

# DRAFT

**2017 BOARD OF COMMISSIONERS**

*Paul D. Kenner, President*

*Jeffrey L. McClure, Vice President*

*Michael J. Murphy, Secretary*

## PUBLIC UTILITY DISTRICT No. 1 *of Whatcom County*

### **Agenda for the Regular Meeting of September 26, 2017 8:00 a.m. at the PUD Office**

1. Public Comment
2. Approval of Meeting Minutes held September 12, 2017
3. Approval of Claims for September 26, 2017
4. Approval of Resolution No. 728 – Financial Management Policy
5. Manager's Report
6. Executive Session – RCW 42.30.110(1)(g) To discuss with Legal Counsel representing the Agency matters relating to the General Manager's Performance Evaluation
7. Adjourn

**Next Commission Meetings**

*October 10 and 24, 2017 – 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*

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**MINUTES OF THE MEETING OF THE COMMISSION**

**September 12, 2017**

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 Paul Kenner. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Jeff McClure, Commissioner Mike Murphy and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Rebecca Schlotterback, Manager of Contracts and Regulatory Compliance; Annette Smith, Director of Finance; Duane Holden, Director of Utility Operations; Paul Siegmund, Manager of Automation and Technology; Alec Strand, Project Manager; Mike Macomber, IT/SCADA Tech; Aaron Peterson, IT/SCADA Tech; and Traci Irvine, Accountant I.

Public attending: Carole Perry, Max Perry, Citizens  
Dave Olson, Citizen  
Rick Maricle, Citizen  
TJ Lee, Phillips 66

◆ **Public Comment**

Carole Perry commented that they attended a meeting last night where Representative Buys and Senator Ericksen spoke in regards to the private well and rural property owners concerns over the Hirst water legislation. Perry said they provided background information on the Hirst ruling and noted that there was a bipartisan fix in June, however, lobbyists worked against the fix after the deal was done. Perry noted there were over 100 people in attendance with a lot of interest on both sides, even people from Skagit County attended (where they have their own set of water issues). She was happy to see some of the “real” issues brought forth and even displayed some signage: “Stop the Phony Water Crisis”. Perry said as the District wrote in its Strategic Plan, about a “scarce” water supply and climate change (also addressed in the Whatcom County Water Comprehensive Plan), Perry doesn’t think there is a “scarce” supply but would like the Commissioners to “be aware and know how it is affecting the PUD”; She said it is hard to discern where the pressure is coming from, and added the PUD is in a position of “power” or to make decisions and ask to take it seriously.

In follow up to his comments at the previous Commission meeting, Max Perry said the Lummis are requesting 600,000 gallons per day to service their new development near Slater Road and I-5. The Perry’s own personal well may use up to 400 gallons a day, but it is returned/reclaimed back into the ground, as does the City of Bellingham’s wastewater is returned to the Sound. Perry is in a quandary on what the Tribe stands for on water and how they use it.

Commissioner Kenner thanked them for their comments. Jilk added that he was not aware of the private well/rural property owners meeting last night, otherwise he would have attended and advised the Commission of the meeting. House Bill 5239 is what the Perry’s are referring to and Jilk indicated that there is support of that bill by the Washington Public Utility Districts Association (WPUDA).

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

The Commissioners were presented with the Minutes of the Meeting August 22, 2017 and the following Claims of September 12, 2017:

<b>VENDOR NAME</b>	<b>AMOUNT</b>
3-D CORPORATION	1,284.27
AMAZON BUSINESS	105.57
AMERICAN WATER WORKS	345.00
ANDGAR CORPORATION	4,822.83

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BALANCING SERVICE COMPANY, INC	1,323.65
BELLINGHAM HERALD	353.60
CDW/COMPUTER DISCOUNT WAREHOUSE	5,761.10
CESCO NEW CONCEPT CHEMICAL PRODUCTS	115.57
CHMELIK SITKIN & DAVIS	1,483.00
CORNERSTONE MANAGEMENT, INC.	2,006.00
CULLIGAN NORTHWEST	150.53
EDGE ANALYTICAL LABORATORIES	294.00
FASTENAL	225.85
FERNDALE ACE HARDWARE	101.09
FERNDALE CITY OF	169.99
FERNDALE LUBE	60.71
FERNDALE READY MIX AND GRAVEL, INC	454.56
FERNDALE TRUE VALUE HARDWARE	27.17
FRONTIER	1,359.66
GENEVA CONSULTING	2,205.00
HACKER, RONALD G	62.62
HARDWARE SALES, INC	86.74
HD FOWLER CO, INC	2,267.61
HEALTH PROMOTIONS NORTHWEST	90.00
IVOXY CONSULTING LLC	718.27
JOHN DEERE FINANCIAL	1,123.54
KCDA PURCHASING COOPERATIVE	133.29
MASSMUTUAL RETIREMENT SVCS LLC	35,083.33
MORTIMER, TOM	2,212.50
NORTH COAST ELECTRIC COMPANY	6,181.69
NORTHWEST CASCADE INC.	112.50
NORTHWEST MOWING & GARDENING	514.54
PACIFIC SURVEY & ENGINEERING	2,895.50
PARAMOUNT SUPPLY COMPANY	66.28
PITNEY BOWES GLOBAL FINANCIAL SER LLC	150.79
PLATT ELECTRIC SUPPLY CO	2,002.88
PORTAL WAY FARM & GARDEN	68.93
PROBUILD - OSO LUMBER	19.21
PUD #1 OF WHATCOM COUNTY	191.95
PUGET SOUND ENERGY, INC	7,644.70
REGENCE BLUE SHIELD	38,430.32
REISNER DISTRIBUTION, INC	1,386.13
RH2 ENGINEERING, INC	1,071.13
RICOH USA	273.96
SMITH MECHANICAL	620.55
SPECIAL-T STRIPING & SIGN COMPANY	64.74
SSC - SANITARY SERVICE COMPANY	356.98
SURETY PEST CONTROL	59.79
TEAMSTER LOCAL #231	490.00
UNITED RENTALS	352.63
UNITED WAY OF WHATCOM COUNTY	315.00
UNIVAR USA, INC	1,536.48
UTILITIES UNDERGROUND LOCATION	18.06
VERIZON WIRELESS	1,383.36
WA ST DEPT TRANSP-NW REGION	72.59
WASHINGTON DENTAL SERVICE	2,898.00

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WASHINGTON TEAMSTERS WELFARE	11,372.55
WATERHOUSE ENVIRONMENTAL SERV CORP	16,353.81
WHATCOM FARMERS CO-OP	417.79
WHATCOM JANITORIAL	1,250.00
<b>GRAND TOTAL</b>	<b>\$162,999.89</b>

**ACTION:** Commissioner Murphy motioned to APPROVE THE MINUTES OF THE MEETING HELD AUGUST 22, 2017 and the CLAIMS OF SEPTEMBER 12, 2017. Commissioner McClure second the motion. Motion passed unanimously.

◆ **Approval of Agreement for Industrial Water Purchase with Rubicon Property 1, LLC**

The District entered into a *Letter Agreement* on February 1, 2017, with Rubicon Property 1, LLC (also known as “Rubicon Organics”). The *Letter Agreement* was executed for the purpose of obligating Rubicon Organics to pay all costs associated with constructing water facilities necessary to connect the District’s existing industrial water line, located along Kickerville Road, to Rubicon Organics’ property, which is located on the west side of Kickerville Road, north of the Grandview Road.

Rubicon Organics is contractually obligated to cover the costs of the new facilities, District staff time, and the District’s Engineer’s (Pacific Surveying and Engineering) time spent in reviewing design drawings and conducting project inspections. In addition, Rubicon Organics is obligated to deed to the District all the new water facilities connecting the District’s transmission line in the Kickerville area north to the point of delivery to Rubicon, and the easements, if any in which these new facilities are located. This includes the meter and vault, which will be the designated point of delivery of industrial water to Rubicon Organics’ onsite water distribution system.

Commissioner Murphy raised concern about potential federal government position on marijuana and the potential of shutting off the water supply for that use. Jilk said that the *Risk Mitigation Provision* in the Agreement is consistent with the District’s policy, Resolution No. 689 “Adopting Supplemental Customer Water Service Condition Policy.” This provides the District with the right to cease water delivery and terminate the Agreement should there be an unfavorable federal action regarding the legality of growing and/or selling marijuana.

Under the Agreement, Rubicon Organics will have the contractual right to a Contract Demand (Qic) of 0.02 mgd and an Operating Demand (Qio) of 0.01 mgd of water.

If approved, the executed Agreement will have no negative impact on the District’s 2017 Budget. The *Letter Agreement* covers the District’s initial expenses and the revenue for any 2017 water purchases by Rubicon Organics wasn’t factored into the 2017 budget and therefore is in addition to the forecast revenues for industrial water customers. Rubicon’s contractual water demands will be included in the development of the 2018 industrial water rates.

**ACTION:** Commissioner McClure motioned to APPROVE AGREEMENT FOR INDUSTRIAL WATER PURCHASE WITH RUBICON PROPERTY 1, LLC AND AUTHORIZE THE DISTRICT’S GENERAL MANAGER TO SIGN THE AGREEMENT; SUBJECT TO FINAL LEGAL REVIEW. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Approve Funding for Drought Contingency Planning Grant Match**

This is the second request for an additional “local” match for funding of the Drought Contingency Planning Grant (DCP). As noted at the August 8, 2017 Commission Meeting, the District had been unsuccessful in securing supplementary outside funding in the amount of \$40,000 from local agencies to support the grant. The “local match” is a condition of the grant.

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Work Order No. 1 was developed to detail the work that will be performed for the DCP by RH2 and included the following tasks:

- Task 1: Assist the District in establishing the DCP Task Force:** Reclamation requires that the District involve a diverse group of stakeholders to assist with the development of the Whatcom County DCP. The task force includes (but is not limited too) representatives of federal; state, tribal and local governments, industry, agriculture, public water systems, individual property owners, fisheries, forestry and recreation. Reclamation will also be a member of the Task Force.
- Task 2: Develop a Detailed Work Plan:** Working with the guidance of Reclamation and the (DCP) Task Force, a detailed Work Plan for the DCP was developed.
- Task 3: Prepare Draft Outline of DCP:** Working with the guidance of Reclamation and the Task Force, a draft outline for the DCP was developed.
- Task 4: Identify and Develop Detailed Drought Mitigation Actions:** Identify specific drought mitigation actions to reduce drought impacts and increase resiliency to drought impacts for inclusion in the DCP.
- Task 5: Prepare Draft DCP:** A draft DCP will be prepared for review by Reclamation, the District and the Task Force.
- Task 6: Contingency Funding:** Maintain the budget flexibility to address unanticipated issues and ideas during the DCP development process.

The DCP was to be completed by September 30, 2018. A timeline was developed with Reclamations' input. The total not too exceed cost of Work Order No. 1 was \$174,601.00. The grant from BOR is \$100,000, requiring a 100% local match for a total project cost estimate of \$200,000.

Work to be completed in the development of the Whatcom County Drought Contingency Plan is beneficial in identifying the needs and options for meeting those needs of water supply in times of drought and other water supply limiting conditions. This DCP planning process is supported by local and state agencies and tribes and recognized as being work critical in support of water supply to all purveyors especially, but not limited to our agricultural economy.

Commissioner Murphy commented at the last discussion on August 8 that McClure inquired if there was enough funding to accomplish Task No. 3, the complete plan. The response was that District staff and RH2 could work to identify what portion of the complete plan can be completed with the additional funding. As such, RH2 Engineering was asked and provided a "Revised Work Plan" to consider how the DCP can be completed with a revised budget and in a timely manner. That Revised Work Plan provides the completion of the DCP with a total \$100,000 budget, 50% local match. By reducing the overall budget though it reduces that portion of the work to be completed around the water exchange element.

Jilk recalled to the Commissioners that in the District's adopted/update to the Strategic Plan in January 2017, a statement in the updated plan the notes District will "Act as a Steward of Water and Energy Resources". Several goals were established:

- Support water resource management to sustain water supply, increase water efficiency, improve water conservation and enhance source protection;

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- Initiate a specific support program targeted at the water resource needs of the local agriculture industry;
- Continue to assist other agencies, organizations, businesses and industries in the management of the water resource in the county and expand that effort to consider innovative approaches such a water exchange program.

Using the Drought Contingency Planning process will support these goals and will be beneficial to identify impacts and mitigation opportunities as the result of drought conditions and stream flows of the Nooksack River and the District's ability to use the District's diversions on the river.

The costs for completion of tasks under the agreement with RH2 and under the Reclamation grant criteria is such that with each dollar billed to Reclamation there has to be a local match in real dollars or in-kind services as long as those match dollars are not federal.

As timing was important to align this work with other efforts moving along, PUD staff requested the Commission to authorize the use of PUD funds to provide the local match just to Task One (1) in an amount of \$10,000 (November 2016). The funds were approved, allowing the work to start and at that time PUD staff expected that other resources would be obtained to provide the remaining local match required.

This is a request for the Commission to approve funding of up to an additional \$40,000 as "local match" to the project which will allow up to \$80,000 of project work to be completed. In order to make progress on the DCP, utilize other projects ongoing in the county that will be impacted by the work in the DCP, and to use work done in the DCP to augment and impact other projects, the DCP project/work should continue.

The 2017 PUD budget has adequate funds in water management funding allocation sufficient to cover this use. In consideration of the goals established in our Strategic Plan for 2017, the use of these funds are important/critical to our support of managing the PUD's water rights but also the PUD's support for agriculture in the county.

If State capital dollars become available this year or next that can be applied to this project there may be a way to recoup the PUD's out-of-pocket contribution to the work. There is no guarantee of that and staff will continue to pursue other funding resources.

Commissioner McClure indicated his appreciation for retooling the scope of work and said it the DCP will be a great resource. Jilk added it is just the beginning of points of discussion such as identifying vulnerabilities, mitigation options (such as an open-air reservoir at Cherry Point), low stream flow, and the like. Jim Bucknell of RH2 commented that he is looking forward to completing this work, especially the "Vulnerability Analysis" which will consist of combining all the information, where a lot of it may overlap. Bucknell expects a draft report to be ready by the end of this year.

**ACTION:** Commissioner McClure motioned to APPROVE FUNDING IN AMOUNT OF UP TO \$40,000.00 AS "LOCAL MATCH" TO COMPLETE THE DROUGHT CONTINGENCY PLAN UNDER THE BUREAU OF RECLAMATION'S GRANT. Commissioner Murphy second the motion. Motion passed unanimously.

## ◆ 2018 Budget Development/Commissioner Work Session

Every year, as District Staff begin the development of the succeeding year(s) budget we schedule a work session for the Commissioners to discuss any specific areas of interest or concerns that they would like the District staff to consider when developing the budget for the upcoming year(s). The planned time for this work session is September 12 and was approved by the Commissioners in the 2018 budget development schedule on June 27, 2017.

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Suggestions and direction the Commission provides in developing our budget is essential. Input from the Commission is critical at this early stage in the budget development process and will help direct District Staff in preparing the draft 2018 budget for consideration and review by the Commission on October 24, 2017.

Jilk suggested that the Commissioner's review the District's updated Strategic Plan and the goals and strategies in the plan as one basis for setting budget development direction for 2018. The Commission should identify any specific programs or projects they want staff to address in the 2018 Budget, especially on items discussed this morning in relation to the Drought Contingency Plan.

Commissioner Murphy said he is pleased with the Strategic Plan and believes it is being used, but on what wasn't accomplished was the lack of achievement between the local agencies. Jilk replied that District staff has accomplished a lot, in terms of infrastructure improvements, efficiency and level of service has increased.

Commissioner McClure said the District has discussed taking on a leadership role but it needs to be formalized with the Water Supply Work Group. Discussions have been facilitated by the District and an opportunity was created to share the group's individual projects and achievements; overall it has been very beneficial. Jilk replied that it was discussed if the group should be formalized (Letter of Agreement, etc.) to make a commitment and be part of the group, which is the first step, then to be "recognized" to work together, to apply for grant funding/legislation to "fund the functioning" of the Water Work Group is a significant step forward.

Commissioner Kenner mentioned it seems hard to collaborate with the different water groups and asked is there something the District can do on our own. Jilk said he appreciates Commissioner Kenner's comments and issues like the Hirst case and discussing with the County the utilization of the District's water rights to serve rather than adjudication by the tribes or federal government.

On the subject of water supply, an outline from facilitation to leadership would be a good next step for the District as "visible accomplishments" and science-based solutions. Is the water institute/water exchange platform a role for the District to play? What kinds of resources and tasks are needed? The District needs to redevelop our own infrastructure ideas.

Kenner added that although the District can't solve the Hirst case, he believes there are small solutions such as alternative water supplies and new technology in water treatment/reclamation concepts such as the REGENIS process used on farms and food processing plants, which produces clean water and useable solids for fertilizer.

**ACTION:** No action taken. Discussion for informational purposes only.

### **Manager's Report**

#### Upcoming Water Symposiums

September 20 and 21: A two-day "Searching for Certainty in Uncertain Times" symposium will be held at the Ferndale Events Center. September 20<sup>th</sup>'s topic is "Community Perspectives, Challenges, and Solutions" and September 21 will focus on "State of the Science. This event coincides with Whatcom Water Week and more information is available [www.whatcomwaterweeks.com](http://www.whatcomwaterweeks.com) and is posted on the District's website.

The second event is planned for November 1and will focus on water supply issues and tentatively discuss the outcome of the Legislature on the Hirst and Foster cases. More information including location and time is forthcoming.

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## Nooksack/Abbotsford/Sumas Transboundary Nitrogen Meeting – September 14-16

Jilk plans to attend this meeting sponsored by WWU's Department of Biology and College of Science and Engineering. Goals are to gather and present a common set of biophysical facts about nitrogen use and management, viewed from multiple socioeconomic perspectives in the U.S. and Canada to understand the problems and identify preferred potential solutions.

### ◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 9:21 a.m.

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Paul D. Kenner, President

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Michael J. Murphy, Secretary

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Jeffrey L. McClure, Commissioner