

LAKEHAVEN UTILITY DISTRICT
King County, Washington

SPECIAL BUSINESS MEETING
April 5, 2007

A special meeting of the Board of Commissioners of the Lakehaven Utility District, King County, Washington, was held on April 5, 2007 at Lakehaven Center, 31531 First Avenue South, Federal Way, Washington, 98003.

President Miller 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:

Don Miller	President of the Board
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

APPROVAL OF MINUTES

Upon motion of Commissioner Gibson, which was duly seconded by Commissioner Nowicki, the Board unanimously **approved** the minutes of the March 15, 2007 meeting as presented.

APPROVAL OF AGENDA

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

CONSENT ITEMS

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

1. Accounts Payable Vouchers and Payroll Transactions with the warrant dates of 3/27/07 and 4/9/07.

Maintenance Fund No. 11-333-0510

3/27/07, voucher nos. 8281, total amount of \$48,960.17;

Payroll – Fund #11-333-0530

04/09/07

Warrants:	\$517.03	\$0.00
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Direct Deposits:		\$164,901.20
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Benefit Warrants:		\$131,452.97
	(voucher nos. 7679-7694)	
Withholding/FICA		\$68,941.33
Total Amount of:	\$302,899.39	\$365,295.50

INFORMATION ITEMS

#1, Capital Facilities Charges Discussion: Mr. Pritchett introduced Lynn Takaichi of Kennedy/Jenks, Inc. who had been retained by the District to perform an independent review of the District's Capital Facilities Charge (CFC) models for both water and wastewater systems and to discuss the development of the CFC's and the policy issues to be incorporated into the models. Mr. Takaichi thanked the Board and began the presentation by reviewing the agenda for the presentation, which included an overview of utility financial strategies, Capital Facilities Charges and implementation issues. He stated that connection charges and various other charges and assessments are fairly prescribed by statute which prevents the flexibility that can be implemented in rate design. Water and sewer districts are governed by RCW 57.08, which provides legal authority regarding charging rates for service, connection charges and other charges and assessments. In designing these charges, there are a number of goals that require balancing. These include sufficiency; revenue stability; equity in customer classes, large/small or strong/weak; future/existing customers and generational; policy considerations such as conservation and lifeline; the ability to be understood by customers. He went on to explain each of these goals.

Mr. Takaichi next discussed CFC's. These are applicable to new or expanded service and are based on the philosophy that growth pays for growth. There are four components of the CFC, which are existing facilities, future facilities, credits and excise tax. District staff reviews these charges annually to ensure they are keeping up with capital requirements of the District. He then reviewed the basis for the existing facilities component, which included asset inventory; the exclusion of grants and contributions and donations; interest, which carries a ten year statutory limit and is based on a ten year Bond Buyer Index; and system capacity. The basis for future facilities component includes facilities in the adopted Comprehensive System Plans; the estimated capital cost, which is calculated for six year and ten year horizons, the most current estimate and escalating to the CFC year; capacity determination, which is project specific; capacity allocation, which is existing capacity vs. growth. Next, Mr. Takaichi explained the basis for credits that included the provision for equity by avoiding "double dipping"; debt service for future facilities paid by rates; discounted present value of future debt service payments. He next addressed implementation issues that include a five year history and adjustment of the amount paid. He went on to relate some issues he saw with this procedure and a discussion followed on the reasons for implementing the monitoring program as well as possible solutions to the problems. Mr. Takaichi also addressed an adjustment to the Local Facilities Charge (LFC) payment. The definition of an ERU was next discussed. It was noted that the District's definition of an ERU has been challenged on several occasions and fortunately has stood the test

of time. In addition, the methodology has been challenged and has held up quite well. The complexity of the calculation, however, has become more difficult to understand. During the discussion it was noted that financially, the current method is adequate. The District is not overcharging new customers in the aggregate, but at any given time, there may be inequities in the system. Different scenarios of how different types of projects are calculated for CFC's were discussed. Also discussed was how the CFC and LFC are allocated. The goal in this area is to develop a way to ensure that the District is collecting for either one or the other. Another issue was then discussed relating to the construction of sewer facilities; more specifically, requiring sewer lines to be dug deeper in order to service customers upstream of the construction area. This also was discussed and Mr. Takaichi indicated that a policy could be adopted to address this type of issue.

Mr. Takaichi then readdressed the definition of an ERU. In application of the CFC, it is assumed that a single family residence is assumed to be one ERU. Some houses are now using more than the equivalent of one ERU and he stated he felt there was a need to determine if some customers need to be charged more, depending on the characteristics of the home. He noted this seems to be a fairly significant problem and one that may be growing. Suggestions were made on possible ways to address this issue and a discussion followed. During the conversation, Mr. Takaichi stated that one thing to keep in mind is that if a system was put in place to address this issue, the District might not realize additional revenue; it would mean that users that use more, pay more and users that use less, will pay less. He also noted that he felt it was important to look at the trends as well. Mr. Takaichi indicated that he would be performing a comprehensive review of all the assumptions considered in calculations, etc., for the primary purpose of being defensible. The goal is to ensure there is a documented basis of the calculations and the policies in place to back them up.

Mr. Takaichi stated the wastewater rate is more complicated. He explained what was taken into consideration in order to determine how much revenue was collected for each residential customer. He added that one thing to keep in mind regarding the wastewater ERU was including infiltration. The Board discussed this issue and things that should be considered in determining charges. Also discussed was how ERU's are calculated at the wastewater treatment plants and in relation to flow and strength. Subsequent to the discussion, the Board thanked Mr. Takaichi for his presentation.

STAFF REPORTS

General Counsel: Mr. Pritchett reported staff had selected a replacement for Linda Mogensen for the position of Board Clerk and were waiting for a response to the offer. He then stated that during the last union negotiation, participants discussed the lagging payroll - one of the issues is to pay for actual time worked. He then added that, due to a court case and an Administrative Code that was adopted by Labor and Industries, employers can only lag the payroll seven days. He went on to report on two court cases that related to this issue; one determined the lag applies only to a monthly payroll and the other case determined the seven day

lag does not apply only to monthly payrolls. Mr. Pritchett noted this would allow the District to convert to a semi-monthly lag. He added there would be implementation issues connected with an additional lag; however, the current seven day payroll is just too tight. He added staff intends to negotiate this item with both labor unions.

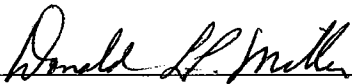
Engineering/Water Manager: Mr. Bowman reported he had attended an Operations Committee Meeting for the Second Supply Pipeline (SSP) earlier in the day and stated Lakehaven might have begun receiving SSP water earlier in the day or the next morning. He next reported that the District had retained the services of a few Labor Ready staff to clear around and clean fire hydrants. He then reported that Mr. Perry had received a letter from the City offering to have volunteers paint over graffiti on hydrants. Two colors were offered - battleship gray or brown. Staff would be providing yellow paint.

General Manager: Mr. Perry reported on an article he read about sewer agencies using Metro's system, which had apparently generated a lot of discussion. He noted he understood that Soos Creek Water and Sewer wants to move their flows to the Lakehaven Utility District and the City of Kent is considering expanding the potential area and are checking their contract with Metro to send flow to Lakehaven Utility District. He next reported that the portable generators had been delivered this past week and are ready to go. He noted that the generators can be moved from place to place, depending on the need. Next, Mr. Perry stated that Purchasing is working on a bulk contract for fueling and added there is a storage tanker at the Lakota Wastewater Treatment Plant that will be certified to be able to store fuel - both diesel and gasoline. Lastly, Mr. Perry reported that the school levy election is scheduled for May 15, 2007.


Commissioner Miller reminded the Board that the filing time for submitting the application to run for Board during the upcoming election was June 4th through the 8th. It was then stated that the next regular meeting was scheduled for April 12th at 6:00 p.m. Commissioner Tweddle noted she would be unavailable for that meeting as she would be out of town.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at approximately 3:37 p.m.



President Miller




Yea

Nay

Abstain

ATTEST:

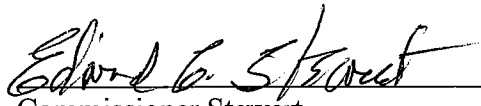


Vice President Nowicki

Yea Nay Abstain

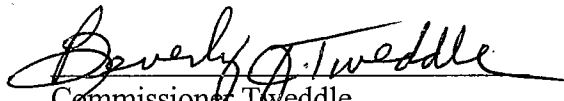
Secretary Gibson

Yea Nay Abstain



Commissioner Stewart

Yea Nay Abstain



Commissioner Tweddle

Yea Nay Abstain