



Minutes

Regular Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, April 6, 2010, 9:00 a.m.

Call to Order/Roll Call: President Jaksch called the meeting to order in open session at 9:02 a.m. and District Manager Freeman called the roll.

Directors Present:

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

Staff Present:

Charles Freeman, District Manager
Joetta Rupert, Real Estate Manager
Brian Iller, Legal Counsel
Clark Haueter, Finance Manager
Scott Revell, Planning Manager
Greg Harting, Operations Manager
Jason McShane, Staff Engineer
Diane Rourk, Customer Service Specialist
Seth Defoe, GIS Specialist
Judy Smith, Administrative Contracts Specialist
Ann LaRocque, Administrative Assistant
Doris Fiske, Executive Assistant

The Board observed a minute of silence in remembrance of Lacey Jo Rosenbaum, daughter of Lynda Rosenbaum, KID Administrative Contracts Specialist, and Keith Rosenbaum.

Approval of Agenda: President Jaksch added a report from the Operations and Engineering Committee to the agenda and removed discussion with legal counsel of litigation regarding Acquavella from the executive session agenda. **Director McKenzie moved to approve the agenda as amended. Director Pringle seconded the motion and it carried unanimously.**

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, March 16, 2010
2. Minutes, Finance Committee Meeting, March 11, 2010
3. Minutes, Operations & Engineering Committee Meeting, March 16, 2010
4. KID O&M Vouchers

Accounts Payable

Numbers: 59376 through 59437	\$	143,998.72
59438 through 59495		82,230.60
59496 through 59496		124.69
59497 through 59497		2,618.00
59498 through 59539		167,649.40
59540 through 59540		287.00
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Total Accounts Payable

396,908.41

Payroll				
Numbers:	31419 through	31428	\$	6,551.99
	31429 through	31441		7,071.50
	31442 through	31442		562.58
	Direct Deposit			59,625.08
	Direct Deposit			62,073.46
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	Total Payroll			135,884.61
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	Total Disbursements		\$	532,793.02
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	Voided Checks:	None		

Unscheduled Visitor: Director McGuire noted that Mr. Wade expressed a concern at the last Board meeting that his questions were not being answered. Mr. Freeman confirmed that KID has answered all of his questions to date.

James Wade, residing at 1813 S Rainier Place, addressed the Board. He said it seemed that KID was adding expenses and listed expenses for travel, lodging, training, tuition and dues. He asked why KID pays for phone line and long distance at the Realty building and if it is not included on the lease. He said Realty should be located in the same building as other KID employees to save money or be contracted out. He asked what new equipment and machinery Realty purchased for KID for \$3.5 million. He said the letter from Mr. McGuire proves KID stacks the Board (Water Rate Advisory Committee) because the Board (Board of Directors) only considers those who work for irrigation districts or in agriculture to be on the Water Rate Advisory Board. In reference to Resolution 2010-09, Mr. Wade asked if the 17 other lots were contacted or if the nine lots that petitioned were verified or contacted, or if they know that the total of 26 lots is going to cost them \$2,000 a year for the next five years.

President Jaksch asked staff to respond to Mr. Wade if there are any new questions. Copies of letters to Mr. Wade from Mr. McGuire (March 31, 2010) and Mr. Freeman (April 6, 2010) were distributed to the Board.

Scheduled Visitors/Presentation:

1. Brad Toner, Conover Insurance – Disaster Planning and Risk Management 101: Mr. Toner discussed the emergency plan which Conover Insurance helped KID put in effect a few years ago. The plan is designed to mitigate injury to people and property that could occur, especially in if a canal break were to occur. He reported that the system worked well during 2009 Badger break. Emergency numbers and a vendor list are included in the plan to allow rapid response and notification of emergency services as well as quick scheduling of repairs. Contractual arrangements have been made with a few hotels to facilitate any emergency dislocation of people. Mr. Toner reviewed a list of claims for the KID for last four years. He also reported on the state of the insurance industry and pricing trends.

2. United States Bureau of Reclamation (USBR) Loan Repayment: Mr. Revell introduced Carron Helberg from the USBR and Diane Rourk, KID Customer Service Specialist and Bureau Contract specialist. Mr. Revell said KID is a “new law district” because it opted to be covered by the 1982 Reclamation Reform Act (RRA).

Mr. Revell discussed historic changes to the maximum acreage recipients of reclamation water may own. People with over 240 acres must complete ownership certification and disclose all

properties in which they have full or part ownership in all USBR districts in 17 states. Ms. Rourk reported that water users approaching or exceeding the 960 acre limit, through ownership or leasing, have the option to pay out of the Bureau contract. Once the contract obligation is paid off, there are no RRA filing requirements. She said most high acreage property owners are aware of the requirements and KID does not solicit ratepayers to pay off their Bureau contract.

Mr. Revell discussed the cost and purpose of the construction loan, which is a lien on property in the District. There are about eleven years left on the 66-year loan. In 1970, the provision allowing early pay-off by the District was eliminated. Ms. Helberg said that while the District cannot pay off early, individuals may.

Mr. Revell reported that KID over-collected about \$583,000 on the loan years ago. That money is in a dedicated account. Ms. Helberg said KID may not pay that lump sum against the loan as a District as early payment must be paid parcel by parcel. Mr. Revell said that issue needs to be addressed as the end of the loan approaches. He said an option, suggested by the USBR, is for KID to identify properties to pay out, such as urbanized properties under streets or hard surfaces. Policy choices regarding this issue will be coming before the Board. Ms. Helberg said negotiating a supplement to the contract is not likely. Mr. Revell said Finance staff confirmed that two years ago collection changed and over-collection is no longer occurring. He clarified that owner sign-off is needed only for early payment, not at the end of the loan period.

Mr. Revell reported that staff is working with Ms. Helberg's office to complete the formal Bureau annexation process for the annexations passed in the 2007 election.

Mr. Revell discussed the process of water entitlement transfer process. The June 15th deadline will be publicized. He noted that payment of the USBR loan is a part of the process.

Mr. Revell discussed full cost water. Ms. Helberg provided a summary of RRA and chart of 2008 full cost water rates for other districts in the region in the packet.

Discussion ensued regarding proper allocation of the over-collected funds. Ms. Rourk said that the surplus occurred when old land urban lots were charged full acre charge rather than a fraction thereof. Ms. Helberg said under-collection targeting the urban properties that were over charged is a possibility, but acknowledged the difficulty of matching the surplus to the source properties. Mr. Haueter confirmed that the interest-bearing USBR account is segregated from other KID accounts and the interest remains in that account.

New Business:

3. Approve Policy 5.8, Burning Regulations: Mr. Freeman introduced the new proposed policy. Vice President Huffman moved to rescind Policy and Procedure 44, Burning Regulations, approve Policy 5.8, Burning Regulations, and authorize the District Manager to sign the accompanying procedure. Director McKenzie seconded the motion and it carried unanimously.

4. Approve Revised Procedure #42, Engineering Standards, and Approve Policy 4.19, Engineering Standards: Mr. McShane discussed the proposed changes to Procedure 42 and the new proposed policy 4.19. Discussion ensued. Vice President Huffman suggested the changes be reviewed by the incoming Engineering Manager. Mr. Freeman said it is more important that he review the next two sections. President Jaksch tabled action on this item until the April 20th Board meeting.

5. Approve Resolution 2010-09, To Accept Surety and Authorize Feasibility Investigation of the Proposed Bretz Road LID: Mr. McShane reviewed resolution on behalf of Staff Engineer Ben Woodard. He discussed the process of forming the LID and estimated costs. The Finance, Operations & Engineering and Realty committees have reviewed this item. Discussion ensued regarding the percentage of proposed LID property owner who are petitioners and budgetary concerns. **Vice President Huffman moved to approve Resolution 2010-09, Accept Surety, Authorize Feasibility Investigation of the Proposed Bretz Road Local Improvement District. Director McKenzie seconded the motion. Directors Pringle, Jaksch, Huffman and McGuire voted in favor of the motion and Director McKenzie voted against the motion. The motion carried.**

6. Approve revised Policy 1.4, Board Meetings: Mr. Freeman introduced proposed changes to the Board Meetings procedure. He described the new order for the meeting agenda and discussed the public comment section. **Director Pringle moved to approve Procedure 1.4, Board Meetings, revision 3. Director McKenzie seconded the motion and it carried unanimously.**

7. O&E Committee report: Director McKenzie reported that the committee is beginning prioritization of a one to five year capital improvement plan and invited the Board to submit comments to the committee. He also reported that the committee is exploring the idea having KID employees apply poly urea canal sealant, including consideration of cost savings, environmental concerns, liability, and warranty restrictions.

8. Red Mountain LID Update: Mr. Revell reported that President Jaksch, Vice President Huffman, and Mr. Iller attended the monthly steering committee meeting in Yakima. Water quantities that will be moved were laid out. It was clarified that there will not be water going into the permanent trust program; only long and short term temporary trust. Details will be spelled out in the agreement that will be brought to Board. The information will be reviewed at the next meeting. He said the memorandum of agreement with KID, the USBR and the Department of Ecology is nearing completion. Discussion ensued. President Jaksch requested to review the draft with staff.

9. District Manager's Report: Mr. Freeman said he expects to receive the final numbers for the water year at the USBR budget meeting on Friday. Discussion ensued regarding the water forecast.

Mr. Freeman reported that Seth Defoe, the new GIS Specialist, started Monday, and will be working on water entitlement transfers to Red Mountain.

Mr. Harting reported that the Highlift Canal was done this morning, and the Lowlift Canal will be started tomorrow. Water is available for frost control and deliveries should be available tomorrow.

Mr. Freeman referred to the 2009-2010 Capital Projects list and said the numbers are current as of last night. Mr. Harting reviewed details of some of the projects. Mr. Freeman expects to report the amount to be transferred back to the endowment fund at the next Board meeting.

Mr. Freeman asked the Directors to return their rankings of the District Goals brainstormed at the retreat. The information will be collated and reported at a future Board meeting.

President Jaksch called a short break at 10:10 am.
At 10:20 a.m., the Board reconvened the meeting in open session.

Unscheduled Visitor: Linda Cochrane, residing at 7314 N Canyon View PR NE, discussed Canyonview LID 188. She reported the increase in her irrigation assessment and noted that she did not use water in 2009 until August. She said she pays for school levies, weed control and mosquito control, but has to clean up weeds that blow onto her property from KID property and she does not have mosquitoes. President Jaksch said those are county charges and that KID does not charge for or provide mosquito control. She asked why her rates increased. He asked Ms. Cochrane to meet with Mr. Haueter for an explanation of KID's rates.

Ms. Cochrane said the interest on the LID 188 loan is too high given prime rate and asked if it could be adjusted. Mr. Haueter said the 8.25% interest is based on the day the LID was established and was determined per KID policy. President Jaksch asked Mrs. Cochrane to meet with Mr. Haueter regarding this as well.

Ms. Cochrane said KID sent her a card saying her mortgage company requested the annual KID assessment be sent to them. Mr. Haueter said that in past years, when bills were sent to mortgage companies and copies (not actual bills) were sent to customers, hundreds of duplicate payments occurred. This year, customers who have mortgage companies paying the assessment receive notifications but not a copy of the bill. Mr. McGuire asked why the bills are sent to mortgage companies without asking customers first. Mr. Haueter will consult with Mr. Iller and respond in writing. Ms. Cochrane said her mortgage company has never paid her assessment.

Ms. Cochrane said she didn't want the LID or go to the meeting, but was recorded as a yes vote. President Jaksch said that the vote was according to statutory requirements and KID would have Legal Counsel Iller get back to her on that.

Realty:

10. Office Lease Continuance: Ms. Rupert distributed copies of KID Realty History Brief, 2003-2009 Land Sales, and Overview of Real Estate Department Functions (on file). She reviewed the history of the Real Estate Department, changes to department focus over time and discussed the effect on sales. Ms. Rupert reported on negotiated changes to the KID Real Estate office space lease.

Ms. Rupert presented reasons moving the Real Estate Department to the KID Administrative building is not practical, including space concerns and confidentiality. She discussed options to retain office space at the current location, including month-to-month or various lease lengths. Discussion ensued. Other issues discussed included time to address space planning and office remodeling, whether contracting out realty functions is advisable, personnel conflict, whether the leased Real Estate office provides financial benefit to KID and oversight of the Real Estate Department.

The Board directed Mr. Freeman to hire an architect to address space utilization.

Director Huffman moved to renew the lease for one year to give time to remodel down town for Realty. Director Pringle seconded the motion. Directors Pringle, Jaksch, and Huffman voted in favor of the motion and Director McKenzie and Director McGuire voted against the motion. The motion carried.

At 11:08 a.m., President Jaksch called a break.

At 11:15 a.m., the Board met in executive session for 30 minutes to consider minimum price at which real estate will be offered for sale or lease.

The meeting returned to open session at 11:43 a.m.

Vice President Huffman moved to approve the sale of approximately two acres of KID property #7066, Block 2, Lot 6, Stoneridge, in the amount of \$5.00 per square foot for a total cash purchase price of \$435,600.00. Director Pringle seconded the motion and it carried unanimously.

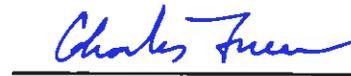
Director Pringle moved to adjourn the meeting at 11:45 a.m. Vice President Huffman seconded the motion and it carried unanimously.

Attest:

Witness:



John Jaksch, Board President



Charles Freeman, Secretary/Manager

Prepared by Doris Fiske, Executive Assistant