



## Minutes

Regular Meeting of the KID Board of Directors  
 Carl W. Petersen Board Room  
 Tuesday, August 17, 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  
 Colleen Storms, Comptroller  
 Brian Iller, Legal Counsel  
 Judy Smith, Administrative Contracts Specialist  
 Diane Rourk, Customer Service Specialist  
 Doris Fiske, Executive Assistant

**APPROVAL OF AGENDA:** President Jaksch removed the Board Report regarding the Operations and Engineering Committee from the agenda and added Union negotiations under executive session. **Vice President Huffman moved to approve the agenda as amended. Director Pringle seconded the motion and it carried unanimously.**

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, August 3, 2010
2. Minutes, KID Board Special Meeting, August 5, 2010
3. Organizational Chart
4. Appoint District Treasurer
5. Cash Receipts Report
6. Cash Investment Report
7. June/July Financial Statements
8. KID O&M Vouchers

**Accounts Payable**

Numbers:	60513 through 60539	\$	59,909.32
	60540 through 60583		35,654.59
	60584 through 60585		1,000,000.00
<b>Total Accounts Payable</b>			<b>1,095,563.91</b>

**Payroll**

Numbers:	31528 through 31534	\$	9,586.92
	31535 through 31535		2,546.71
Direct Deposit			73,635.48
<b>Total Payroll</b>			<b>85,769.11</b>

**Total Disbursements** **\$ 1,181,333.02**

**Voided Checks**

Check No. 60464 void and reissue through Utility Billing.  
 Check No. 60184 void, paid in error.  
 Check No. 60517 void and reissue with correct amount.

## **PRESENTATIONS:**

**Conover Insurance:** Presenters: Pam Thurman, Conover Vice President  
Eric Homer, Canfield Vice President  
Anthony Mejia, Canfield Marketing Representative

Ms. Thurman reported that due to KID's past loss history the premium has increased to \$282,047.14, including Conover's agency fee to oversee, help with risk management and keep insurance in place. She said KID's loss ratio of 204% premium versus paid claim is one reason for the increase. Additionally, the interlocal agreement to become a full member (of CIAW, Cities Insurance Association of Washington) will be discussed.

Mr. Homer said Canfield is the third party administrator for CIAW. As of January 14, 2010, the State amended statute and CIAW no longer allows associate members, which were non-equity owners. Associate members such as KID are being asked to sign an agreement and be equal owners in the equity and liabilities of the pool. KID has been a member of CIAW since leaving Washington Governmental Entity Pool (now called Enduris) in 2006.

Mr. Homer addressed the premium increase. He said the CIAW has been under intense scrutiny for the last year over funding. Statute was changed from a funding requirement of the 52<sup>nd</sup> percentile of an actuarial report for your losses to 70 percent. The CIAW Board evaluated claims from members and considered how to restructure funding. KID is one of a dozen accounts seeing a significant increase in cost of insurance.

CIAW transferred last year from Travelers Insurance to Munich Reinsurance Company. Mr. Homer discussed the Munich Reinsurance Company's concern with the number and nature of KID's claims, as liability is near absolute in cases of loss of control of water. He said KID has done well so far this year but future performance is important.

CIAW pays the first \$100,000 of each claim, in the form of a "shared deductible." CIAW also buys insurance coverage on top of that retained limit, called an aggregate stop-loss policy, so they know in one year what the out-of-pocket costs will be. \$2.6 million out of the \$100,000 retained. Another insurance policy is purchased on top of the \$2.6 million. The State's new requirement for funding, which is retroactive to the beginning of the pool, has put increased stress on membership to add more funding. Members like KID are being faced with increased cost and trying to fund that amount.

Mr. Homer reported that the Pool has collected just over \$700,000 in the time KID has been a member and paid out almost \$600,000 and the excess carrier has paid almost \$550,000. The pool buys \$10,000,000 limits and at any time there could be a big loss. Consistent, frequent claims raise concerns of a big claim.

Mr. Homer has no guarantee of an offer of renewal for next year. Mr. Homer said he read the performance report and the plan for improvement report and said the amount of money being spent on infrastructure is to be commended. The work, which shows KID's intent to keep control of the water and KID's seriousness about controlling claims, was helpful in discussions with underwriters about the KID account.

Discussion ensued. Mr. Homer replied to Director McKenzie that underwriters typically look at five years of loss history and said that adding a good year and dropping a bad year will help with negotiations. The claims report was reviewed.

In answer to Director McGuire, Mr. Homer defined "loss control of water" as when the water escapes the intended location, or any time water is somewhere you didn't intend it to be. If that damages someone, the damaged parties have a pretty good case to be made whole. He said it is almost an absolute and the cases in Washington are mostly pro-plaintiff. Mr. Mejia said that districts have responsibility for control of their water and negligence is not a mitigating factor to that responsibility. Mr. Iller, District Counsel, said in the State of Washington, the *res ipsa* standard puts the burden on the district to prove it was not negligent. He said it is possible but difficult to defend such cases.

Vice President Huffman asked whether, with good performance, premiums will come down sooner than five years. Mr. Homer said performance of members is reviewed every year and premiums and the deductible could be reduced.

Director McGuire asked whether claims which are less than the deductible or are not paid out are those claims counted against the KID. Mr. Homers said those are counted on KID's frequency list. Mr. Homer and Ms. Thurman confirmed to Mr. McGuire that KID is not required to file those claims and that, by not filing small claims, KID's claim frequency would be reduced. Ms. Thurman said she has supplied a release form for claimants and will work with Mr. Freeman and Ms. Rourk on how best to process them internally with Conover's help.

President Jaksch noted that the deductible and collision on some vehicles is very low and said this is a potential area for savings. Also, he noted that very old pieces of equipment probably do not need comprehensive and collision; they could be self-insured for other than liability. How the deductible works was discussed. President Jaksch said much can be done to reduce cost, including not filing claims that KID can self-insure. Mr. Homers said KID may work with Ms. Thurman to remove things from the schedule or buy a higher deductible to see some cost savings.

President Jaksch said that, normally, an insurance company would point out opportunities for cost savings to the insured and asked Ms. Thurman if that is the case with Conover. Ms. Thurman said she took over the account a month and a half ago, and will meet monthly to go over risk management. President Jaksch asked on behalf of the Board that she to take a very hard look at this.

Mr. Pringle noted that many of the claims are small and said a lot of management is needed because KID should not be having so many claims under \$5,000. Mr. Homer said he believed KID may have been trained to report absolutely everything and that KID needs to step back from that. He said some organizations have had success by applying the deductible to departmental budgets because it acts as an internal loss control mechanism.

Mr. Freeman confirmed that the additional cost will be built into the 2011 budget. He said staff has implemented the policy of managing everything under the deductible in-house. Mr. Freeman said that the anniversary date is September first on a quarterly basis.

#### **PUBLIC HEARING:**

**Segregating Assessment:** President Jaksch opened the public hearing on segregation of assessment. Mr. Freeman confirmed that notice of the hearing was issued in the manner prescribed by applicable statutes. President Jaksch invited any person present with an interest in the matter to provide testimony to the Board.

Ms. Alyson Chacon, residing at 10701 E 2<sup>nd</sup> St., and owner of three of four of the lots to be segregated, stated that she has no objections. President Jaksch asked if anyone else wished to comment, and hearing no other comments, closed the public hearing.

**Director Pringle moved to approve passage of Resolution 2010-17. Vice President Huffman seconded the motion and it carried unanimously.**

## **BOARD REPORTS:**

**Finance Committee Report:** Director McGuire reported on the August Finance Committee:

- Policy 2.27 Negligence - Wording regarding labor, material and equipment rates will be modified by Mr. Freeman and brought back to committee.
- Policy 2.18 Carry Forward - Mr. Freeman confirmed that the policy will be reviewed again by the committee and adoption in September will be targeted.
- The committee clarified the Board's intent in Policy 2.25 Foreclosures that the black-out period should not stop all work on foreclosures in progress.
- Survey was made of other districts regarding how refunds are made. The committee is considering the issue and is leaning towards keeping refunds as a credit on accounts.
- The committee was pleased with the reports from the Finance department.
- Policy 2.26 Canal Rehabilitation Program will be discussed by the Board.
- Insurance renewal was discussed.
- Disposition of the excess Realty department furniture was given to Mr. Freeman.
- Issuing an RFQ for an elevator for the administrative building rather that further architectural services will be considered by the Board.

**Water Rate Advisory Committee Report:** Mr. Revell reported the committee:

- Reviewed unique issues with some individual LIDs
- Had a lengthy discussion with the rate consultant, Gordon Wilson
- Is starting to formulate the initial packet of recommendation to take effect with the 2011 assessments.
- Rate structure work is on-going and may not be ready for the next assessment cycle.
- Columbia Irrigation-served areas and pressurized service areas which are not connected to the canal are being considered.
- The committee meets next on September 13<sup>th</sup> and will meet with the Board in October.

## **ACTION ITEMS:**

**Policy 2.26 Canal Rehabilitation Program:** Mr. Freeman presented the draft policy which the Finance Committee recommended the Board finalize. He reviewed the changes and noted that the policy should be adopted before the 5-year Capital Improvement Plan because the plan will need to follow the policy.

Discussion ensued. Director McGuire recommended striking the last sentence of the Requirements paragraph 2. He also recommended striking the added text in Requirements paragraph 1 because he believes the Canal Rehabilitation Program should not be used as emergency funding for canal failures or unanticipated events. He said the Endowment Fund was structured to act as the emergency fund as prescribed in Policy 2.12.

Director McKenzie said the text regarding emergency funding is included because unexpected things may come up after approval of a given year's capital improvement budget which would be appropriately addressed by the capital improvement program. He said the policy should allow room for adjustment.

Director McGuire agreed that jobs defined for winter work should be able to flex as difficulties are found in the spring. He advocated allowing projects within the budgeted amount to flex but not taking money out of the canal rehab fund in summer months for repairs. He said repair costs should come from the operations budget or the endowment.

Mr. Freeman said that in the case of a canal break there would be a special meeting to approve funding and the claim would be turned over to insurance. Mr. Revell said the process for handling emergency canal breaks includes the District Manager issuing an emergency proclamation to begin repairs rapidly. Mr. Freeman said there are no timing and efficiency concerns because, in an emergency, repairs would begin immediately with a Board meeting called as soon as possible thereafter to resolve issues of funding and spending authority. He advocated having a policy that clearly lays out steps required to be taken.

The necessity of a super majority vote was discussed. President Jaksch said the Board should take time to consider the policy and possible unintended consequences. Mr. McGuire suggested tabling the issue and that Mr. Freeman draft a policy with emergency funding steps.

President Jaksch tabled the issue until the September 21<sup>st</sup> Board meeting.

**Award Contract – Computer System Technical Support Services:** Mr. Freeman discussed the two responses to the request for qualifications. Both bidders met requirements and are qualified. Based on the ranking by the review committee, staff recommends contracting TCT Computer Solutions for the proposed managed services program. Mr. Freeman noted that George Hefter, President of TCT, is present.

Discussion ensued. Mr. Freeman confirmed that the contract will take effect September 1<sup>st</sup> and that money is available within the budget. Brad Crawford, Purchasing, Inventory and Technology Administrator, will be KID's single point of contact. Mr. Freeman said the web site will be addressed separately and will be a proposed item for next year's budget.

**Vice President Huffman moved to award a contract between the District and TCT Computer Solutions under TCT's proposed Managed Services Program. Director McGuire seconded the motion and it carried unanimously.**

**Architectural Services:** Mr. Freeman presented the recommendation of the Realty Committee and staff not to award the contract. He said the administrative building configuration has sufficient space to accommodate the Realty department and recommend installing an elevator in the existing shaft to make the basement more accessible. He said the elevator would be a 2011 budget item and estimated cost at about \$50,000.

**Director McGuire moved to direct staff to mail each proposer of Architectural Services a thank you letter informing them of the cancellation and direct staff to solicit bids for an elevator for the KID main office building. Vice President Huffman seconded the motion and it carried unanimously.**

**Feasibility Study - MacKay & Sposito Contract Extension:** Mr. Everaert presented the contract extension to cover work on the feasibility study through the end of 2010. He noted the contract requires completion by the end of the year. Discussion ensued regarding work progress. Mr. Everaert reported on discussions with MacKay and Sposito about acreage, demand and water duties.

**Director McKenzie moved to approve the contract extension for the Feasibility Study with MacKay and Sposito to December 31, 2010. Director Pringle seconded the motion and it carried unanimously.**

**Economic Analysis of Surplus Land at Red Mountain:** Mr. Revell presented a request to issue a request for qualifications for a formal economic analysis. He reported that the Finance Committee recommended approval and Realty Committee approved the idea in concept. He said the expectation is that the work will cost under \$10,000. Discussion ensued.

**Director Pringle moved to authorize the District Manager to issue the attached request for qualifications. Director McKenzie seconded the motion and it carried unanimously.**

**CIAW Interlocal Agreement and Insurance Renewal:** Mr. Freeman presented the documents to be approved. Discussion ensued regarding bids on insurance. Mr. Freeman reported that Conover, acting as KID's broker asked for bids and received no others. Ms. Rourk is conducting a survey of insurance used by other districts. He said he recommends bidding out insurance for next year.

Mr. Freeman said it is unfortunate that staff was trained to submit everything to insurance. He also said that additional costs stemming from CIAW's legal issues might not be a factor with another group and discussed qualifications to participate in a different pool.

Discussion continued regarding the level of advice provided by Conover. Mr. Freeman noted that the percentage of the increase due to their CIAW's issues with the state is still not clear. Mr. Freeman said his expectation from Conover for quarterly reports to the Board and monthly to staff was not met due to staff turnover at Conover, but that he has discussed this with Ms. Thurman.

Mr. Freeman said he was surprised by the change from \$5,000 to \$10,000 for claims to be handled internally. Vice President Huffman recommended that all claims be reviewed by Mr. Freeman before they are turned in to insurance. President Jaksch requested quarterly review of insurance be added to the Board agendas. Discussion continued regarding raising the deductible and the probably level of savings on the premium.

**Director McGuire moved to approve an interlocal agreement between the District and Cities Insurance Association of Washington and to authorize the District Manager to sign the District's insurance policy. Vice President Huffman seconded the motion and it carried unanimously.**

**LID #501 Well #3 Pump Replacement:** Mr. Everaert presented the request for funding of a replacement well pump from the Lorayne J Estates Operation and Maintenance fund.

**Director McKenzie moved to approve the funding of \$7,000.00 plus sales tax from the Lorayne J Estates Operation and Maintenance fund to replace well pump #3. Director Pringle seconded the motion and it carried unanimously.**

## **RESOLUTIONS:**

**Resolution 2010-17 Segregating Assessment and Amending Assessment Roll:**  
(Previously addressed.)

**Resolution 2010-15 Authorized Signers for KID Banking and Investment Services:** Mr. Freeman presented the resolution to revise the list of staff authorized to sign for banking and investment services.

**Director McGuire moved to approve Resolution 2010-15, Authorized Signers for KID Banking and Investment Services. Director Pringle seconded the motion and it carried unanimously.**

**PUBLIC COMMENTS:** none

## **STAFF REPORTS:**

**Finance Manager:** Ms. Storms discussed her philosophy that the role of the Finance department is to serve the rest of organization as it conducts the business of the District to deliver water. She said her role is to facilitate information flow.

Mr. Freeman confirmed that Angela Richardson of LeMaster Daniel will work with Ms. Storms on needed policies and procedures. Ms. Storms said she is also working on developing the reports needed by the Board.

**Engineering/Operations Manager:** Mr. Everaert reported:

- Hydroscreens will arrive August 24<sup>th</sup> or 25<sup>th</sup> and the gentleman who built them will come out on the truck with the delivery. Mr. Everaert discussed placement and said staff is working with Benton REA and Benton PUD on placement and power hook up.
- Two micrometer propeller meters are expected to arrive in about ten days.
- Derrick Smith of MacKay and Sposito is working on a list of tasks completed and a plan for remainder of the year.
- The Engineering and Operations Department draft budget has been submitted to Mr. Freeman.
- Work is continuing on the 5-year capital plan.
- Operation staff is working on any issue involving water shortages or pressure problems. Discussion ensued.

President Jaksch drew Reporter John Trumbo's attention to pictures recently published in the Tri-City Herald showing people playing in Columbia Irrigation District's canal. He said it was a disservice to the public due to the danger of water-borne diseases and other public health risks.

**Planning Manager:** Mr. Revell reported:

- He and Mr. Everaert joined a tour irrigation districts with the Deputy Assistant Secretary of the Interior and USBR personnel and gave a brief presentation on Red Mountain water rights issues.
- The Columbia River Policy Advisory Group meets tomorrow. The Department of Ecology drafted a Columbia River bill for the 2011 session. They will meet with Mike Schwisow from the Washington State Water Resources Association.
- Planning staff is researching surplus land issues for the Realty Department.

- The Department of Natural Resources and the City of Richland have been engaged on mutual issues in the Queensgate area.
- Preparations are underway for the fair booth.
- Mr. Revell and Mr. Jaksch said the article by Mr. Trumbo on Columbia-Snake and Ecology was well balanced.

**District Manager:** Mr. Freeman welcomed Ms. Storms to KID and reported:

- Morning reporting with Customer Service has been instituted and the call allows Customer Service to provide real-time information rather than canned responses. Ms. Arbogast begins each day at shop, inputting work orders, interfacing with the crew and bringing additional information back to the administrative office.
- Springbrook training is underway with Ms. Rothfork and the shop crew. Mr. Revell will begin doing time card approval. Ms. Storms is becoming familiar with a newer version of Springbrook.
- The annual inventory was conducted and the 2010 and 2009 inventories will be compared. Centralized stores at the shop are planned and all purchasing is now through Brad Crawford. Mr. Freeman will work with Ms. Storms on streamlining purchasing.
- Operations staff has posted for sale signs on all KID-owned property and will be doing mowing for Realty.
- Mr. Freeman attended a meeting of the Vista Field Steering Advisory Board.

Vice President Huffman commented that he, Director Pringle, Mr. Freeman and Ms. Smith had a long Realty Committee meeting and he appreciated how much was accomplished.

**WORKSHOP:** None

President Jaksch called a break at 10:35 a.m.

At 10:45 a.m., the meeting reconvened in executive session for 45 minutes to discuss with legal counsel litigation regarding Acquavella per RCW 42.30.110(1)(i), to plan or adopt the strategy or position to be taken by the governing body during the course of any collective bargaining per RCW 42.30.140(4)(b) and to discuss with legal counsel the legal risks of proposed action per RCW 42.30.110 (1)(i)(C).

The meeting returned to open session at 11:32 a.m.

**Director Pringle moved to adjourn the meeting. Vice President Huffman seconded the motion and it carried unanimously.**

Attest:

Witness:

  
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 John Jaksch, Board President

  
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 Charles Freeman, Secretary/Manager

Prepared by Doris Fiske, Executive Assistant