

**MINUTES OF THE
SPECIAL BOARD MEETING
OF KITTITAS COUNTY PUD #1
October 18, 2011**

A Special Board Meeting was held at 9:00 A.M. of October 18, 2011.

Present at the Special Board Meeting were:

John Hanson, President
Paul Rogers, Vice President
Roger Sparks, Secretary
Chuck Ward, General Manager
Genine Pratt, CPA
Brian Vosburgh, Operations Manager
Matt Boast, Engineering Manager
Shan Rowbotham, Customer

Purpose of Special Board Meeting:

The Special Board Meeting was held at the headquarters of Kittitas County PUD #1 located at 1400 Vantage Hwy., Ellensburg, WA. The purpose of the Special Board Meeting was twofold: 1) To discuss a Preliminary Budget and the BPA Rate Increase, and 2) To take action on Resolution #723 which cancels Resolution #661 and appoints Investment Officers for the PUD.

The effective rate increase from BPA is 7.5%. A rate increase to just cover the BPA rate increase is projected to be approximately 4.74%. Preliminary Budget figures were presented for the Board's consideration in addition to the BPA rate increase.

Mr. Rowbotham stated he understands the BPA increase, but feels a rate increase subsidized by other rate classes is not acceptable. Mr. Rowbotham asked when the last Cost of Service Analysis (COSA) was performed for the District. The last COSA was performed for the District in October 2002. Commissioner Rogers stated he feels doing a COSA in 2011 is premature because the District does not know the full impact of the BPA rates and is not comfortable with BPA projections.

The discussion was tabled until the Regular Board Meeting on October 25, 2011 when the District staff will have more detail on the Preliminary Budget figures.

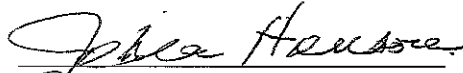
Action was taken on Resolution #723 which rescinded Resolution #661 and appointed the Kittitas County Treasurer and Chief Deputy Treasurer as co/investment officers per the District Investment Policy adopted by the Board of Commissioners on June 2009. Commissioner Rogers moved to approve Resolution #723. Commissioner Sparks seconded the motion. The motion passed unanimously.

Executive Session was called at 11:00 A.M. for 1 hour to discuss a collective bargaining strategy position per RCW 42.30.140 paragraph (4)(b).

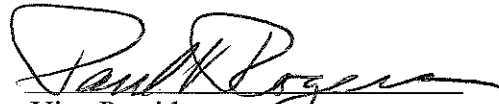
The Board came out of Executive Session at 12:00 noon.

The Special Board Meeting adjourned at 12:00 noon.

ATTEST:


President


Secretary


Vice President

RESOLUTION #723

A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1, Canceling Resolution #661 and Appointing Investment Officers.

WHEREAS, Kittitas County PUD #1 (District) from time to time maintains fund balances which are in excess of current district cash needs; and

WHEREAS it would be of benefit to the District to have such funds invested to produce additional revenue for the district; and

WHEREAS, RCW 36.29.020 and RCW 39.60 set forth the types of investments in which public funds may be invested; and

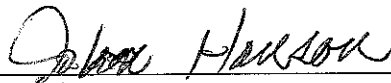
WHEREAS, it would be of financial benefit to the District to have an investment officer of the District appointed and authorized to invest and reinvest such funds rather than to wait until a Board of Commissioner's meeting to authorize specific investments;

NOW, THEREFORE BE IT RESOLVED that Resolution #661 is hereby rescinded; and

BE IT FURTHER RESOLVED THAT, the Board of Commissioners of the District hereby appoint the Kittitas County Treasurer and the Chief Deputy Treasurer as co/investment officers per the District Investment Policy adopted by the Board of Commissioners on June 2009 with the following authority and duties:

1. To invest such available funds in those investments which will yield the best rate of interest for the District for such time periods as the investment officer may deem appropriate considering the needs of the District.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 18th day of October, 2011.

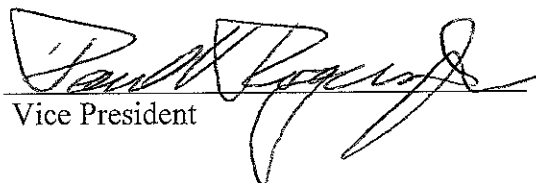


President

Attest:



Secretary



Vice President

RESOLUTION #724

A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1, Canceling Resolution #723 and Appointing Investment Officers.

WHEREAS, Resolution #723 appointed the Kittitas County Treasurer and the Chief Deputy Treasurer as co/investment officers per the District Investment Policy; and

WHEREAS, the District Investment Policy was adopted by the Board of Commissioners on June 2009; and

WHEREAS, the District Investment Policy is in error because Kittitas County does not have a Chief Deputy Treasurer; and


WHEREAS, The District Investment Policy will be corrected to reflect this Resolution #724;

NOW, THEREFORE BE IT RESOLVED that Resolution #723 is hereby rescinded; and

BE IT FURTHER RESOLVED THAT, the Board of Commissioners of the District hereby appoint the Kittitas County Treasurer and the Administrative Assistant to the Kittitas County Treasurer as co/investment officers with the following authority and duties:


1. To invest such available funds in those investments which will yield the best rate of interest for the District for such time periods as the investment officer may deem appropriate considering the needs of the District.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 25th day of October, 2011.


President

Attest:


Secretary


Vice President

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RESOLUTION #725

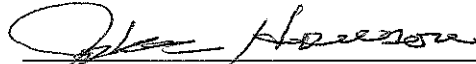
A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1 to transfer funds.

WHEREAS, the District needs to transfer funds as follows:

From General Fund 649010	\$171,656.68
To PUD Bond Fund 649030	\$171,656.68
From Construction Fund 649022	\$201,935.74
To General Fund 649010	\$201,935.74

NOW, THEREFORE BE IT RESOLVED THAT, the Board of Commissioners of the District hereby approve the transfer of funds as noted.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 25th day of October, 2011.



President

Attest:



Secretary



Vice President

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RESOLUTION #726

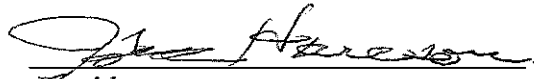
A Resolution of the Board of Commissioners of Kittitas County Public Utility District No. 1 to invest funds.

WHEREAS, the District request the Kittitas County Treasurer to invest funds as follows:

<i>Fund Name</i>	<i>Fund Number</i>	<i>Date Matured</i>	<i>Amount Matured</i>	<i>Date to Invest</i>	<i>Amount of New Investment</i>	<i>New Mature Date</i>
PUD General Fund	649010			10/26/2011	\$ 1,200,000.00	11/30/2011
PUD Bond Fund	649030					
PUD Bond Reserve	649031			10/26/2011	\$ 664,692.35	11/30/2011
PUD Construction Fund 2010-2012	649022			10/26/2011	\$ 1,000,000.00	11/30/2011
Electric Revenue Refunding Bond	649038					
PUD Refunding Bond 2005	649037			10/26/2011	\$ 491,509.13	11/30/2011
PUD Bond 1999 A/B	6490396					


NOW, THEREFORE BE IT RESOLVED THAT, the Board of Commissioners of the District hereby approve the investment of funds by the Kittitas County Treasurer as noted.

ADOPTED by the Board of Commissioners of Public Utility District No. 1 of Kittitas County this 25th day of October, 2011.


President

Attest:


Secretary


Vice President

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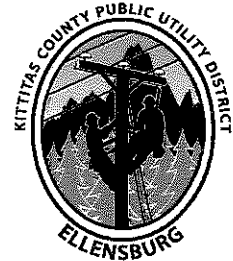
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Policy #301

Investment Policy

Adopted: June, 2009

Revised: October 25, 2011



Investment Policy #301

PURPOSE/OBJECTIVE:

The basic purpose of this policy is to provide a guideline for the investment of the public funds in a manner to ensure the preservation of capital while providing the highest investment return with the maximum security, meeting daily cash flow demands of the District, and conforming to all state and local statutes governing the investment of public funds. Funds of the District shall be invested in accordance with RCW 36.29.010 and with the procedures set forth in this policy.

The Investment Policy applies to the investable funds of the District. These investable funds are accounted for at the Kittitas County Treasurer's Office and are named as follows;

- PUD General Fund
- PUD Construction Fund
- PUD Bond Fund
- PUD Bond Reserve Fund
- PUD Refunding Bond Fund
- PUD Bond 1999 A/B
- Any new fund(s) created by the Board of Commissioners, unless specifically exempted.

1.0 POLICY

Safety of Capital

Safety of principal is the foremost objective of the investment program. Investments of the District will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- Credit Risk – The District will minimize credit risk, the risk of loss due to the failure of the security, issuer or backer by:
 - Limiting investments to the safest types of securities
 - Diversifying the portfolio so that potential losses on individual securities would be minimized

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Policy #301

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Adopted: June, 2009

Revised: October 25, 2011

- Interest rate Risk – The District will minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity.

Liquidity

The District's investment portfolio will remain sufficiently liquid to enable the District to meet all operating requirements which might be reasonably anticipated.

Return on Investment

The investment portfolio of the District shall be designed in a manner to attain a market rate of return throughout budgetary and economic cycles, commensurate with the District's investment risk constraints and cash flow characteristics of the portfolio.

Maintain the Public's Trust

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. In addition, the overall investment program shall be designed and managed with a degree of professionalism worthy of the public trust. Investment officials shall also avoid any transaction that might knowingly impair confidence in the District's ability to operate effectively.

Delegation of Authority to Make Investments

Authority to manage the District's investment program is derived from Washington State RCW 36, 39, and 43. Per Resolution #724 (October 25, 2011), the Kittitas County Treasurer is designated as investment officer of the District and is responsible for investment decisions and activities. In the absence of the treasurer, the Administrative Assistant to the Kittitas County Treasurer shall be responsible for investment activities. The County Treasurer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials and professional investment advisors.

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Policy #301

Investment Policy

Adopted: June, 2009

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Ethics and Conflict of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Kittitas County PUD Board of Commissioners any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the District's portfolio.

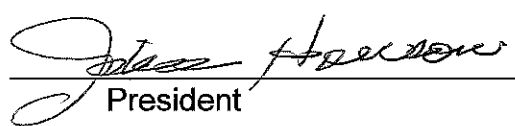
Reporting

Monthly reporting of interest earned will be provided to the Board of Commissioners, said report shall be a line item on the Statement of Operations (namely, line #21).

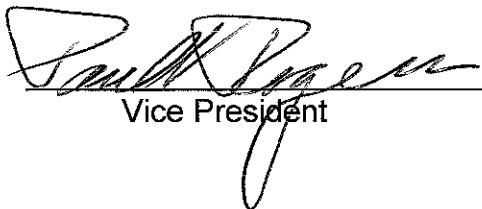
RESPONSIBILITY:

The General Manager shall ensure that the provisions of this policy are carried out.

Attested: 
General Manager


President

Attest 
Secretary


Vice President

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