



## MINUTES

Regular Meeting of the KID Board of Directors  
 Carl W. Petersen Board Room  
 July 21, 2009

**Call to Order/Roll Call:** The meeting was called to order in open public session at 8:59 a.m. by President Jaksch. Interim Secretary/Manager Revell called the roll.

**Directors Present:**

John Jaksch, President  
 John Pringle, Vice President  
 David McKenzie  
 Patrick McGuire  
 Gene Huffman

**Staff Present:**

Scott Revell, Interim Secretary/Manager  
 Joetta Rupert, Real Estate Manager  
 Clark Haueter, District Treasurer  
 Brian Iller, Legal Counsel  
 Margo Hines, Asst Manager-Administration  
 Beth Smith, HR/Risk Mgmt & Acting Engineering Manager  
 Harry Fox, Operations Manager  
 Doris Fiske, Executive Assistant

**Approval of Agenda:** President Jaksch tabled discussion and action on Policy 2.11 and Policy 2.21 until the Board meeting on August 4, 2009. **Director McGuire moved to approve the amended agenda. Director Huffman seconded the motion and it carried unanimously.**

**Consent Agenda:** **Director Huffman moved to approve the consent agenda. Vice President Pringle seconded the motion and it carried unanimously.**

**Items on the consent Agenda were:**

1. KID O&M Vouchers
2. Minutes, KID Regular Board Meeting, July 7, 2009
3. Benton PUD Crossing Permit
4. Travel Requests for Jeff Green and Craig Good

**Accounts Payable**

Numbers:	57355	through	57355		\$ 851.42
"	57356	through	57402		57,695.83
"	57403	through	57445		96,818.35
"	57446	through	57446		9,519.57
<b>Total Accounts Payable</b>					<b>\$ 164,885.17</b>

**Payroll**

Numbers:	31182	through	31193		12,961.13
	31194	through	31194		101.33
Direct Deposit					72,811.25
<b>Total Payroll</b>					<b>85,873.71</b>
<b>Total Disbursements</b>					<b>\$ 250,758.88</b>

**Scheduled Visitor:** **Jim Holmes** made a presentation to the Board on Red Mountain Land Value History at the request of Mr. Revell. A copy of the presentation is on file. Mr. Holmes discussed economics of the established vineyards on Red Mountain, reviewed the history of land values on Red Mountain, and provided statistics and economic outlook for Red Mountain wineries and vineyards. He concluded that the long-term outlook is positive.

**Unscheduled Visitor:** **Dale Walter**, residing at 5624 W 10th, asked, if the Red Mountain LID is created, will the KID charge the FEMA equipment rate for all improvements. Mr. Haueter said the FEMA rate was charged to the existing LIDs to cover pump riders, trucks and vehicles, and things like that, but that the Red Mountain LID will be constructed by contractors and KID staff cannot answer whether FEMA rates will be used.

Mr. Walter said he previously asked whether the Board reviewed the FEMA rates and stated that FEMA rates require the President to declare a national emergency and, further, FEMA rates include depreciation and profit, making their use inappropriate in charging LIDs. Mr. Haueter answered that the state allows the KID to go back to charge expenses to LIDs, and that the state rates are higher than FEMA rates. He noted that it is common practice for other government agencies to use FEMA rates to charge for equipment use.

Mr. Walter stated FEMA guidelines allow hourly charges for pickups used for construction but only allow a charge of \$.58 per mile for transporting personnel.

#### **Resource Management and Planning:**

**1. Red Mountain South Local Improvement District Public Hearing:** Mr. Revell briefly reviewed the actions taken regarding the Red Mountain South LID petition. He noted that staff has found inaccuracies in the information included in the preliminary assessment roll mailed a week ago. The District's consultant is auditing the paperwork. Mr. Revell recommended that the Board open the public hearing, listen to the public and continue the hearing to August 18<sup>th</sup>. President Jaksch opened the hearing and invited guests to comment on the proposed LID.

➤ Lawrence Pearson, who owns property at 20206 E 583 PRNE in Benton City said he would like to see, by the continuation of the hearing, specifics about which pieces of his property are or are not included in the LID.

➤ Jeff Brown, residing at 2530 Albemarle Court in Richland, owns ten acres on Red Mountain. Mr. Brown asked how the interest rate and terms for the bonds were determined. Mr. Haueter responded that the financing would have to go out for a bond. He said LIDs fall into a different category for bonds and are not rated. The best interest rate staff has found so far is 5.5 to 6%. Mr. Revell said the 20-year loan amortization was proposed as a balance between requests by property owners for payback periods between five and forty years.

➤ Shirley Whitten, property owner on the north side of Red Mountain, asked if there be a time when they will be able to connect to the irrigation. Mr. Revell said that this LID includes only the south face of Red Mountain but it is possible a second phase could include other areas.

➤ Gerald Stanton, residing in Illinois, owns acreage south of Hwy 224 on Red Mountain. Mr. Stanton is committed to participating with 40 acres and asked if he would be allowed to transfer part of his allocation to someone else at a later date. Mr. Revell said one constraint is the finite amount of water being addressed in the District water rights. He said District is

processing a change and transfer to move a portion of KID's diversion from Prosser Dam to Kiona and must ensure that the water right amendments are structured to handle each of the participating properties. The other component is limitations due to the system's pipes and pumps. Also, with a construction loan payback, there are limits to how much can be added later. Mr. Revell recommended that if property owners want water, they should sign up now as transfers later will depend on the physical ability of system.

➤ Edward Schumacher, 34809 N Schumacher PR in Benton City, owns 20 acres but cannot afford to participate with all 20 acres at this time. Mr. Schumacher asked if he could sign up one acre now and add more later as his business grows. Mr. Revell said the ability to add more acres later is uncertain at best and it would be safest to sign up all acres now, if possible. Mr. Schumacher asked whether he could use an allocation for two acres on different acres in different years. Derrick Smith of MacKay and Sposito said that the current plan is to meter the water, so the allotment is not tied to a certain part of the property. Mr. Revell said construction costs, operations and maintenance costs and, possibly, environmental mitigation will be included in the final bill. Also, if property does not touch the main transmission line, the owner is responsible to get water from the transmission line to the property. Mr. Schumacher commended KID for working to get water to Red Mountain. Derrick Smith said the current design provides one service to every parcel in the LID except those properties high on the mountain which, due to additional costs, will be responsible for extending the system to them.

➤ John Williams, 124612 N Sunset Road, asked for confirmation that his request that no water be delivered to his 120 acres at Brownville Estates. Mr. Williams provided a copy of the letter to Mr. Revell. Mr. Revell confirmed that two parcels of Brownville Estates are listed as not participating on the current master list.

➤ Fred Artz, owner and manager of Artz vineyard, expressed concerns about aesthetics, hook-ups and metering of the water. Mr. Artz asked if less water used whether property owners still be billed for it. He also asked if the number property owners agreed to for cost to bring water to the area is firm or if there will there be additional fees. Mr. Revell said the number mailed recently should be close to the final number, but is based on the preliminary assessment roll and there are variations as properties are let in or out. More specific information will be available at the August 18<sup>th</sup> meeting and will be mailed in advance. If property owners sign up for water but use less or even no water, they will still receive a bill for the LID construction. Mr. Artz asked if there will be booster pumps and whether there is a plan to mitigate effects on the aesthetics. Mr. Revell answered that concerns about noise from pumps are being considered and that the design tries to balance these concerns with cost savings. He said input continues to be accepted. Mr. Artz asked how irrigable acres are determined. Mr. Revell asked Mr. Artz to confirm how many acres he wishes to include in the LID. Mr. Smith said the maps included in the survey were based on aerial photos and were only intended to be a starting point for property owners to make the determination individually for what acreage they want to irrigate.

➤ Don Wilson, of Houston TX, owns property which borders KID property on the south side of Red Mountain. Mr. Wilson asked if KID has formulated short, medium or long term plans for land in section 15. Ms. Rupert answered that KID has contracted with MacKay and Sposito for master planning for all KID Red Mountain properties. Section 15 will probably be in phase one as it is near the proposed interchange. Ms. Rupert is working with the City of West Richland as they try to secure funding for the interchange. She offered to send information on plans to Mr. Wilson. Ms. Rupert expects Phase I to be submitted to the Board by the end of this year.

President Jaksch called a five minute break at 9:40 a.m.  
The meeting was reconvened in open public session at 9:50 a.m.

**New Business:**

**2. Treasurer's Mid-year Report:** Mr. Haueter presented the mid-year financial review. He noted that the information was being reported on cash basis.

The 2009 Assessment Revenue page lists the assessment portion of the revenue. Mr. Haueter noted that the Board is aware of the effect of LID credits and Policy 2.20 consolidation credits on anticipated assessment revenue. He reported that about 67% of the expected assessments have been collected.

2009 Capital Projects Revenue was reduced by about \$5000 which was not collected due to the Policy 2.20 consolidation adjustment. About 60% of the expected capital project revenue has been collected at this time. An additional \$645,000 appropriated from reserves is not reflected on this page.

Mr. Haueter reported that 2009 Interest Income Revenue and projected interest shortfall of \$184,000 was discussed at the May 20th Finance Committee meeting. \$213,000 interest collected through June 30 includes the operations and maintenance component only. Mr. Haueter anticipates \$103,000 interest income for the remainder of the year. \$85,000 in Realty interest income was not included on this page. This will be discussed at an upcoming Finance Committee meeting.

The KID Realty Reserves (not including KID-Water reserves) page includes total Realty Reserves of \$2,464,000 as of June 30<sup>th</sup>, and 2009 Board appropriations of \$1,070,000, leaving \$1,394,000 unappropriated in Realty Reserves. Mr. Haueter noted that nothing was taken out or assumed about 2010 Real Estate department budget. This report will also be discussed in Finance Committee.

The KID Water Reserves report includes the January 1<sup>st</sup> beginning balance of \$5,500,000, less Restricted Reserves and expended and appropriated expenses, leaving an unappropriated Reserve Balance of \$1,451,000 on June 30<sup>th</sup>. 2009 Pending adjustments for five items were listed, leaving the undesignated KID Reserve balance at \$152,000.

A summary 2009 Budget Variance Report through June 30 by department was included in the meeting materials and a detailed report was sent to the Board and managers under separate cover. Management is aware of - and all departments are within spending limits. Mr. Haueter noted that capital equipment expenditures and the Realty Division are not included in this report. He clarified that debt service refers to leased equipment.

Dale Walter requested a report on District certificates of deposit. Mr. Haueter said the monthly cash investment report wasn't included in the midyear review and displayed that report on the overhead screen. (A copy of the report was given to Mr. Walter following the meeting.)

**3. Resolution 2009-19 Cash Basis and BARS Accounting:** Mr. Haueter reviewed the proposed resolution and the Finance Committee's recommendation for approval. **Director McGuire moved to approve Resolution 2009-19 Authorizing Conversion to Cash-Basis**

**Accounting and BARS Model Chart of Accounts. Director Huffman seconded the motion and it carried unanimously.**

4. **Policy 2.11 Realty Reserves:** Tabled until August 4, 2009.

5. **Policy 2.2 Spending Authority:** Mr. Revell reviewed the suggested changes to the policy and stated that the Finance Committee reviewed the policy July 9<sup>th</sup> and recommended approval. **Director Huffman moved to approve Policy 2.2 Spending Authority as presented. Director McKenzie seconded the motion and it carried unanimously.**

6. **Policy 2.3 Travel Authorization and Reimbursement:** Mr. Revell presented amendments to the travel policy. Mr. Haueter recommended that the words "and meals" be deleted from line 2.3.1 to be consistent with the use of federal per diem rates for meals while traveling. **Vice President Pringle moved to approve the revisions to Policy 2.3 as listed in attachment 1 and as amended by Mr. Haueter. Director Huffman seconded the motion and it carried unanimously.**

7. **Policy 2.21 Interest Rate on KID Funded LIDs:** Tabled until August 4, 2009.

8. **District Manager's Report:** Mr. Revell offered additional information on topics in the District Manager's report:

- **Saltz:** A written opinion of the District's contract engineer is expected by the end of the week. Staff will meet with Mr. Saltz thereafter.
- **Yakima River Basin Water Enhancement Project (YRBWEP) Work Group Meeting:** The July 15 meeting focused on existing proposals for Bumping Lake, ground water storage and total water supply available, and discussed KID's proposal for moving a point of diversion. Benton and Roza Irrigation Districts have similar pump exchange proposals for smaller amount of water. Issues addressed by this work group are particularly important to the KID because we are downstream water users with a junior water right.
- **Answering Machine:** The answering machine message problem has been identified and cured.
- **Water Entitlement Transfers:** The process is being revised and is expected to come before the Board in September after review by the Operations and Engineering Committee in August.
- **Acting District Manager:** Beth Smith will be acting District Manager while Mr. Revell is out of town July 22<sup>nd</sup>.
- **Use of Irrigation Water for Dust Control:** Staff is reviewing past practices and regulations regarding the use of irrigation water for dust control on properties without a water allotment.
- **Public Records Requests:** Ms. Hines reported that responses to public records requests are on track and the only outstanding request is due July 22<sup>nd</sup>. Staff continues to track time spent on requests.

- **State Ethics Board Articles:** A series of articles on ethics from the State Ethics Board will be included with upcoming Board meeting packets.
- **Moss/Algae Bloom:** KID is dealing with a new type of moss or algae in the system. Mr. Revell said that Mr. Fox has observed that the initial bloom has passed.

At 10:25 a.m., President Jaksch called a short break.

At 10:35 a.m., the Board met in executive session for one hour to

- discuss with legal counsel potential litigation regarding easements,
- discuss with legal counsel potential litigation regarding easements and waiver of conflict of interest,
- discuss the District's position on collective bargaining negotiations, and
- evaluate the performance of a District employee.

Executive session was extended for 30 minutes at 11:30 a.m.

Executive session was extended for 30 minutes at noon.


At 12:30 p.m., the meeting was reconvened in open session.

President Jaksch instructed Mr. Revell to get bids on relocating the potable water pipe on the Daily property back into the KID easement, to report to the Board at the August 4<sup>th</sup> Board meeting and to provide assurances that the work can be done without trespassing on the Daily property at Elliot Lake.

**Director McGuire moved to adjourn the meeting at 12:31 p.m. Vice President Pringle seconded the motion and it carried unanimously.**

Attest:

Witness:

  
\_\_\_\_\_  
John A. Jaksch, Board President

  
\_\_\_\_\_  
Scott Revell, Secretary/Manager