

MINUTES OF THE SPECIAL MEETING OF THE COMMISSION

November 20, 2014

The special meeting of the Board of Commissioners of Public Utility District No. 1 of Whatcom County was called to order at 4:00 p.m. by Commissioner Jeff McClure. Said meeting was open to the public and notice thereof had been given as required by law. Those present included Commissioner Mike Murphy, Commissioner Paul Kenner and Legal Counsel Jon Sitkin. Staff: Steve Jilk, General Manager; Ann Grimm, Administrative Assistant; Annette Smith, Director of Finance; Brian Walters, Director of Utility Operations; Duane Holden, Manager of Construction and Facilities; Paul Siegmund, Manager of Automation and Technology Services; Mike Macomber, IT-SCADA Technician; and Lew Gaskill, Accountant I.

Public attending: Greg Brown and Karen Brown, Citizens; Rick Maricle, Phillips66.

◆ **Public Comment**

None made.

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

The Commissioners were presented with the Minutes of the regular meeting held November 11, 2014 and the following Claims of November 20, 2014:

VENDOR NAME	AMOUNT
APPLIED INDUSTRIAL TECHNOLOGIES, INC	2,527.58
BANK OF NEW YORK	2,751,945.75
BAY CITY SUPPLY	90.13
BONNEVILLE POWER ADMINISTRATION	708,756.00
COMCAST	85.96
CRABTREE, DEVIN	163.06
EDGE ANALYTICAL LABORATORIES	19.00
FERNDALE ACE HARDWARE	74.42
GEOLINE, INC	577.20
HARDWARE SALES, INC	57.70
HARRIS GROUP, INC.	515.21
HD FOWLER CO, INC	440.35
INDUSTRIAL SUPPLY, INC	1,020.08
INTERNAL REVENUE SERVICE	10,362.46
LENOVO US INC.	2,464.68
CESCO NEW CONCEPT CHEMICAL PRODUCTS	82.71
PAYROLL	147,979.38
PLATT ELECTRIC SUPPLY CO	1,055.62
PORTAL WAY FARM & GARDEN	53.15
POTELCO, INC	12,511.10
PROBUILD - OSO LUMBER	7.60
PUD #1 OF WHATCOM COUNTY	128.60
PUGET SOUND ENERGY, INC	610.98
RICOH USA FINANCIAL SVC	152.18
STREMLER GRAVEL, INC	4,286.29
UTILITIES UNDERGROUND LOCATION	32.28
WA FEDERAL VISA CARD MEMBER SERVICES	6,078.73
WA PUBLIC UTILITY DISTRICTS ASSOCIATION	60.00
WA ST DEPT OF REVENUE	66,469.17
WALKERS FLOORING & INTERIORS, INC	282.62
WESTERN CONFERENCE OF TEAMSTERS	5,428.50
WESTERN ELECTRICITY COORD. COUNCIL	10,027.00
GRAND TOTAL	\$ 3,734,345.49

ACTION: Commissioner Kenner motioned to approve the Minutes of the regular meeting held November 11, 2014 and the Claims of November 20, 2014. Commissioner Murphy second the motion. Motion passed unanimously.

◆ **Municipalities Continuing Disclosure Cooperation Initiative**

Background: The U.S. Securities and Exchange Commission (SEC), under Rule 15c2-12 prohibits any underwriter from purchasing or selling municipal securities unless the issuer has committed to providing continuing disclosure. It also requires that the final Official Statement prepared in connection with a primary offering of municipal securities contain a description of any instances in the previous five years in which the issuer failed to comply. The SEC has issued the MCDC Initiative as a voluntary program for bond underwriters and issuers to self-report misstatements concerning prior compliance with continuing disclosure obligations in official statements for municipal bond issues. The deadline for the underwriters to report was September 10, 2014. The deadline for the issuers (the District in this case) is December 1, 2014.

Prior to 2009, the system of reporting was through an NRMSIR (Nationally Recognized Municipal Securities Information Repository). In 2009, it was consolidated to an online site through Municipal Securities Rulemaking Board (MSRB) named EMMA (Electronic Municipal Market Access). The District does not have access to information filed prior to 2009, but is able to see the history of filings which have been made since 2009 on EMMA.

Legal Counsel Sitkin explained the issue at hand is the reporting process where certain financial documents are reported to the SEC in various depositories. It does not have to do with a misrepresentation of financial numbers. Although no official record exists stating these documents were deposited, these public records do exist on other municipal websites such as the Whatcom County website for county property tax records and Washington State Auditor's website for financial statements and audit reports. The District does know these records are accessible but are unable to prove these records were accessible to the SEC.

If the District chooses to self-report, the SEC under the MCDC Initiative agrees to 'favorable' settlement terms. This would consist of a possible 'cease and desist' order, where the issuer neither admits nor denies the findings of the Commission, the issuer would also establish policies and procedures which the District already adopted in 2013, disclose the settlement in any official statement in the next five years, and provide a compliance certificate on the one year anniversary. The SEC also recommends that any settlement with the District would include no monetary penalty for the District. If the District chooses to not self-report, there is the possibility of a SEC investigation which could include extensive time, money, monetary penalties and negative press.

The look-back timeframe for this is five years. The District has issued the 2010, 2012 and 2013 LTGO bonds in that timeframe. The disclosure on these bonds has been almost spotless. The county-wide assessed value was not included in the Annual Report for 2010 and 2011, although it was readily available on the assessor's website and is now part of the District's Annual Report, and the Official Statement for the 2010 Series A bonds was mistakenly filed by the underwriter for a Whatcom County issue and not the District's. This was discovered and corrected in 2013.

During this timeframe, the 1999, 2004, and 2007 bonds were outstanding. Because of staffing changes and the filing changes in 2009, the District is uncertain exactly what was filed when. If the information was not filed, we believe it was not a material matter or was readily available publically elsewhere. Due to the favorable settlement terms the SEC is offering through the MCDC Initiative, combined with the uncertainty of the outcome if we do not, we believe it is in the best interest of the District to self-report.

General Manager Jilk said that for that past two months, staff has been working with Cynthia Weed (bond counsel) and Alan Dashen and Associates (financial consultants) on responses to the SEC. The District is not taking the situation lightly and wants the record to be clear that the District responded appropriately. Sitkin added that the information was found on the Bloomberg website, which had been uploaded in 2010 and records from 2005 – 2009 were also located. The District's 2010 financial statement was uploaded in 2011 and everything seems to be in compliance. Commissioner McClure asked if there is a time limit for the SEC to respond and would there be an effect on future bond ratings. Jilk stated that the SEC has not disclosed a time frame for the SEC to respond.

Jilk said the SEC is concerned that there is not full disclosure to municipal bond buyers. Through the bond rating process, the bond rating agencies and the District's bond buyers had all of the information available.

There is no financial impact to the District.

ACTION: Commissioner Murphy motioned to approve Self-Reporting under the Municipalities Continuing Disclosure Cooperation Initiative (MCDC Initiative) and authorize the General Manager to sign the resulting questionnaires. Commissioner Kenner second the motion. Motion passed unanimously.

◆ **Approve Cancellations of Commission Meetings on December 9 and 16, 2014; and Approve Call for Special Meeting on December 16, 2014**

Background: – During the year, Commission Meeting schedules may be revised to respond to individual needs and other industry training and meeting schedules as well as national holidays. Due to national holiday schedules this is a request to cancel the regularly scheduled Commission Meetings of Tuesday, December 9 and December 23, 2014. Previous action had been taken to call for a special Commission meeting on December 2nd.

Commissioner McClure has requested a Special Commission Meeting to be scheduled on Tuesday, December 16, 2014 at 8:00 a.m. to replace the December 23 regular meeting date. There is no fiscal impact to the District.


ACTION: Commissioner McClure motioned to approve Cancellation of Commission Regular Meeting Dates of December 9 and 23, 2014; and call for Special Meeting on December 16, 2014. Commissioner Murphy second the motion. Motion passed unanimously.

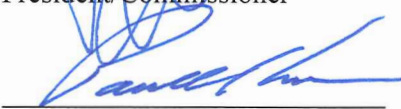
◆ **Manager's Report**

No report.


◆ **Adjourn**

There being no further business for the regular meeting, the Commission adjourned the regular meeting at 4:24 p.m.



President/Commissioner


Secretary/Commissioner



Commissioner