



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, February 15, 2011, 9:00 a.m.

President McKenzie called the meeting to order at 9:00 a.m. Mr. Freeman called roll.

Directors Present:

David McKenzie, President
 Gene Huffman, Vice President
 John Jaksch
 Patrick McGuire
 Kirk Rathbun

Staff Present:

Charles Freeman, District Manager
 Colleen Storms, Comptroller/Treasurer
 Brian Iller, Legal Counsel
 Scott Revell, Planning Manager
 Jason McShane, Staff Engineer
 Sandra Dallas, Administrative Assistant
 Doris Rakowski, Executive Assistant

President McKenzie removed Approve Final Plat - Hansen Park Division 4 Phase 4 from the consent agenda and referred it to the Operations and Engineering Committee.

CONSENT AGENDA: Director Jaksch moved to approve the amended consent agenda. Vice President Huffman seconded the motion and it carried unanimously. Items approved by consent agenda were:

1. Minutes, KID Board Meeting, February 1, 2011
2. Approve Interlocal Agreement with City of Yakima
3. Confirm February 8, 2011 Letter to Benton County Planning Commission regarding Zoning Ordinance Amendments Affecting Rural Lands
4. Rescind Policy and Procedure #46 Inspection Fee Schedule
5. Rescind Policy and Procedure #81 Purchase Limit Authorization, and Policy and Procedure 2.14 Purchase Orders
6. Approve Final Plat - The Heights At Meadow Springs Phase 2
7. Approve Final Plat - Westcliff Phase XIII
8. Approve Phone System Change Order
9. KID O&M Vouchers

Accounts Payable

Numbers: 61559 through 61568	\$	28,257.20	2010
61706 through 61706		8,815.80	2011
61707 through 61736		15,215.31	2011
61737 through 61737		24.06	2011
61738 through 61775		43,702.46	2011

Total Accounts Payable 96,014.83

Payroll

Numbers: 31619 through 31625	\$	6,734.75
Direct Deposit		62,031.40

Total Payroll 68,766.15

Total Disbursements \$ 164,780.98

Voided Checks

Check No. 61248 Void reissued check, original has cleared the bank

Check No. 61519 Void and reissue, check has not been received

Check No's 61569 through 61649 Void – held for remaining 2010 payables and are no longer needed

APPROVAL OF AGENDA: Vice President Huffman moved to approve the agenda, Director Jaksch seconded the motion and it carried unanimously.

PRESENTATIONS:

January Financial Reports: Ms. Storms said January expenses were light because many of the accounts payable that applied to 2010 were accrued into December. She said that, as anticipated due to twice a year assessments, there was little assessment revenue coming in and this resulted in a negative cash flow.

Ms. Storms said conversion from accrual basis to cash basis was in process and that she expected to bring cash financial statements to the March 1st meeting. She confirmed that the 2011 budget was passed on a cash basis.

Director Rathbun moved to accept the January 31, 2011 financial reports as submitted by the treasurer. Director McGuire seconded the motion and it carried unanimously.

PUBLIC HEARING: President McKenzie opened the public hearings for the domestic water rate proposals for Elliot Lake and Lorayne J.

Mr. Freeman said staff reports, budget worksheets, and copies of the December 20th letter to Elliot Lake and Lorayne J ratepayers were in the Board meeting packets. He said the Elliot Lake and Lorayne J systems were separate accounts, for which KID had responsibility to operate, maintain and provide reserves for capital upgrades and improvements. He said irrigation assessments could not be used to cover the cost of those systems.

Mr. Freeman reported that Elliot Lake had been independently evaluated to determine the revenue needed to cover operations and maintenance, utility taxes, debt service and necessary capital reserves. He said that 2011 expenses, before building up reserves for capital upgrades, were exceeding revenues for the system. He said the system was evaluated in 2007 and found to need \$495,000 in capital improvements.

Mr. Freeman reported that Lorayne J reserves had been adequate to cover major capital expenses for a new pump motor, pump and other work, but reserves had been decreased significantly. He said staff expected a smaller increase to the monthly fee would be needed for Lorayne J than for Elliot Lake.

Mr. Freeman reported that meters for both systems were being read every other month and that staff anticipated beginning to bill for consumption in January 2012, following collection of one year of meter readings, as suggested by the KID rate consultant.

Mr. Freeman said that, pending testimony from the public and the Board's comments, staff expected to bring a resolution adjusting the fees to the next Board meeting.

Mr. Freeman reviewed information from the December 20th letter to the Elliot Lake and Lorayne J ratepayers regarding how delinquent accounts would be addressed per new Policy 2.31 Potable Water Division. Mr. Freeman confirmed to Vice President Huffman that KID's policies regarding delinquencies were consistent with those of other Tri-City area districts and cities.

Elliot Lake Domestic Water Rate: Ed Higgins, residing at 815 Eastlake Drive, asked how long Elliot Lake could expect to be on city water. Mr. Freeman said the intertie had been in use for some years because the well was shut off due to declining yields, and that it would require a substantial investment to rehabilitate. He confirmed there was no plan to get off the intertie and that the city had no problems supplying the water.

Mr. Higgins asked if billing on usage would start January 1, 2011. Mr. Freeman said it would require future Board action. Mr. Higgins asked for a copy of his usage since metering began. Mr. Freeman agreed to provide the report. Mr. Higgins said he looked at the information provided, and that costs appeared reasonable. He said he did not want a rate increase but did not know how it could be avoided.

Mike Kirby, residing at 3714 S Gum St, said that Elliot Lake ratepayers were being charged two to three times more than KID paid the city for water, to cover operations, maintenance and overhead. He said that unless there was some major expense, he did not think a rate increase was necessary.

Mr. Freeman said there was \$84,000 left on the note from bringing the intertie into service. He said that, for some years, the system had been spending more than was received and there was only \$13,000 in reserves. He discussed the major water line repair necessary last summer due to damage done by a tree. Mr. Freeman said that Elliot Lake system expenses must be borne by that system, not irrigation ratepayers.

Ms. Storms reviewed the Elliot Lake budget by line and noted that the total budgeted expenditures were \$5,573 more than revenues without the suggested rate increase. Mr. Kirby asked if any of the expenses, such as the water license for the employees, were divided between the systems KID operates. Ms. Storms said they were divided between the two potable systems.

No one else wished to address the Board regarding Elliot Lake.

Lorayne J Domestic Water Rate: Todd Ofsthun, residing at 149 Travis Lane, asked about the budget for the Lorayne J area increase and what deficiencies had required the metered readings. Mr. Freeman said there had been a \$38,000 capital expense and that the rate increase was to replenish the reserves over three years. Ms. Storms said water from the Richland intertie cost \$38,000 and the pump repair cost almost

\$10,000. She said the budget would have been adequate except that for the need to restore the capital reserves over the next three years.

Mr. Ofsthun asked if the rates would go back down after the three years. Ms. Storms said budget and capital reserves demands should be reviewed each year, and that capital plans would determine what reserves were needed for large expenses.

Mr. Ofsthun asked about the possibility of the City of Richland annexing the Lorayne J water system. Mr. Freeman said staff was investigating options, but that in the future the Board would have to consider and decide what was in the best interest of the potable water system ratepayers.

Ms. Storms confirmed to Mr. Ofsthun that the increase was just to restore the reserves over a reasonable period of time. Mr. Ofsthun thanked her and said it was nice that the cost was covered by the reserves and did not hit the ratepayers all at once.

Mr. Ofsthun asked about a new sewer line tie-in. KID had no information about that.

Director Rathbun asked if the cost for the intertie to the City of Richland was only for the cost of the water. Ms. Storms said it was, and that the intertie was built years earlier.

Mr. Ofsthun asked what the rate charge would be. Ms. Storms said it would require a \$7 increase per month over three years, or a \$14 increase on the bi-monthly bill.

Mr. Ofsthun asked about future billing by consumption. Ms. Storms said consumption would be shown on the bill, but that KID has not yet determined how to structure rates based on consumption and would probably get help from the rate consultant. Mr. Freeman said changes to the rate structure would require another public process.

No one else wished to address the Board. There were no comments from the Board. President McKenzie closed public hearings.

BOARD REPORTS: None

ACTION ITEMS:

Policy 2.16 Accounts Receivable: Ms. Storms reported that the Finance Committee had discussed the draft accounts receivable policy. She read the policy statement and gave examples of current practice and how implementation of the proposed policy would improve the assessment and payment process. Ms. Storms said procedures would be established to implement the policy.

Ms. Storms discussed the time involved in tracking delinquent accounts. She said the proposed changes would insure costs were paid by those who create the costs rather than by the whole district. She discussed how costs of various electronic methods of accepting payment could be compared to staff time savings. Ms. Storms said the USBR contract requires KID to not deliver water to those who do not pay and said KID

was addressing this by having a priority for shut off on accounts more than a year late. She said a revised fee resolution, including potable water fees, would be presented next month.

Director McGuire moved to adopt Policy 2.16 Accounts Receivable Billing and Collection Policy. Vice President Huffman seconded the motion and it carried unanimously.

Approve Policy 2.34 Identity Theft Prevention Program: Ms. Storms discussed the need for an identity theft prevention program and the types of risk faced by KID. She noted that KID does not hold customer social security numbers or identifying data on our computers. She said the procedure will help customer service identify red flags for identity theft. Evaluation of risk for theft of employee data was discussed. Ms. Storms said employees were at more risk than customers, but field laptops will not have employee identification data.

Director McGuire moved to approve Policy 2.34 Identity Theft Prevention Program. Director Jaksch seconded the motion and it carried unanimously.

Authorization to Consolidate Bank Accounts: Ms. Storms discussed proposed changes to the bank accounts, to improve the security of accounts which were no longer FDIC protected due to law revisions. She said the proposed changes could result in a savings through use of credit earned in checking accounts to offset fees, and would be a better strategy than use of sweep accounts. She said consolidation of bank accounts and good accounting would provide less chance for fraud and was preferred by auditors.

Director McGuire moved the Manager and Treasurer be authorized to eliminate the CMSA Sweep account at Washington Trust Bank, eliminate the current payroll checking account, and utilize the existing General Account for our irrigation depository account and our existing AP Checking for all disbursements from both payroll and AP. Director Rathbun seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2011-11 Authorizing the Sale of Real Property, Vista Business & Technology Park, Lot 3: Mr. Freeman reviewed the proposed resolution to memorialize a sale previously approved by the Board.

Vice President Huffman moved to approve Resolution 2011-11 authorizing the sale of KID #1403, Lot 3, Vista Business and Technology Park, to ALJ Properties, LLC in the amount of \$383,218.00. Director Rathbun seconded the motion and it carried unanimously.

Resolution 2011-10 and Policy 6.1B, Cross Connection Control, Lorayne J: Mr. McShane said the proposed resolution and policy were similar to the documents

approved for Elliot Lake on February 1st. He said requirements differed for Lorayne J because it used potable water for both household and irrigation purposes. Discussion ensued. Mr. McShane said the policy would allow the District to hire a cross-connection control specialist to assess the system by individual lot. He said the budget impact would be presented to the Board when that occurs, though cost was expected to be within the budgeted amount for professional services. He said the specialist would identify any deficiencies and how to remedy them.

Director Rathbun moved to approve Resolution 2011-10, Adopt and Implement Cross-Connection Control Policy (6.1B, for Lorayne J). Director Jaksch seconded the motion and it carried unanimously.

Rescind Policy #68 Cross-Connection Control: Director Rathbun moved to rescind Policy #68 Cross-Connection Control. Director Jaksch seconded the motion and it carried unanimously.

PUBLIC COMMENTS: None

STAFF REPORTS:

Finance Manager: Ms. Storms reported that engineering and accounting staff were investigating two companies that provide software for accounts receivable and water management. She said it appeared these were the only two firms in the nation offering such products. She said she would bring a formal request for proposals to the Board for approval.

Ms. Storms reported that at the last Finance Committee meeting, topics discussed included the accounts receivable policy draft, potable water systems, bank account consolidation and sales tax applicability questions. Ms. Storms said a request for proposals for banking services would probably be sought in the fall. Mr. Freeman said a request for proposal for insurance had been drafted for board action on March 1st.

Engineering/Operations Manager: In Mr. Everaert's absence, Mr. McShane reported:

- 2,500 feet were left for complete on Badger East for the lining project, after which the crew would move to the Main Canal.
- Bretz Road LID was in the design phase, and would go out to bid soon.
- Right-of-way establishment and improvement on the Highlift canal was started.
- The 16.1 lateral replacement project had been started.
- Work was underway on the automatic weed screens.
- Last week Ben Woodard accompanied the USBR contractor on a dry inspection of eight miles of Division 4, which they had deemed KID's highest risk area.
- Mr. Freeman said USBR staff reported to the Joint Board that the cultural survey was still being crafted, and were encouraged to have district involvement in the program. No communication from the USBR regarding this has been received.
- About 7,000 feet of liner has been installed to date.

Planning Manager: Mr. Revell reported:

- The House approved the lease bill and sent it to the Senate.
- Work with the Association of Counties continued on language to insure irrigation facilities were treated properly in the definitions in the Growth Management Act.
- Port of Kennewick sent a letter acknowledging and supporting KID's request for the business/commercial zoning code text amendment pending at the City of Richland.
- Seth Defoe presented the letter confirmed on this consent agenda to the County Planning Commissioners' hearing on the rural zoning code. Staff would attend the County Commissioners' workshop on February 16th to discuss KID's position.
- Staff would attend the City of Richland's Keene Road Trail meeting on February 16th. The trail intersects the Leslie Drain in two places and the federal right-of-way must not be compromised.
- Staff toured Red Mountain and the Kiona Pump Station site and met with KID's environmental attorney, USBR's environmental permitting staff and Derek Sandison.
- At the recent River Operations meeting, it was reported that total water supply appears to be good.

District Manager: Mr. Freeman reported:

- A facilitator was tentatively arranged for the Board retreat scheduled for March 19th from 9:00 a.m. to 3:00 p.m. The location would probably be Clover Island.
- Mr. Freeman requested comments on the Feasibility Study by April 1st, with the goal of adoption by the Board in April.
- A request for proposal for insurance would be ready for Board review by March 1st.
- The Disaster Recovery Plan would be brought to the Board in March after being formatted.
- The Union was timely in providing data for the salary survey, but the consultant is continuing to work to obtain data from the comparable entities selected by management.

WORKSHOP:

Survey Project: Mr. Revell discussed the of value rate payer surveys. He described details of survey design with regards to sampling and response and discussed statistical adjustment for demographics. Mr. Revell estimated the cost to be about \$5,000 and said an in-house survey was more cost-effective than contracting the work. He said survey content would be presented at a future Board meeting. Discussion ensued about timing mailing of the survey for the best response.

Director Jaksch asked that the design of the questions be referred to the Operations and Engineering Committee. Director McGuire recommended they be reviewed by the full Board. Mr. Revell agreed to bring it to the committee before the full Board. Discussion continued regarding timing of the survey mailing.

Project Tracking: Mr. Freeman reviewed changes to the project tracking spreadsheet. Highlights included:

- Red Mountain NEPA/SEPA and cultural resource survey consultants were selected.
- Staff will recommend Red Mountain design bids be obtained.

- The Comprehensive Plan was on hold while a new scope was developed to meet changed needs of the District.
- The WRAC and rate study was on track, and the committee would meet in March.
- Canal and siphon inspection programs were underway.
- Staff is targeting June to give the Board an update on bringing the consultant back for a follow-up audit. The Finance Committee will discuss the timing.
- Pursuing a bond rating was on hold since the state audit was cancelled this year.
- Small water system plans were close to completion.
- The property inventory would be provided for the Board retreat.
- The economic analysis of Red Mountain would be discussed at the retreat.
- A meeting would be scheduled with Columbia Irrigation District.

President McKenzie called a 10 minute break at 10:20 a.m.

At 10:30 a.m., the Board met in executive session for 45 minutes to discuss with legal counsel litigation regarding Acquavella per RCW 42.30.110(1)(i)(i), and to discuss with legal counsel potential litigation regarding a drainage issue per RCW 42.30.110(1)(i)(i).

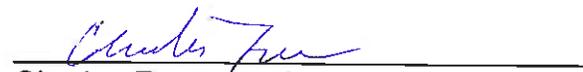
Executive session was extended fifteen minutes at 11:15 and the Board returned to open session at 11:30 a.m.

Director Jaksch moved to adjourn the meeting at 11:30 a.m. Director McGuire seconded the motion and it carried unanimously.

Attest:

Witness:


 David McKenzie, Board President


 Charles Freeman, Secretary/Manager

Prepared by Doris Rakowski