

LAKEHAVEN UTILITY DISTRICT  
King County, Washington

REGULAR BUSINESS MEETING  
November 9, 2006

A regular meeting of the Board of Commissioners of the Lakehaven Utility District, King County, Washington, was held on November 9, 2006 at Lakehaven Center, 31531 First Avenue South, Federal Way, Washington, 98003.

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

Beverly Tweddle	President of the Board
Don Miller	Vice President of the Board
Ron Nowicki	Secretary of the Board
Ed Stewart	Commissioner
Chuck Gibson	Commissioner
Don Perry	General Manager
Bert Ross	Engineering Manager
Steve Pritchett	General Counsel
Morgan Dennis	Director of Finance/Information System

APPROVAL OF MINUTES

Upon motion of Commissioner Miller, which was duly seconded by Commissioner Nowicki, the Board unanimously **adopted** the minutes of the October 17, 2006 Board meeting as submitted.

APPROVAL OF AGENDA

Upon motion of Commissioner Nowicki, which was duly seconded by Commissioner Miller, the Board unanimously **approved** the evening's agenda as amended below:

1. Add Action Item #100, BYO GON Purchase – Change Order #1
2. Add Action Item #101, Health Insurance for Non-represented Staff

CONSENT ITEMS

Prior to consideration of the Consent Agenda, a brief discussion ensued relative to the Devonshire Latecomer Agreement and the procedures followed. Also explained was the issue regarding the Mediterranean Heights Sewer Easement item.

Upon motion of Commissioner Gibson, which was duly seconded by Commissioner Nowicki, the Board unanimously **approved** Consent Items as presented below:



Upon motion of Commissioner Miller, which was duly seconded by Commissioner Gibson, the Board unanimously **adopted** Resolution No. 2006-1074, adopting the final draft of the 2006 Comprehensive Water System Plan with the inclusion of the corrected pages as previously discussed, and **directed** staff to distribute the Plan to relevant reviewing agencies for their review and concurrence.

**#98, Biosolids Hauling and Reuse Contract 2007-2008:** Mr. Perry began by reviewing the Board's action at a previous meeting to reject the single bid that was received for this contract that came in much higher than anticipated by staff. This was then rebid and three proposals were received. A discussion followed relevant to the bids and, subsequent to the discussion, the Board considered this item.

Upon motion of Commissioner Nowicki, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** the contract with the low bidder, Boulder Park, Inc. and **authorized** the General Manager to sign the contract on behalf of the District.

**#99, Board Meeting of 11/23/06 - Cancel:** The next regular Board meeting was scheduled for November 23<sup>rd</sup>, Thanksgiving Day, and that day is considered a District holiday.

Upon motion of Commissioner Miller, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** canceling the next regular Board meeting, scheduled for November 23, 2006.

As a public hearing was scheduled for 6:30 p.m. and the time was 6:30 p.m., it was the consensus of the Board to begin the public hearing by next addressing **Information Item #2, Public Hearing, 6:30 p.m. – 2007-08 Budget, Rates, Fees and Charges:**

**Information #2, Public Hearing, 6:30 p.m. – 2007-08 Budget, Rates, Fees and Charges:** At 6:30 p.m., President Tweddle recessed the regular meeting and opened the Public Hearing for the purpose of hearing testimony from the public regarding the 2007 Budget, Rates, Fees and Charges. Mr. Dennis distributed copies of relevant information to facilitate in the discussion. Ed Cebron of Financial Solutions Consulting Group was once again at the meeting to present information on the water cost of service model and the proposed 2007 water rates. Mr. Cebron began by briefly reviewing the prior presentation and explaining the contents of the presentation for this evening. His analysis indicated that water rates should increase approximately 10% to fully meet ongoing costs of service - the increase can be phased in over several years with a suggested 3% to 5% increase for 2007. He stated that the current water rates deviate moderately from the cost of service findings and added that the rate structure adjustments can gradually shift the cost burdens. Mr. Cebron noted that other rate structure issues and questions may merit further analysis and review at a later time. He then reviewed the current classes of water rates, as well as two proposed alternatives. Both included a 3.5% overall increase; alternative 1 included a net phased-in adjustment, based on sample differential rate increases and alternative 2 included a net phased-in adjustment being the first year rate

adjustment based on the combination of cost of service and revenue requirement results, phased in over a three year period. He went on to add that alternative 2 freezes all the fixed charges and raises the block charges instead; alternative 1's increase is spread more uniformly across all customers. Both options will generate the same amount of revenue and provide the suggested rate increases. Mr. Cebron then reviewed a sample of billings under each alternative to indicate what the increases would be. Other rate options were also discussed that could be incorporated in the rate structure and added that these can be discussed at a different time. Mr. Dennis interjected that the purpose of this presentation is to obtain direction from the Board as to which way to proceed – keep the rates the same or adopt either of the alternatives presented and discussed to raise them. The discussion continued on the proposals and how the District's revenue could be impacted by future projects. Mr. Dennis noted that the District will not be in jeopardy if rates are not raised at this point; however, he added that he felt it was time to consider raising them a little every year. During the discussion it was suggested that the Board schedule a special meeting early in 2007 to discuss some of the options that had been presented as well as some ideas that Board members may have. Subsequent to this discussion, it was agreed that Mr. Dennis would bring this item back to the Board for consideration at the next meeting.

Due to the lateness of the hour and the fact that there were other issues to discuss, it was the consensus of the Board to defer Information Item #1, GIS Demonstration, to a future meeting in 2007. The budget discussion then continued.

Mr. Dennis stated it was his intention to discuss any issues the Board might have at this meeting regarding the items discussed and then bring them back for consideration by the Board at the next meeting. He then reviewed the proposed budget resolution. He noted that the resolution included a line item on each two year budget for 2007 and 2008 that was reserved for Capital Expenditures and explained what was included in the numbers. Mr. Dennis then noted Section 4 included a reduction of one full time equivalent from the current budget. He also stated that funds were added for an upgrade on the network firewall, which he had added to the budget. Subsequent to the discussion, it was the consensus of the Board for staff to bring the budget resolution back to the next meeting for further consideration.

Mr. Dennis next referred the Board to the information that related to fees and charges. The proposed changes versus the 2006 costs were all included in a summary document to assist in the discussion. He stated the largest changes being proposed were water meter installation charges. Mr. Pritchett then explained the changes to the resolution and began by stating that since the capital facilities charges would be discussed at a future date in 2007, there were no primary changes in this section. He went on and highlighted changes that were being proposed by staff and explained the reasoning for the changes. Mr. Perry referred to a proposal that provided for the City of Federal Way to collect the District's charges for minimal services related to land development projects within the City's boundaries, to participate in the City's Development Review Committee process. He went on to explain how this procedure might work. Also discussed was the "miscellaneous deposits" category. The Board was encouraged to contact staff for any questions or comments regarding the contents of this resolution or any other

topic discussed during the presentation. It was also noted that these items would be brought back to the next meeting for consideration. As there were no comments from the audience, the Public Hearing was adjourned at approximately 8:30 p.m. and the regular meeting was reconvened.

ACTION ITEMS (cont.)

**#100, BYO-GON Purchase Change Order No. 1:** Mr. Perry explained there is an ongoing pilot study of the system to determine if the use of this product would improve the operation of the wastewater treatment plants. The study is only half completed and staff was recommending the Board consider the additional purchase of this product in order to determine the impacts on the digester as well as to complete the study.

Upon motion of Commissioner Nowicki, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** Change Order #1 in the amount of \$25,078.40, including tax and freight, for the purchase of five barrels of BYO-GON PS-109, to enable staff to complete the pilot study of this product at the wastewater treatment plants.

**#101, 2007-08 Health Insurance Contribution for Non-Represented Employees:** Mr. Pritchett explained the differences between the current benefit and the benefit being proposed.

Upon motion by Commissioner Miller, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** health insurance premium contributions by the District in 2007 and 2008 for non-represented employees as \$525.00 per month, plus 90% of the cost of premiums for the employee and any covered family members above \$525.00.

INFORMATION ITEMS (cont.)

**#3, Second Supply Project Partnership Agreement – Amendments 1-4:** Mr. Perry explained the Board had received the amendments to the agreement and went on to explain what staff had done relating to the amendments. He asked that the Board review the amendments and bring back the documents for consideration at the next Board meeting. He also invited the Commissioners to contact John Bowman, the District's Water Manager/Special Projects Manager, if any of them had any questions.

COMMITTEE REPORTS/COMMISSIONER COMMENTS

Commissioner Gibson reported that the Personnel Committee would be reviewing wages for the non-represented employees for Board discussion in December.

## STAFF REPORTS

**General Counsel:** Mr. Pritchett reported that the next Federal Way Government Liaison Committee meeting was scheduled to be held on November 30<sup>th</sup> at Lakehaven Center. He added he would report on this at the next meeting. He then stated that he understood that a suggestion was made at the recent annual meeting of the City of Federal Way's Permit Process Stakeholders. It was suggested that Lakehaven conduct a survey of its land development customers to determine their level of satisfaction with the service they receive from the District. Mr. Pritchett noted that City staff had done something similar and added he thought the Board might want to consider such a thing. Lastly, Mr. Pritchett reported there would be two items to discuss during the Executive Session at this meeting.

Upon motion of Commissioner Miller, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** extending the meeting until 9:30 p.m.

**Director of Finance and Information Systems:** Mr. Dennis reported that the state auditor planned to have the audit of the 2005 financial statements completed within the next two weeks and an exit conference would follow. He added that a replacement was hired for the vacant Application Specialist position; the new employee's name is Will Kennedy and he began working for the District on Monday of the current week.

**Engineering Manager:** Mr. Ross reported he planned to come to the Board at the next Board meeting for approval of an interlocal agreement with the City of Federal Way for water/wastewater extensions along 21<sup>st</sup> Avenue SW/SW 357<sup>th</sup> Street, south of SW 356<sup>th</sup> Street. He then briefly reviewed the elements of the project and added that in-house staff had designed the extension work and planned to "piggy-back" this work onto the City's public works contract. Mr. Ross added that the results of the sewer opinion re-survey of the area south of the Five Mile Lake neighborhood would be presented at the meeting as well.

**General Manager:** Mr. Perry reported the State Department of Ecology will be raising the permit fee for wastewater facilities, which would amount to \$7,000 per month. He then added that staff from the City of Auburn had expressed an interest in discussing the OASIS Program with District staff. He then reported this will be the first year that the amount of water pumped from the Redondo Milton Channel aquifer wells went as low as 4 million gallons per day and noted that this was partially due to the amount of water received from the Second Supply Project. He then reported the next Board Operations Committee meeting was scheduled in December. Next, Mr. Perry reported staff had received comments from staff at the City of Edgewood on the proposed contract addressing the provision of sewer service to the City by Lakehaven. He added he planned to meet with Edgewood staff the next week and would keep the Board informed. Mr. Perry then reported he would bring a contract with Robinson, Noble and Saltbush, Inc. regarding the OASIS project to the next meeting for the Board's consideration. Lastly, Mr. Perry reported that Pat Mackie, one of the District's vehicle mechanics, had passed away and the funeral was scheduled for Saturday in Auburn.

EXECUTIVE SESSION/CLOSED SESSION

At approximately 9:10 p.m., the regular meeting was recessed for the purpose of conducting an Executive Session to discuss an item of potential litigation and an item of pending litigation. It was stated that the Executive Session would last approximately twenty minutes. At approximately 9:30 p.m., the Executive Session was adjourned and the regular meeting was reconvened.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 9:30 p.m.

_____ President Tweddle	_____ Yea	_____ Nay	_____ Abstain
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ATTEST:

_____ Vice President Miller	_____ Yea	_____ Nay	_____ Abstain
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_____ Secretary Nowicki	_____ Yea	_____ Nay	_____ Abstain
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_____ Commissioner Stewart	_____ Yea	_____ Nay	_____ Abstain
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_____ Commissioner Gibson	_____ Yea	_____ Nay	_____ Abstain
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