



Minutes

Regular Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, July 20, 2010, 9:00 a.m.

President Jaksch called the meeting to order at 9:00 a.m. District Manager Freeman called roll.

Directors Present:

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

Staff Present:

Charles Freeman, District Manager
 Ed Everaert, Engineering Manager
 Scott Revell, Planning Manager
 Joetta Rupert, Real Estate Manager
 Darrell Stewart, Accounting Manager
 Brian Iller, Legal Counsel
 Seth Defoe, GIS Specialist
 Judy Smith, Administrative Contracts Specialist
 Doris Fiske, Executive Assistant

APPROVAL OF AGENDA: President Jaksch added review of the performance of a public employee per RCW 42.30.110(1)(g) to executive session. **Vice President Huffman moved to approve the amended agenda and Director Pringle seconded. The motion carried unanimously.**

CONSENT AGENDA: **Director Pringle moved to approve the consent agenda. Director McKenzie seconded the motion and it carried unanimously.**

Items on the consent agenda were:

1. Minutes, Red Mountain Event, July 1, 2010
2. Minutes, KID Board Meeting, July 6, 2010
3. Minutes, KID Board Town Hall Special Meeting, July 10, 2010
4. June Cash Investment Report
5. June Cash Receipts Report
6. KID O&M Vouchers

Accounts Payable

Numbers: 60265 through 60299	\$	52,041.23	
60300 through 60379		30,193.22	
60380 through 60381		1,000,000.00	
Total Accounts Payable			1,082,234.45

Payroll

Numbers: 31511 through 31511	\$	6,151.52	
31512 through 31519		8,381.81	
Direct Deposit		62,339.31	
Total Payroll			76,872.64

Total Disbursements

\$ 1,159,107.09

Voided Checks

Check No. 60050 void and reissue to previous owner.
 Check No. 60191 void and reissue to correct vendor.
 Check No. 60178 void and reissue with corrected amount.

PRESENTATIONS:

Mid-Columbia Steelhead ESA Re-evaluation Letter from Joint Board: Mr. Defoe presented background on the Mid-Columbia Steelhead Endangered Species Act (ESA) which is up for review this year. He reported the results of a study done on endangered steelhead in the Yakima Basin (copy on file in Planning Department). The study showed an abundance of rainbow trout in the Yakima Basin and rainbow trout have a genetic exchange with steelhead.

PUBLIC HEARING: None

BOARD REPORTS:

Finance Committee and Water Rate Advisory Committee Report: Mr. Jaksch reported:

- The bids on the salary survey were \$15,000 and \$29,750. Whether to contract the survey at this time is under consideration.
- The new treasurer will start on August 15.
- The Finance Committee meetings will be moved to the Thursday prior to the second Board meeting of the month. New dates will be sent to participants.
- Setting up a separate canal rehab account held in operations was discussed as well as whether, if there was a surplus in the canal rehab account, it should be put into reserves. Also discussed was the USBR requirement to have enough reserves to fund the district for a year. The funding of canal breaks needs clarification before Board action is requested.
- Mr. Revell reported that the current budget impact of the Water Entitlement Transfer Program was \$25,000 in lost revenue, but that it may even out.
- The Water Rate Advisory Committee is expected to make recommendations to the Board at the August 17th regular Board meeting.
- Mr. Jaksch confirmed to Ms. Rupert that Realty is a separate entity at this time.
- Red Mountain debt service was discussed. Projected five-year costs and revenues of the reserve fund need to be reviewed to insure there is enough money to cover all obligations and pending expenses starting about 2012 or 2013 for grant matching with YRBWEP funds.
- Regarding Policy 2.11, Fran Forgette asked whether the Board in 2006 intended that money from reserves used to set up the canal improvement fund was to be paid back. Mr. Jaksch said the answer at that time was no, but the Board can revisit the decision if it so decides.

ACTION ITEMS:

Approve Policy & Procedure 4.19, Engineering Standards and Resolution 2010-10, Adoption of Construction Standards for the KID: Mr. Everaert presented staff's recommendation for approval of Resolution 2010-10 and the Engineering Standards policy and procedure. Changes to the engineering standards are to bring them up to today's state of the art. Mr. Everaert said that standards for subdivision will be proposed around October. He discussed the focus of KID's standards relative to those of cities. KID's priority is to protect its irrigation infrastructure and KID must meet federal standards since it is a federal titled project.

Director McKenzie moved to adopt Policy 4.19, Standard Specifications, and to authorize the District Manager to sign the accompanying procedure. Director Pringle seconded the motion and it carried unanimously.

Director McKenzie moved to adopt Resolution 2010-10, Adoption of Construction Standards for KID. Director Pringle seconded the motion and it carried unanimously.

Approve Procedure 1.4, Board Meetings, Revision 4: Mr. Freeman presented revision 4 of the Board Meeting Procedure with changes to reflect the current organizational chart for

approval. **Vice President Huffman moved to adopt Procedure 1.4, Board Meetings, Revision 4. Director McKenzie seconded the motion and it carried unanimously.**

Award Contract – Red Mountain Appraisals: Ms. Rupert presented the sole response to the request for proposals (RFP) for Red Mountain Appraisals. Columbia Valuation Group, Inc., made a bid, not to exceed \$50,000. She said the \$20,000 over the budgeted amount could be found in the Realty budget and recommended the Board approve awarding the contract. She reviewed the bidder's references and client list and discussed the mileage component.

Discussion ensued regarding reducing the scope of the appraisal and the usefulness of having appraisals of the land without irrigation water as well as, speculatively, with irrigation water in the future. Vice President Huffman said issues regarding long-term leases need to be addressed and wondered if it is too early to have an appraisal of the land with water. Ms. Rupert said when water is expected and the quality of water right will be considered.

Director McKenzie asked whether prospective buyers would accept speculation by the appraiser. Ms. Rupert expressed confidence in the appraiser's qualifications and buyer acceptance of the report. She said the appraisal is needed now to be able to move forward, but that in two or three years it might be prudent to have another review of this.

Director Pringle suggested the RFP was too complex. Unknowns such as water delivery date and true cost of that water will affect property value. He asked why an appraisal of the value of the land today without water is needed if it will be sold in the near future with water. He said we don't know if KID can lease it or not. He said the price of the proposal is too high and more than one bidder is needed and recommended adjusting the RFP.

Ms. Rupert said assumptions about the water delivery date and cost of water were used as the basis to move forward with plans for the RFP for design. She said the proposed appraisal price is in line with other studies done by the KID such as the feasibility study. Ms. Rupert said she has the updated soils report which will be used in the appraisal and will give copies of the report to the Board.

President Jaksch said that, though the MOU has been completed, the settlement agreement and financing need to be in place. He said it might be good to know the value of the land without water in case it becomes necessary to sell it before it has water.

President Jaksch suggested tabling the appraisal. Director McGuire called for a vote on the grounds that this was requested by the Board months ago with knowledge of the steps still pending. Ms. Rupert said the timeline is 75 days with a negotiable start date of August 1st.

Director McGuire moved to approve the Real Estate Manager accepting the proposal by Columbia Valuation Group, Inc. not to exceed \$50,000 plus mileage at the current IRS rate for the appraisal of the KID owned Red Mountain properties. Director McGuire seconded the motion. Directors McGuire and McKenzie voted yes. Directors Jaksch, Pringle and Huffman voted no. The motion failed.

President Jaksch suggested that once the settlement agreement, the financing agreement and the record of decision are in place, the RFP could be reissued. He referred the matter to the Realty Committee for review of the RFP and consideration of reissuing it in a less complex form.

RESOLUTIONS: (Addressed previously)

PUBLIC COMMENTS:

Dale Walter, 5624 W. 10th Avenue. Mr. Walter thanked Mr. Freeman for a letter and told the Board he will continue to address LIDs and how administrative costs were calculated. He discussed differences in costs over several years. He said KID accounting does not prove how much LIDs cost. He described his calculation of how much he believes pressurized systems have been overcharged and said he thinks the Board should have a hard time living with that.

STAFF REPORTS:

Finance Manager: Mr. Stewart reported that the Finance Department has financial statements in traditional form which will be taken to the Finance Committee for feedback. He invited all Board members to provide feedback on the statements.

Engineering/Operations Manager: While playing the video of the Edison Street inspection provided by Columbia Pumping and Concrete, Mr. Everaert described the conditions shown: The steel goes in three feet to a steel reducer. On the north side of the railroad there is a 16-inch asbestos concrete line. The condition of the 310 linear feet of 33-inch diameter field-cast concrete pipe is like new. It has, on the south side, reinforced concrete pipe around 21-inch to 23-inch inside diameter and 30-inch outside diameter which has cracked three or four times in the last ten years. Some clam shells remain on the wall after four hours of cleaning which was necessary to get the camera to go in. Because of the abrupt edge at the blind flange reducer, clams colonized on the lip and built up to 100' back.

Mr. Everaert discussed options for rehabilitating the line:

- Monarch Machine provided a bid of \$4,820 to form a conical epoxy-coated steel reducer which would be self-cleaning and preclude new shell buildup and prevent head loss and reduction on the bottom of the pipe. Manufacturing would take two days.
- 33-inch Ultra Liner would cost \$248.60 per foot. Columbia Concrete and Pumping would not recommend this because the pipe integrity is good and it is costly compared to new 30-inch reinforced concrete pipe, available at \$35 per foot, which would make installing new pipe possible at one seventh the cost of a liner.
- Use a ductile iron or HDPE insert of about 21-inch with from of 22-inch to 23-inch outside diameter and grout the annular space. Columbia Pumping and Concrete could do this. Cost for grout would be \$2,620.

Mr. Everaert requested expedited rehabilitation to avoid unnecessarily delaying the City of Kennewick paving contractor and incurring a \$100,000 claim. He noted that the traffic load is going over the pipeline and said KID does not want to have to dig the new pavement. He further discussed installation times and relative merits of the rehabilitation options.

Mr. Freeman noted that the City of Kennewick claim has not been made. He said Mr. Everaert reminded the City of Kennewick that the paving project was of no benefit to KID rate payers and that, in future projects such as this, the city will be required as part of the project to rehabilitate the entire line at their cost.

President Jaksch moved that Monarch Machine put in a steel reducer on the Edison Street line at cost of \$4,820. Vice President Huffman seconded the motion and it carried unanimously.

Mr. Everaert reported that the tank emptied at PSA 501 this weekend due to a malfunctioning pump, causing a flow capacity issue. The two shallow well pumps are not used because water quality standards are not met. Of the two deep well pumps in use, one is pumping 0 to 50

gallons per minute instead of 250 to 300 gallons per minute. Staff is looking for vendors able to pull the pump and evaluate the problem. The remaining pump is not keeping up with the potable and irrigation water demand.

Mr. Everaert reported that water samples were taken and the chlorine residual was never lost. In the future, KID will take measures to have the tank alarmed at certain levels. At this time the system is on City of Richland water and will not be switched back until all is in good working order. A possible long-term solution would be an intertie with the City of Richland with a valve that opens automatically if the tank drops below a certain level.

Mr. Pringle commented that the moss problem at the end of the canal has improved greatly. Mr. Everaert said that Mike Pearce treated with Endothall yesterday. He reported that he received new prices from Hydroscreen and is looking at screen options in addition to chemical control.

Planning Manager: Mr. Revell reported that

- He and Lynda Rosenbaum met with the USBR on issues including the point of diversion change permit application. KID will convey some work done in 2008 to Stan Isley, who will be writing the permit. The USBR will make the application with KID's help and take it to Ecology for review after the settlement agreement amendment is complete.
- Staff has guidelines from the USBR and is working on the application package for annexation and inclusion of the four areas annexed in the 2007 election as well as two areas which were excluded. Mr. Revell expects to submit the application within 30 days.
- CSRIA has made contact with the relinquishment legislation working team and staff will meet with the Farm Bureau in Olympia and, possibly, the Association of Washington Businesses.
- A Water Entitlement Transfer Program update will be provided at the August 3rd meeting.
- The County Planning Commission rescinded the Benton City Urban Growth Boundary expansion approved last year which affected a KID parcel that overlaps the AVA line.

Realty Manager: Ms. Rupert reported that

- The Real Estate Department hired a temporary employee.
- Work is continuing on a contract with a potential purchaser of City View properties.
- The Board of Leadership Tri-Cities wants Derek Olson and Derek Sandison as speakers at Ag Day this year.
- Ms. Rupert sent out the five year realty reserve projection. President Jaksch requested it be incorporated into Mr. Freeman's report by the next Finance Committee meeting.
- Ms. Rupert attended a Vino Society conference in Seattle. She listed some attendees and reviewed topics discussed.

District Manager: Mr. Freeman reported that

- The new Comptroller/Treasurer, Colleen Storms, a CPA from Twisp will begin August 18th and is in the process of relocating. The background check is going well.
- There were no respondents to the Salary Survey RFQ. Mr. Freeman contacted directly a firm with which he worked in Oregon and another which did a Puget Sound salary survey. Bids were \$30,000 and \$15,000. Mr. Freeman asked for direction from the Board on moving forward or continuing to use the 2004 survey though the data set is incomplete. President Jaksch referred the matter to the Finance Committee.
- Work on the 2011 budget continues with the goal of reducing expenditures and keeping revenue the same.
- The next Water Rate Advisory Committee will be August 9th at 3:30 p.m. Mr. Freeman encouraged the public to attend and reported we have not been receiving citizen

involvement. The consultant will be at the meeting on the 9th and the committee will make recommendations to the Board at the second meeting in August.

WORKSHOP:

KID Safety Manual: Mr. Freeman reported that the KID historically used the Farm Bureau or USBR safety manual in the absence of a KID safety manual. The Farm Bureau has reviewed the draft manual. Ms. Smith included information from an OSHA seminar and a safety manual from the USBR. Mr. Freeman requested the Board and staff take time to review the draft. A September adoption date is targeted.

At 10:27 a.m., President Jaksch called a break.

At 10:40 a.m., the Board reconvened in executive session for one hour to discuss with legal counsel litigation regarding Acquavella and to review the performance of a public employee.

At 11:25 a.m., executive session was extended 30 minutes to discuss with legal counsel legal risk of a proposed action or current practice regarding an employee complaint.

Executive session was extended ten minutes at 11:55 a.m. and returned to open session at 12:05 p.m.

President Jaksch said the Board has received a complaint about potential leave abuse and will consider three motions.

President Jaksch moved to place an employee on paid administrative leave pending an investigation of complaints or charges brought against that employee. Director McGuire seconded the motion and it carried unanimously.

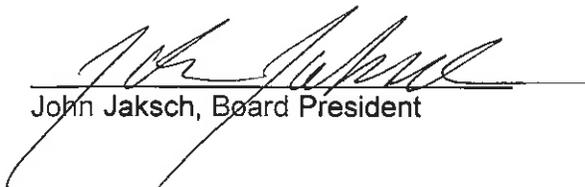
President Jaksch moved to hold a special board meeting Thursday, July 22, 2010, at 2:00 p.m., at the District's main offices, to hold an executive session to evaluate the claims or charges against such employee. Vice President Huffman seconded the motion and it carried unanimously.

President Jaksch moved to temporarily place all Realty Division employees under the supervision of the Secretary Manager Chuck Freeman. Director Pringle seconded the motion and it carried unanimously.

Director McKenzie moved to adjourn at 12:10 p.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