



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, January 18, 2011, 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
 Gene Huffman
 Patrick McGuire
 David McKenzie
 Kirk Rathbun

Staff Present:

Charles Freeman, District Manager
 Ed Everaert, Engineering Manager
 Colleen Storms, Comptroller/Treasurer
 Brian Iller, Legal Counsel
 Scott Revell, Planning Manager
 Beth Smith, Asst Operations/Maintenance Manager
 Jason McShane, Staff Engineer
 Ben Woodard, Staff Engineer
 Doris Rakowski, Executive Assistant

APPROVAL OF AGENDA: President Jaksch moved Unland Professional Services Agreement from the consent agenda to Action Items. **Vice President Huffman moved to approve the amended agenda. Director Rathbun seconded the motion and it carried unanimously.**

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

Items approved by consent agenda were:

1. Minutes, KID Board Meeting, December 7, 2010
2. Minutes, KID Board Meeting, December 20, 2010
3. WSWRA Dues and Funding Request
4. USBR Water Management Workshop Travel Authorizations
5. KID O&M Vouchers

Accounts Payable

Numbers: 61466 through 61473	\$	263,097.65	
61474 through 61517		71,113.29	
Total Accounts Payable			334,210.94

Payroll

Numbers: 31602 through 31607	\$	7,863.09	
31608 through 31611		4,035.70	
Direct Deposit		67,004.73	
Total Payroll			78,903.52
Total Disbursements			\$ 413,114.46

Voided Checks: Check No. 61463 Void and reissue due to a misprint

PRESENTATIONS:

Financial Reports: Ms. Storms discussed the draft 2010 statements which would be adjusted as items applying to 2010 were booked in January. She said when the statements were final in accrual format, they would be converted to cash format for the audit report.

Ms. Storms expanded on some sections of the financial reports. Pages reviewed were:

- Balance Sheet. The book value of KID land as set by the auditor years ago and how any newly acquired land would be valued were discussed.
- Statement of Revenue, Expenses and Changes in Net Assets
- YTD Revenue Statement - Comparative. Ms. Storms highlighted decreases to interest income, decreases in salaries and benefits, rate increases for utilities and insurance, and increased spending for professional services. She noted that \$154,000 for professional services for the feasibility study would be recovered through grants.

Ms. Storms said that the miscellaneous category was too broad and would be broken out more in future statements. It included USBR head works, CID water carriage charges, non-office supplies, unemployment claims, building rentals, utility excise taxes on potable systems, and realty property management,

Discussion ensued regarding estimated fuel costs for 2011 interest rate

PUBLIC HEARING: None

BOARD REPORTS:

Finance Committee: Director McGuire reported that the committee discussed:

- Potable water systems and rate increases
- Financial statements
- Streamlining the report for accounts payable in the board packets
- Tracking in accounting systems of transmission, distribution and pump costs for use in future rate studies
- Policy 2.13, General Purchasing
- Petty cash and change funds policy
- Bank Account and Public Deposit Protection Commission rule changes effective January 1st regarding FDIC protections on interest earning sweep accounts. He reported that last week Ms. Storms changed the realty and operations sweep accounts to non-interest earning accounts so they would be FDIC protected.
- Water Entitlement policy revisions
- Columbia Irrigation District claims
- WSWRA dues and funding request

WRAC Committee: Mr. Revell reported the committee discussed:

- The planning committee concept and potential changes to committee structure
- The issue of assessment of condominiums
- Urbanization. Operation employees offered their perspectives the effects of urbanization on water delivery.

ACTION ITEMS:

Oath of Office - Board Secretary: Mr. Iller noted that only a written oath (on file) was statutorily required of the Board Secretary.

Election of Board President and Vice President: Mr. Iller called for nominations for Board President. Director Huffman nominated David McKenzie for Board President. Director Jaksch seconded the nomination. There were no other nominations or discussion. All Directors voted in favor of Director McKenzie for Board President.

Mr. Iller called for nominations for Board Vice President. **Director Jaksch nominated Gene Huffman for Board Vice President. Director Rathbun seconded the nomination.** There were no other nominations or discussion. **All Directors voted in favor of Director Huffman for Board Vice President.**

Committee and Committee Chair Appointments: President McKenzie made the following committee appointments:

Operations and Engineering Committee: McKenzie and Jaksch, Chair

Finance Committee: McKenzie and McGuire, Chair

Realty Committee: Rathbun and Huffman, Chair

Appointment of Officers: **Director Jaksch moved to appoint Ed Everaert as Assistant Secretary, Colleen Storms as Treasurer, Darrell Stewart as Auditing Officer, Diane Rourk as Claims Agent, and Rettig Osborne Forgette as Legal Firm. Vice President Huffman seconded the motion and it carried unanimously.**

Review of Policy & Procedure 1.1 Conflict of Interest–Board Members/District Officers: Mr. Freeman noted that Policy & Procedure 1.1 was attached for review and that forms should be submitted by all board members by the end of the day.

Approval of Revised Bylaws: Mr. Freeman reviewed the proposed revisions to the bylaws. He said that the only substantive change was to eliminate the planning committee which included all Board members. He said that staff recommended creating a planning advisory committee, perhaps by transitioning the WRAC into such a committee following completion of the rate study. Mr. Freeman noted that Article 7 regarding the duties of the Board President was revised to match the practice of the Board.

Discussion ensued regarding potential structure of the planning advisory committee. Mr. Revell said the committee could be structured however the Board desired and the committee would adopt procedures. He said items submitted for committee recommendation could be referred by another committee or the Board. Mr. Revell recommended waiting to establish the new advisory committee until after completion of the cost of service study and publication of WRAC recommendations to the Board.

Director Rathbun moved to approve the KID Bylaws as amended. Director Jaksch seconded the motion and it carried unanimously.

Rescind Policy 9.9 Ex-Officio Board Member: Mr. Freeman recommended that the Board rescind the policy which was obsolete because the Real Estate Manager position had been eliminated.

Vice President Huffman moved to rescind Policy 9.9 Ex-Officio Board Member. Director Rathbun seconded the motion and it carried unanimously.

Revise Policy 2.13 General Purchasing: Ms. Storms presented revisions to the policy. She said procedures to be implemented, which the Board must elect to permit, were added to the Board policy. These elections included use of the alternate competitive bid process for up to \$40,000 purchases, the small works roster process up to the statutory limit of \$300,000, the vendor list procedures for small purchases, the special limited public works process for projects under \$35,000, and other future efficiencies created under state laws or increases to the limits.

The waiver of competitive bidding for sole source requirements was also included. She noted that the Board needed to see all sole source decisions, and recommended that those over \$5,000 would be presented to the Board in advance and those under that amount would be reported after the purchase with the same documentation.

Director McGuire moved to adopt Policy 2.13 General Purchasing, Revision 2. Director Jaksch seconded the motion and it carried unanimously.

Approval Construction Grant and Interagency Receivable Agreement between KID & DOE for \$10 Million Red Mtn. LID: Mr. Freeman presented the agreements to the Board for a second time. He said the only change to the staff report was the motion. Mr. Freeman said staff recommended tabling the issue until the next Board meeting, pending agreement on terms with Department of Ecology and the USBR. Director Jaksch discussed review of the document by Derrick Sandison.

President McKenzie tabled the discussion until the February 1st Board Meeting.

Unland Professional Services Agreement: Director Jaksch said he requested discussion of the contract because the suggested motion said \$15,000 and the contract said \$39,000. Mr. Revell discussed Duane Unland's background and staff's request to contract his services. He said contract originally included the District Manager's full authorization level for professional services contracts but that staff expected the actual total to be below \$15,000, and he offered to change the amount in the contract. He discussed the scope of work and terms of the agreement. Mr. Revell noted that realignment of the 2011 budget may be necessary.

Director Jaksch reported that he was personally acquainted with Mr. Unland and would abstain from the decision.

Discussion ensued regarding possible restrictions on what may be disclosed regarding previous employment.

Director Rathbun move to authorize the District Manager to enter into a professional services agreement with Duane Unland in an amount not to exceed \$15,000. Director McGuire seconded the motion. Director Jaksch abstained from voting. Directors McKenzie, Huffman, McGuire and Rathbun voted in favor of the motion, which carried.

RESOLUTIONS:

Resolution 2011-03 Bretz Road LID Formation: Mr. Woodard presented the proposed resolution for formation of the Bretz Road LID. He summarized the meetings and decisions leading to the recommended resolution. He reported that the public hearing was held on September 21, 2010, and noted that staff had received written documentation from all homeowners wishing to be part of the LID rather than following the assumption under law that lack of participation indicates agreement with the LID. He said staff recommended approval.

Director McGuire asked how formation of the LID benefited the District as a whole. Mr. Woodard discussed why the water users in this private line area petitioned the District to form and LID. He discussed repayment of LID formation costs, and said changes to assessments would offset increased costs of operations and maintenance.

Discussion ensued regarding Board action on April 6th to approve studying feasibility of LID formation, and subsequent investigation of design alternatives and homeowners' preferences.

The desirability of taking on of additional pressurized systems was discussed in general terms. Mr. Freeman said one benefit to KID is interest on the loan. He noted that this LID is the first opportunity to implement and test the new standards which were adopted last year, including requirements for water masters and metering. Additionally he listed the increase in rates and more efficient water delivery as benefits of formation of the LID. Discussion ensued.

Metering and filtering were discussed, as was the role of the water master.

Director Jaksch moved to approve Resolution 2011-06, Formation of Bretz Road Irrigation System Local Improvement District for twenty KID water users or twenty lots as shown in attachment 3, under the preferred design alternative 2 described in attachment 2. Director Rathbun seconded the motion and it carried unanimously.

<Preparer's note: The twenty lots included in the LID and design alternative 2 are memorialized in the Resolution and listed in Exhibit B of the Resolution.>

Resolution 2011-04 Fees: Ms. Storms presented the proposed resolution which had been reviewed extensively by the Finance Committee and staff. She said the purposes of the resolution were to compile various fees in one document which could be reviewed yearly and to recover of costs of services that benefited individual rate payers exclusively.

Equipment charges were discussed. Mr. Everaert confirmed that the charges would be used only on reimbursable work and that rates were based on the standard construction industry rates index for 2010 and a review of actual costs.

Vice President Huffman recommended posting fees on line.

Director McGuire reported on Finance Committee discussions of cost recovery and establishing fees for shutting off and restoring water to delinquent accounts.

Discussion ensued regarding methods available for staff to track of time and materials in the field.

Director McGuire moved to approve and adopt Resolution 2011-04 Setting Fees for Services. Vice President Huffman seconded the motion and it carried unanimously.

Resolution 2011-07 Petty Cash and Change Funds: Ms. Storms discussed the requirement from the BARS manual for the Board to authorize these funds. She discussed her recommendations for the funds and reviewed details of how they would be used.

Director McGuire moved to approve and adopt Resolution 2011-07 Petty Cash and Change Funds. Director Rathbun seconded the motion and it carried unanimously.

PUBLIC COMMENTS:

Dale Walter, residing at 5624 W 10th Ave., asked if Elliot Lake customers and customers that receive water through the Columbia Irrigation District canals would be charged for the canal refurbishment fund. Mr. Freeman replied yes and explained that on potable systems, the charge is not assessed but for irrigation water is charged.

James Wade, residing at 1813 S. Rainier Place, volunteered to take Mr. Rathbun's place on the Water Rate Advisory Committee now that Mr. Rathbun is on the KID Board of Directors. He

asked if the WSWRA costs were mandatory. He asked of the charges on the fee resolution would be charged only to developers or to anyone in a tiered structure. He asked why someone with a quarter acre pays the same capital improvement charge as someone with 100 acres when they are allowed to use more water in a year. Director McGuire recommended Mr. Freeman respond in writing. Mr. Freeman requested Mr. Wade submit his questions writing. Mr. Wade said he had done so.

STAFF REPORTS:

Finance Manager: Ms. Storms discussed the change of one bank account to non-interest bearing from an account earning on tenth of a percent interest. She noted that there was no notification of the change to the account's protection but that an employee at the bank mentioned it when she called regarding a different account. Ms. Storms reported that the sweep account was a repurchase agreement which was considered an eligible investment by many government entities, but was not insured or earning much interest. She said KID would probably use the state Local Government Investment Pool sweep which is protected.

Engineering/Operations Manager: Mr. Everaert reported:

- The Operations crew was cleaning shaping and trenching for canal liner and materials were en route. The EPDM Pond Guard warranty letter documenting special terms was being sent to KID.
- Design was underway for precast concrete boxes for hydroscreens and bids would be solicited for precast boxes. Locations and design details were discussed.
- Possible flow restrictions at crossings of main canals and solutions were being studied.
- Chandler pump repair work was on track. Plans for future work were discussed.

Planning Manager: Mr. Revell reported:

- The environmental attorney had been engaged, was reviewing material and would tour the site.
- The contract with the archeological consultant would be signed this week.
- The county's rural zoning update open house would be that evening at 5:00 p.m. Mr. Revell and Seth Defoe planned to attend.
- The Richland City Planning Commission hearing regarding the code amendment for the business/commercial zone was scheduled for the next week.
- The County Commissioners invited KID to a workshop with Ecology staff on a number of water issues on February 2nd at 9:00 a.m.

District Manager: Mr. Freeman reported:

- Data for the salary survey was being entered and KID was waiting to hear the expected completion date.
- The USBR received funding from the BPA to replace the transformer at Chandler. He said that signifies longevity for the units and the work was to begin this year
- Mr. Freeman met with the Columbia Irrigation District last week and will again. There were discrepancies in methods for calculating acreage and the actual usage calculation. He reported that KID was averaging about 1000 acre feet less per year than the diversion allowed, and were not exceeding KID's water duty. Mr. Freeman said he would report to the Board when the discrepancies are reconciled. Mr. Iller confirmed that KID did not have to transfer water anywhere and had the right to divert its entire water right through Chandler and whatever was not being delivered to KID customers through the CID canal, KID had the right to divert at Chandler and deliver through the main canal.

WORKSHOP:

Project Tracking: Mr. Freeman reported on changes to the project tracking spread sheet. Highlights included:

- Mr. Everaert was evaluating in-house or contracted design of Red Mountain.
- 2011 water entitlement transfers would begin March 1st. Modifications to policy would be proposed to the Board.
- The Planning retreat was to be scheduled for February or March and informational packets would be created.
- Director Jaksch said a year was needed for Edison pre-design. Mr. Freeman said staff would meet with Maria Cantwell's delegation.
- The siphon inspection program was being written and the canal inspection program was out to bid.
- The disaster and recovery plan was under review.
- Alternatives to Springbrook for accounts receivable were being explored.
- Small system water plans were done and would need to be adopted by resolution. Staff would be seeking direction on the fate of KID potable water systems. A public hearing date for rate increases would be set on February 1st. Mr. Freeman discussed the two potable water systems and the possibility of transferring or selling the systems.
- Realty received a new offer which would be discussed by the Realty Committee.
- Judy Smith was creating a property inventory. Mr. Freeman discussed some of the types of information it contained.
- The communication plan was under review
- Bids on liability insurance would be sought.
- The shared leave policy needed to be updated.
- The delinquent account policy was being developed.
- Discussion would be needed at the retreat of what to do with land holdings. He discussed WSWRA's proposed changes to the RCWs regarding leasing.
- Director Jaksch asked whether, if two bills before the legislature passed, if there would be grandfathering. Mr. Iller said it would depend on the language of the statute.

President McKenzie called a ten minute break at 10:40 a.m.

At 10:50 a.m., the Board met in executive session for one hour to discuss with legal counsel litigation regarding two matters per RCW 42.30.110(1)(i)(i).

At 11:50 a.m., executive session was extended for twenty minutes and at 12:14 p.m., the Board returned to open session.

Director Jaksch moved to adjourn the meeting at 12:14 p.m. Vice President Huffman seconded the motion and it carried unanimously.

Attest:

Witness:


David McKenzie, Board President


Charles Freeman, Secretary/Manager

Prepared by Doris Rakowski