

LAKEHAVEN UTILITY DISTRICT
King County, Washington

SPECIAL BUSINESS MEETING
March 7, 2006

A special meeting of the Board of Commissioners of the Lakehaven Utility District, King County, Washington, was held on March 7, 2006 at Lakehaven Center, 31531 First Avenue South, Federal Way, Washington, 98003.

President Tweddle opened the meeting at 6:00 p.m. and asked Mr. Pritchett to lead the flag salute. Members/officials present were as follows:

Beverly Tweddle	President of the Board
Don Miller	Vice President of the Board
Tom Jovanovich	Secretary of the Board
Dick Mayer	Commissioner
Ed Stewart	Commissioner
Don Perry	General Manager
Bert Ross	Engineering Manager
Steve Pritchett	General Counsel
Morgan Dennis	Director of Finance/Information System

APPROVAL OF AGENDA

Upon motion of Commissioner Mayer, which was duly seconded by Commissioner Miller, the Board unanimously **approved** the evening's agenda as submitted.

ACTION ITEM

#28, 2006-07 Engineering Consulting Services – Routine Projects: Mr. Ross stated that staff was recommending that the District negotiate more than one consultant contract for each of the two categories of engineering service. Within each category, there would be a firm available to provide engineering services for the more complex projects, as well as another available to provide engineering services for the more routine projects. The reason for staff's recommendation was explained and discussed. Mr. Pritchett noted that the District could accomplish the separation of the categories of engineering work in either one of two ways. One approach would be to solicit new qualification statements and do a separate selection for the category of less complex work. The other would be to retain the current rankings and negotiate a contract with a lower pay rate for the less complex engineering work in the order of the current rankings.

Upon motion of Commissioner Mayer, which was duly seconded by Commissioner Miller, the Board unanimously **approved** directing staff to negotiate contracts with Board-selected and qualified engineering consulting firms in the order of the previous ranking to perform routine water design and routine sewer design assignments as directed by staff.

INFORMATION ITEM

#1, Capital Facilities Charge – Reconciliation and Future Collection Considerations:

Mr. Pritchett stated that at an earlier meeting this year staff reported that they were beginning to see more reconciliations of the Capital Facilities Charges (CFC) monitoring. Staff felt that it would be beneficial at this time to review the process with the Board. He began by defining what a CFC was. He went on to explain that the water and sewer systems' total capacity is developed and measured by equivalent residential units (ERU's). He also explained how the CFC system was developed in the mid- 1980's to replace the prior system that assigned capacity by area. Under the current system, single family residential connections are assigned one ERU regardless of the size of the home or lot and commercial and multi-family connections are charged according to use. He noted that credit is allowed for any previous payment that had been made for facilities of general benefit and went on to explain how this credit system had evolved. During the 1990's a system to monitor consumption to determine actual demand was developed and built in to the Fees and Charges Resolution referenced by the agreement that the developer signed. This was created in order to refine the estimate of ERU demand on the water and sewer systems made upon connection. At the end of the monitoring period, the owner of the property would either purchase any additional ERU's if the use was larger than anticipated usage, or would receive a refund of excess ERU's if demand was lower. He then went on to explain that leasing of capacity was allowed as an alternative to purchase for certain large or temporary users

Mr. Pritchett related that for the 2005 Fees and Charges update, the Board removed restrictions on leasing of capacity for commercial connections and provided that excess capacity that was established during the monitoring would be rented. For the 2006 Fees and Charges Resolution, it was determined that leasing capacity in excess of paid capacity at the conclusion of the monitoring period would be permitted as an alternative to the purchase of additional capacity.

As a possible future approach to simplify the system, and benefit property owners, the Board could implement a system where new commercial connections would continue to initially pay CFC's based on an estimate of demand, but all excess capacity would be permanently rented. This would eliminate monitoring for determination of capacity and change the focus of monitoring to the rental of the excess capacity. An additional element could be to establish that existing connections would begin to pay rent for all capacity used, based on bi-monthly consumption, in excess of paid/credited ERU levels. Mr. Pritchett then discussed some issues to bear in mind when considering the future approach that was just discussed. The first is the principal that "growth pays for growth". The current system divides capacity into units, but does not collect for all units of capacity actually used. Changes in the use for older connections and changes in use on monitored connections that occur after completion of the monitoring period would be better addressed under a more automated system.

Another concern is that in order to lease capacity, the requirement is that the owner pay up to five years of back rent with no credit towards the purchase of excess capacity. This tends to eliminate the choice to lease capacity for some connections. A discussion followed regarding the average peaking times and fire flow regulations. Under a new system, they would be able to buy the capacity for normal demand and only rent the peak capacity, which should lower overall cost.

Mary Young, a former District employee who has been retained by the District to work on the CFC reconciliation project, stated that during the first monitoring year, there typically was insufficient data available to determine "normal" use, so she waited until the second year to collect information. Where excess use was occurring at the end of monitoring, the property owner was notified of what the "true up" amount would be and that monitoring could be extended in conjunction with implementation of a water conservation program. She then explained the basic monitoring process. Currently, commercial customers who connected to the District's water/sewer systems after December, 2004 is required to pay for excess capacity during the monitoring period. She provided Board members with information on all the District's commercial accounts that have connected to the system since 1999. After some discussion of the information provided, Mr. Pritchett indicated that the issue with the lease option was whether or not the Board wanted to consider refining or changing anything as it relates to requiring property owners to pay for excess capacity prior to the date of the lease. He went on to explain the relevance of this option.

Mr. Pritchett noted that one alternative being discussed by staff was to eliminate monitoring for establishment of normal demand and provide that any usage in excess of paid capacity would be subject to a rental charge that would appear as such on their bi-monthly utility bill. This procedure creates a more proportionate "pay as you go" system. However, it could also create problems such as confusion as to the additional charge, and a perception of unfairness with regard to charging when usage exceeds purchased capacity, but not allowing a credit when usage falls below the purchased capacity. Mr. Pritchett stated he wanted the Board to be aware of these issues when evaluating the CFC system. He then stated another option would be to expand this proposal and bill all existing connections for the rental of capacity above what would be credited to the property. In this system, property owners would get full credit for what they have paid for; however, would be billed for usage above that for which they have paid. A discussion then followed regarding this option.

Mr. Perry then turned the discussion to peaking periods. Even though flows fluctuate throughout the year, it is necessary to have capacity and piping to provide for peak hours of use, which requires a certain level of infrastructure. The systems need to be designed to provide for that capacity. He explained that staff was looking to the Board for guidance for existing customers prior to sending any information to the customers in question. The question at hand was for the Board to determine if any modification should be made to the Fees and Charges Resolution regarding the requirement that states that the District would collect up to five years of back rental

for excess capacity for any commercial property wishing to lease, rather than purchase, excess capacity. The Board did not reflect a desire to bring any change up for future action.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 8:10 p.m.

_____ President Tweddle	_____ Yea	_____ Nay	_____ Abstain
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ATTEST:

_____ Vice President Miller	_____ Yea	_____ Nay	_____ Abstain
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_____ Secretary Jovanovich	_____ Yea	_____ Nay	_____ Abstain
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_____ Commissioner Mayer	_____ Yea	_____ Nay	_____ Abstain
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_____ Commissioner Stewart	_____ Yea	_____ Nay	_____ Abstain
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