

LAKEHAVEN UTILITY DISTRICT
King County, Washington

SPECIAL BUSINESS MEETING
March 15, 2007

A special meeting of the Board of Commissioners of the Lakehaven Utility District, King County, Washington, was held on March 15, 2007 at Lakehaven Center, 31531 First Avenue South, Federal Way, Washington, 98003.

Vice President Nowicki called the meeting to order at 1:30 p.m. and asked Commissioner Gibson to lead the flag salute. Members/officials present were as follows:

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

Upon motion by Commissioner Tweddle, which was duly seconded by Commissioner Gibson, the Board unanimously **excused** Commissioner Miller from the meeting as he was unable to attend.

APPROVAL OF AGENDA

Upon motion of Commissioner Tweddle, which was duly seconded by Commissioner Gibson, the Board unanimously **approved** the meeting's agenda as presented.

CITIZENS COMMENTS

Cary Roe, the Public Works Director for the City of Federal Way, and Tom Pierson, the Chief Executive Officer of the Chamber of Commerce, were both in attendance. They noted they would both be addressing the Board during the discussion relating to placing a District employee at City Hall in the permitting area to facilitate developers when they come to discuss their projects.

CORRESPONDENCE

The Board briefly addressed a letter that was included in their agenda packets from Mr. Dapp, requesting permission to attend the next Board meeting to discuss his concerns with a billing he received. Staff noted they had contacted Mr. Dapp and invited him to the March 22nd Board meeting. Commissioner Nowicki reported he had received a salary survey from the

American Water Works Association (AWWA), which he turned over to Commissioner Gibson who is the Board Lead on the Personnel Committee.

ACTION ITEMS

#27, Development Services Position at City Hall: Mr. Perry provided the history of this topic at the previous meeting. He stated that the staff person chosen to perform these tasks will be a senior level employee and went on to discuss some of the tasks that the person would perform while at the City. Mr. Perry noted that in order to fulfill this task, it will require an additional staff member, which in turn, would require additional funds. Mr. Roe stated that he strongly encouraged the Board to consider this proposal favorably. A discussion followed as to the reason this item has been addressed over the last several years. During the discussion, it was noted that if this moves forward, the development community as well as the District and the City would benefit. Among other advantages, the permitting processing for both the District and the City could begin at the same time. In addition, this will enable the process to move quicker and be very helpful to both agencies. Mr. Roe stated there were many details to be worked out yet and added the City is prepared to do whatever it takes to facilitate this project. Mr. Pierson echoed the wishes of Mr. Roe and went on to add his concerns with the permitting process in the Federal Way area. He added he felt this would help with the economic development in addition to creating a more beneficial process for the agencies involved. The Board thanked both gentlemen for expressing their thoughts.

Commissioner Gibson commented that he felt this plan could work well, if both entities meet and coordinate the process to the benefit of all parties. Commissioner Stewart then shared his concerns with the proposal, which required the District to add another staff member in order to move forward. Mr. Pierson noted that he felt this was a community-wide issue and it was necessary to be competitive in order to draw the developers to the area. The goal is to make sure the process the developer goes through is as smooth as possible. Commissioner Stewart stated the purpose of the water and wastewater utility is to respond to requests for water and wastewater service from developers. Commission Nowicki noted that Commissioner Miller had provided a statement regarding this issue, which he read. Commissioner Miller stated that as a public utility, the City of Federal Way needs to recognize that Lakehaven serves locations in seven other jurisdictions. Commissioner Tweddle noted that even though she is opposed to mass development, the fact is that it is apparent that there is a need for more, denser development. She then noted that her focus has always been on customer service and if the development community needs better service, she felt the District should provide it. The discussion then moved forward, during which it was noted that the District intended to perform its own survey that will be distributed to the development community to determine their needs. Also discussed was the approximate cost to be added to the budget for another employee. It was noted during the discussion that the benefit of adding an additional position will be difficult to quantify immediately. Subsequent to the discussion, the Board considered this item.

Upon motion of Commissioner Gibson, which was duly seconded by Commissioner Tweddle, the Board **unanimously** approved the addition of one full time employee to the District's employee count. Mr. Pritchett stated that he will bring back a resolution to the Board for their consideration at the next Board meeting, adopting an amendment to the budget resolution to increase the employee count.

INFORMATION ITEMS

#1, Strategic Planning: Commissioner Nowicki began by stating he intended to provide a summary of the topics included in the Strategic Planning first and would then go back to each of the them for further discussion. He pointed out that he had received the Power Point presentation from the AWWA Joint Management Conference he had recently attended and that is what he would be using here. He began by indicating he had been responsible for strategic planning in the late 1970's and explained that this tool provides long term direction for an organization. He emphasized this is not a problem solving tool, but a way of looking at your organization in the long term, beginning with, "What do we really want, where do we really want to be?" He then began the discussion with the help of the Power Point presentation to facilitate in the discussion. Strategic Planning is the road towards the vision of the agency and determining how to get there; it begins with recognizing how good the utility is now and results in the vision of where the Board wants the District to be in the long term. Goals for the utility are major steps toward meeting the vision. The yearly strategic planning cycle was next discussed. There were ten steps in the planning cycle, beginning with reassessing the District's mission statement, the vision and District values. After that key result areas are defined as well as defining goals for the immediate future. Next on the list was defining key results. Commissioner Nowicki stated the program with the City of Federal Way that had just been discussed would fit into this step. The next steps involved defining goals, developing implementation plans for the goals, writing the plan and then communicating the plan with staff. He then discussed the final steps, which would include measuring the plan and monitoring the progress periodically. He stated the discussion for this meeting would include what the Board really wants for the District as far as strategic planning goes and where do we really want it to be. He suggested using Customer Service as an example; for instance, Lakehaven provides good customer service with the goal of providing the same at the City of Federal Way in order to help the development community. He suggested using a five year period as the goal time frame. He asked Board members for their ideas as to what to include as strategic goals for Lakehaven and then where they want to see the District grow within the five years set for a goal. Some ideas that were suggested included one that Commissioner Miller had suggested and given to Commissioner Nowicki to share, which was, "The District is a good utility" and the goal would be to determine where the Board wanted to see the District be in five years. Also suggested were quality water supply, adequate water supply, and an adequate sewer system by enabling the sewage to be delivered to the plant through pipes and treated to meet permit standards. In addition, the following ideas were suggested: adequate wastewater treatment capacity, a collection system that meets all permits as well as providing water service that meets all permits and ensuring the District is fiscally viable. Another item for discussion was to determine

whether or not the District should take an active role in sewerage unsewered areas. The District is a special district providing water service and collection of wastewater and provides fire support to the service area. It must also adhere to regulations set by the Departments of Health and Ecology and is governed by the Revised Code of Washington.

Commissioner Nowicki pointed out that the water and wastewater comprehensive plans are required by law and require the District to look out into the future six years to estimate the needs of the utility, based on growth, etc. within that time frame. He added he would like to turn the District into a regional purveyor of water. The conversation continued with a discussion of the Second Supply Pipeline and the OASIS program, both which required long term planning. Also discussed was the capacity of the wastewater treatment plants. He pointed out that he felt it was imperative to have a public relations program in place when some of the long term projects are implemented.

In review, Commissioner Nowicki stated that his purpose in having this discussion was to encourage the Board to begin thinking about the items discussed during this meeting. He added that Commissioner Miller had noted it will be necessary to spend more money on new employees as the current staff begins to retire. In addition, assets are aging and the Board needs to keep that in mind.

#2, Rates/Capital Facilities Charge: Commissioner Nowicki began the discussion by briefly reviewing the actions the Board had taken in 2006, relative to these two topics. At that time, it was agreed that at a future meeting, the Board would review the way rates and fees and charges are determined. In addition, the Board also decided to retain two consultants to assist the Board in both of these areas. He noted that the Board would be discussing both items at this meeting prior to hearing from the consultants. He pointed out that he had also received the Power Point presentation relevant to this issue from the AWWA Joint Management Conference he had recently attended and would be using it during this presentation. An overview was provided first, which included the objectives to consider when setting rates. He provided a slide that indicated the framework of the overview of the process used to evaluate the rate structures. Next he reviewed the slides, which indicated what an agency had created to first determine how to price their rates. Different methods were suggested during the presentation as to how water and sewer rates could be determined. The District's existing rate structure was then reviewed for both water and sewer. Also provided was a 2006 revenue comparison by customer class, which indicated that most of the revenue was collected by residential customers during the year. The next slide concerned the District's prioritization of rate design goals and objectives and Commissioner Nowicki noted that he felt this was a task for the Board to determine. The next slide compared the District's 2006 monthly residential rates to other neighboring utilities. These figures were discussed; it was noted that the agencies collect for water in all different ways. Commissioner Nowicki stated he felt that how one determines which way to figure the rates is a philosophy question.

The next topic for discussion was the Capital Facilities Charges. A portion of the operating revenue of the District is provided by the Capital Facilities Charges. The District is governed by the Revised Code of Washington (RCW's); RCW 57.08.005 provides guidance relating to CFC's. The goal in reviewing the process involved to calculate these fees is to determine if the process should be refined. Some of the things to consider are the different types of developers; some sell the lot only, some install the infrastructure and then sell the lot; some put in infrastructure and build the house and sell it. There is also the developer that is building the house to live in. The current process was then reviewed and discussed.

Commissioner Nowicki stated it was his hope that the Board could develop goals for the water and sewer rates that could be given to the consultant to facilitate the presentation to the Board. A discussion followed and ideas were suggested. It was noted that the rates are much more a policy decision by the Board rather than the CFC's, which are driven by statute. However, there is policy that he felt the Board must consider for implementation of the CFC's; for instance, how the District will implement these charges for several different classes of customers. Some of these customers have not paid and some have not paid enough. The Board needs to determine the solution in the long term. Commissioner Nowicki suggested that the Board should provide the consultant with some guidance regarding what to consider in developing his presentation for the CFC calculations. It was noted that there needs to be a relation between the charge and what it's costing the District. The discussion followed regarding what to include in the objectives to consider when setting the rates. In review, the objectives that were listed included fair and equitable rates between rate classes; the process must be legally defensible, contain continuity and provide revenue stability. Mr. Pritchett stated he would like to develop something to provide to the developers that would explain how the rates were developed in a way that they can understand. He added he felt it would be beneficial to all if it is clear that the rate is fair and equitable to everyone. This type of document should be on hand and available.

COMMITTEE REPORTS/COMMISSIONER COMMENTS

Commissioner Nowicki reported he had attended the Greater Federal Way Emergency Management Presentation the prior evening. He noted it appeared everything was moving along nicely and progress is being made. He noted this committee hopes to receive a FEMA grant next year to perform a mock disaster exercise.

STAFF REPORTS

General Counsel: Mr. Pritchett reported that the bill that would provide for a six year bargaining agreement for unions was still alive. He reported on another bill that would make it mandatory for all municipalities to upgrade their billing software to allow electronic payment for customers. He then suggested a press release be submitted regarding staffing a District employee at City Hall, to which the Board agreed.

Engineering/Water Manager: Mr. Bowman, the District's new Engineering/Water Manager, reported the District is currently not receiving Second Supply Pipeline (SSP) water. A brief discussion ensued relative to the recurring fluoride issue; it was noted that staff tells customers that there may or may not be fluoride in the water, depending on whether or not the District is receiving SSP water or not. The preference for receiving fluoride is approximately 50/50.


General Manager: Mr. Perry reported on District resources during the most recent storm event. If the emergency had gone on much longer, he stated he felt staff would have been challenged in the chemical area. He noted that some of the chemicals the District uses are shipped from a source located on the other side of the country; had this been a national event that would have posed a problem. He stated the District currently has enough chemicals to last approximately seven days, on average.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 4:30 p.m.

<u>ABSENT</u>	<u>Yea</u>	<u>Nay</u>	<u>Abstain</u>
President Miller			

ATTEST:

 Vice President Nowicki	<input checked="" type="checkbox"/>		
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 Secretary Gibson	<input checked="" type="checkbox"/>		
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 Commissioner Stewart	<input checked="" type="checkbox"/>		
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 Commissioner Tweddle	<input checked="" type="checkbox"/>		
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