industrial Raw Water	3590000	Non-Court Fines and Penalties	14,425
1806	403	Industrial Raw Water	3611000	Investment Earnings	44,982
1806	403	Industrial Raw Water	3625000	Land and Facilities Leases (Long-Term)	22,526
1806	403	Industrial Raw Water	3699100	Miscellaneous Other	3,942
1806	403	Industrial Raw Water	3790000	Capital Contributions	314,609
1806	403	Industrial Raw Water	5013400	Depreciation, Depletion, Amortization - Water Utilities	1,021,665
1806	403	Industrial Raw Water	5340010	Water Utilities	1,296,553
1806	403	Industrial Raw Water	5340020	Water Utilities	639,561
1806	403	Industrial Raw Water	5340030	Water Utilities	896,276
1806	403	Industrial Raw Water	5340040	Water Utilities	1,420,381
1806	403	Industrial Raw Water	5340050	Water Utilities	410,471
1806	403	Industrial Raw Water	5923880	Interest and Other Debt Service Cost - Combined Water/Sewer/	1,202,597
1806	403	Industrial Raw Water	5923800	Interest and Other Debt Service Cost - Combined Water/Sewer/	-
1806	403	Industrial Raw Water	8100000	Cash, Cash Equivalents and Investments	3,702,857
1806	403	Industrial Raw Water	8200000	Other Current assets	1,528,409
1806	403	Industrial Raw Water	8300000	Other Noncurrent Assets	31,513,356
1806	403	Industrial Raw Water	8400000	Deferred Outflows	-
1806	403	Industrial Raw Water	8500000	Current Liabilities	1,960,123
1806	403	Industrial Raw Water	8600000	Noncurrent Liabilities	25,075,697
1806	403	Industrial Raw Water	8700000	Deferred Inflows	-
1806	411	Grandview	5081900	Restricted Net Position-Ending	514,304
1806	411	Grandview	5086000	Net Investment in Capital Assets-Ending	125,304
1806	411	Grandview	5088900	Unrestricted Net Position-Ending	(791)
1806	411	Grandview	3081900	Restricted Net Position - Beginning	532,871
1806	411	Grandview	3086000	Net Investment in Capital Assets - Beginning	76,024
1806	411	Grandview	3088900	Unrestricted Net Position - Beginning	(12,087)
1806	411	Grandview	3434000	Water Sales and Services	187,006
1806	411	Grandview	3590000	Non-Court Fines and Penalties	13
1806	411	Grandview	3611000	Investment Earnings	4,240
1806	411	Grandview	3681000	Special Assessments-Capital	226,370
1806	411	Grandview	5013400	Depreciation, Depletion, Amortization - Water Utilities	75,720
1806	411	Grandview	5340010	Water Utilities	46,628
1806	411	Grandview	5340020	Water Utilities	23,198
1806	411	Grandview	5340030	Water Utilities	14,697
1806	411	Grandview	5340040	Water Utilities	75,532
1806	411	Grandview	5340050	Water Utilities	9,143
1806	411	Grandview	5923880	Interest and Other Debt Service Cost - Combined Water/Sewer/	130,702
1806	411	Grandview	8100000	Cash, Cash Equivalents and Investments	593,863
1806	411	Grandview	8200000	Other Current assets	15,525
1806	411	Grandview	8300000	Other Noncurrent Assets	2,250,612
1806	411	Grandview	8400000	Deferred Outflows	-
1806	411	Grandview	8500000	Current Liabilities	241,184
1806	411	Grandview	8600000	Noncurrent Liabilities	1,980,000
1806	411	Grandview	8700000	Deferred Inflows	-
1806	481	Electric Utility	5081900	Restricted Net Position-Ending	672,767
1806	481	Electric Utility	5086000	Net Investment in Capital Assets-Ending	9,325,632
1806	481	Electric Utility	5088900	Unrestricted Net Position-Ending	1,190,862
1806	481	Electric Utility	3081900	Restricted Net Position - Beginning	672,767
1806	481	Electric Utility	3086000	Net Investment in Capital Assets - Beginning	9,206,019
1806	481	Electric Utility	3088900	Unrestricted Net Position - Beginning	537,184
1806	481	Electric Utility	3433000	Electricity/Gas Sales and Services	10,418,974
1806	481	Electric Utility	3611000	Investment Earnings	12,548
1806	481	Electric Utility	5013300	Depreciation, Depletion, Amortization - Electric/Gas Utilities	466,532
1806	481	Electric Utility	5330000	Electric/Gas Utilities	-

Public Utility District No. 1 of Whatcom County
SCHEDULE 01 – Revenues and Expenses
For The Year Ended December 31, 2015

MCAG	Fund Number	Fund Name	Account Code	Account Title	Amount
1806	481	Electric Utility	5330010	Electric/Gas Utilities	405,152
1806	481	Electric Utility	5330020	Electric/Gas Utilities	186,156
1806	481	Electric Utility	5330030	Electric/Gas Utilities	7,668,843
1806	481	Electric Utility	5330040	Electric/Gas Utilities	154,198
1807	481	Electric Utility	5330050	Electric/Gas Utilities	628,861
1806	481	Electric Utility	5923380	Interest and Other Debt Service Cost - Electric/Gas Utilities	148,488
1806	481	Electric Utility	8100000	Cash, Cash Equivalents and Investments	1,549,020
1806	481	Electric Utility	8200000	Other Current assets	1,093,741
1806	481	Electric Utility	8300000	Other Noncurrent Assets	13,332,086
1806	481	Electric Utility	8400000	Deferred Outflows	-
1806	481	Electric Utility	8500000	Current Liabilities	1,365,766
1806	481	Electric Utility	8600000	Noncurrent Liabilities	3,419,820
1806	481	Electric Utility	8700000	Deferred Inflows	-
1806	490	Alcoa Services	3088900	Unrestricted Net Position - Beginning	717,008
1806	490	Alcoa Services	5088900	Unrestricted Net Position-Ending	719,106
1806	490	Alcoa Services	8100000	Cash, Cash Equivalents and Investments	341,616
1806	490	Alcoa Services	8200000	Other Current assets	377,490
1806	490	Alcoa Services	8300000	Other Noncurrent Assets	-
1806	490	Alcoa Services	8400000	Deferred Outflows	-
1806	490	Alcoa Services	8500000	Current Liabilities	-
1806	490	Alcoa Services	8600000	Noncurrent Liabilities	-
1806	490	Alcoa Services	8700000	Deferred Inflows	-
1806	490	Alcoa Services	3611000	Investment Earnings	2,098
1806	500	Internal Services	3088900	Unrestricted Net Position - Beginning	(1,710,091)
1806	500	Internal Services	5088900	Unrestricted Net Position-Ending	(1,675,098)
1806	500	Internal Services	3086000	Net Investment in Capital Assets - Beginning	1,754,158
1806	500	Internal Services	5086000	Net Investment in Capital Assets-Ending	1,719,165
1806	500	Internal Services	8100000	Cash, Cash Equivalents and Investments	71,172
1806	500	Internal Services	8200000	Other Current assets	(1,308,013)
1806	500	Internal Services	8300000	Other Noncurrent Assets	1,719,165
1806	500	Internal Services	8400000	Deferred Outflows	-
1806	500	Internal Services	8500000	Current Liabilities	438,257
1806	500	Internal Services	8600000	Noncurrent Liabilities	-
1806	500	Internal Services	8700000	Deferred Inflows	-

Public Utility District No. 1 of Whatcom County
 SCHEDULE 09 - Liabilities
 For The Year Ended December 31, 2015

DEBT TYPE	LD. NO.	DESCRIPTION	DUE DATE	BEGINNING BALANCE			ENDING BALANCE
				01/01/2015	ADDITIONS	REDUCTIONS	
General Obligations							
	251.11	2010 General Obligation bonds, Series A	12/01/2030	\$ 1,975,000	\$	\$ 365,000	\$ 1,610,000
	251.11	2010 General Obligation bonds, Series B	12/01/2030	19,355,000		850,000	18,505,000
	251.11	2010 General Obligation bond premium	12/01/2030	53,688		3,356	50,333
	251.11	2012 LTGO BONDS - Refi 2004 LTGO bonds	12/01/2024	5,175,000		635,000	4,540,000
	251.11	2012 LTGO bond discount	12/01/2024	(4,631)		(463)	(4,168)
	251.11	2013 LTGO bonds	12/01/2032	5,785,000		245,000	5,540,000
	251.11	2013 LTGO bond premium	12/01/2032	423,678		24,326	399,352
		Total General Obligations		\$ 32,762,735	\$ -	\$ 2,122,219	\$ 30,640,517
Revenue Obligations							
	252.11	2007 Water Revenue Bonds	11/01/2027	\$ 2,235,000	\$	\$ 125,000	\$ 2,110,000
		Total Revenue Obligations		\$ 2,235,000	\$ -	\$ 125,000	\$ 2,110,000
		Total Liabilities		\$ 34,997,735	\$ -	\$ 2,247,219	\$ 32,750,517

Public Utility District No. 1 of Whatcom County

SCHEDULE OF STATE FINANCIAL ASSISTANCE

For The Year Ended December 31, 2015

Grantor/Program Title	Program Title	Identification Number	Amount
Department of Health	Water Nitrates	N20201	\$ 62,766
	Water Nitrates	N20202	65,917
	S Lake Samish Water Nitrates	N20513	11,948
	Roederland	N20947	29,992
	Central City	N20948	29,979
	Everson Auction Barn	N21009	16,000
		Sub-Total:	\$ 216,602
			Grand Total: \$ 216,602

LOCAL GOVERNMENT RISK ASSUMPTION
 For The Year Ended December 31, 2015

Program Manager: Annette Smith
 Address: 1705 Trigg Rd, Ferndale WA 98248
 Phone: 360-384-4288 x11
 Email: annettesmith@pudwhatcom.org

1. No Does the entity self-insure for any class of risk, including liability, property, health and welfare, unemployment compensation, workers' compensation? (yes/no)

If NO, STOP, you do not need to complete the rest of this Schedule.

If YES, continue below.

- a. Which class of risk does the entity self-insure? Check all that apply.
- i. Liability
 - ii. Property
 - iii. Health and Welfare (medical, vision, dental, prescription)
 - iv. Unemployment Compensation
 - v. Workers' Compensation
 - vi. Other - please describe: _____
- b. Does the entity self-insure as an individual program? (yes/no)
- i. If answered YES, does the entity allow another separate legal entity into its self-insurance program(s)? (yes/no) For example, employees of a different organization participate in a health and welfare program of a city.
 If so, list the entity or entities: _____
- c. Does the entity self-insure as a joint program? (yes/no)
- i. If answered YES, list the other member(s): _____

LOCAL GOVERNMENT RISK ASSUMPTION

For The Year Ended December 31, 2015

2. _____ Does the entity administer its own claims? (yes/no)
3. _____ Does the entity contract with a third party administrator for claims administration? (yes/no)
4. _____ Did the entity receive a claims audit in the last three years, regardless of who administered the claims?
(yes/no)
5. _____ Were the program's revenues sufficient to cover the program's expenses? (yes/no)
6. _____ Did the program use an actuary to determine its liabilities? (yes/no)

PUBLIC UTILITY DISTRICT NO. 1
of Whatcom County

1705 Trigg Road ● Ferndale, WA 98248
P: (360) 384-4288 ● F: (360) 384-4849

Memo

AGENDA ITEM # 5
May 10, 2016

To: Commissioners Kenner, Murphy, and McClure

From: Stephan Jilk, General Manager

Date: May 10, 2016

Re: Update and Overview of Open Public Meetings Act, Public Records and Ethics

Legal Counsel Jon Sitkin will be providing a presentation on recent legislative updates of the Open Public Meetings Act, the Public Records Act, and Ethics.

The presentation will include an overview on:

- Open Public Meeting Act (OPMA)
- Public Records Act (PRA)
- Governance
- Ethics

This is for information only – there is no requested Action to be taken.