

MINUTES OF THE WORK SESSION OF THE COMMISSION
PUBLIC UTILITY DISTRICT NO. 1 OF SKAGIT COUNTY, WASHINGTON

November 17, 2009

A Work Session of the Commission of Public Utility District No. 1 was held in the Aqua Room of the utility located at 1415 Freeway Drive, Mount Vernon, Washington, on November 17, 2009.

The work session was called to order at 2:00 PM. Those Commissioners in attendance were: Jim Cook, President; Robbie Robertson, Vice President; and Al Littlefield, Secretary. Also in attendance were: Dave Johnson, General Manager; Mark Fredlund, Treasurer; Greg Peterka, Engineering Manager; Christine Blake, Auditor; Brad Spangler, Operations Manager; Kevin Tate, Community Relations Manager; and Kim Carpenter, Recording Secretary.

Agenda includes the following topics:

- Hydrant Meter Permit Fees
- System Development Fees
- Other Fees and Charges

Engineer Peterka began discussion concerning System Development Fees (SDF) including three scenarios based on assumptions of annual ERU predictions. The three scenarios included:

- No change; assuming an annual 2% increase (\$210,000)
- Annual increase over five years (\$1,190,000)
- Immediate increase to \$3,790 (\$1,554,000)

Manager Johnson explained the purpose of SDF and that there are two ways to develop a water system where growth pays for growth; upsizing developer plant or building assets and collecting rates to cover or recoup costs. Discussion ensued regarding contributing factors to SDF, projected growth factors, and pros and cons of the three scenarios presented.

Commissioner Littlefield asked if there were any LUD's on the horizon that may be impacted by a potential fee increase; Engineer Peterka replied yes, potentially Del Mar and Baker Heights Road.

Commissioner Robertson suggested contacting the cities and county regarding their growth projections, as well as builders.

Commissioner Cook stated that none of the options make much difference in the overall picture. Engineer Peterka stated that the graph in the handout illustrates the predicted income from all three options.

Community Relations Manager Tate presented a review of current miscellaneous charges listed under Table A-9 of the Water Policy Manual and recommendations and rationale regarding the same, including:

- Service Activation Charge (recommended increase from \$10 to \$20)
- Deduct meter monthly basic fixed charge (recommended no increase)
- Financial instrument charge (NSF, ACH) (recommended no increase)
- Reconnection charges (recommended increase from \$35 to \$50 between 8:00-3:00 M-F, increase from \$90 to \$160 after hours, and increase from \$120 to \$190 on Sundays and holidays)
- Collection in the field (recommended no increase)
- Cut lock charge (recommended increase from \$25 to \$100). Commissioner Cook recommended that the fee be greater than the Sunday charge for reconnection.

- Meter yoke replacement charge (recommended increase from \$100 to \$195-250).
- Recommended late payment charge at 2% per month for unpaid balances 33 days beyond the bill date with a minimum charge of \$0.50. The Commission suggested a flat late fee minimum of \$5.00 or 2% of bill, whichever is greater.
- Treasurer Fredlund recommended removal of Table A-11 (interest on service deposits) as the District no longer receives the rate of interest being paid.

Discussion ensued regarding the various charges.

Manager Johnson began discussion regarding hydrant meter permit fees and rates. Engineering Technician Hiltz presented statistics regarding hydrant permit usage and revenue from 2005-2009. Discussion ensued regarding pros and cons of increasing the hydrant meter permit fees. Manager Johnson cautioned the Commission regarding the long term strategic impact of raising hydrant meter permit fees.

Manager Johnson reviewed the topics of discussion:

Regarding SDF, he stated that staff would get a better handle on the potential growth rate over the next few years; will contact builders, cities and county to try and get a clearer picture of their projections; and will look at the options presented and the opportunity to increase SDF for the first couple of years and then taper off. Commissioner Robertson requested that estimates be presented in dollars rather than percentages.

Regarding other fees and charges, the Commission was comfortable with the recommendations made by CR Manager Tate including the introduction of a late payment fee of \$5.00 or 2% of the bill, whichever is greater, removal of Table A-11 (interest accrual on deposits). The exceptions to the recommendations were the cut lock charge fee being greater than the Sunday/Holiday reconnect charge or \$200 and that the meter yoke replacement charge be increased to \$300. He stated that CR Manager Tate would prepare the changes to the Water Policy Manual for Commission action at an upcoming meeting.

Regarding hydrant meter permit fees, Manager Johnson stated that from the District's long-term strategic direction, he would recommend holding firm to the current fees and possibly addressing the issue again in the future.

The work session was adjourned at 4:15 PM.

ATTEST

Jim Cook, President

Al Littlefield, Secretary

Robbie Robertson, Vice President