

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

