



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, March 1, 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
 Ed Everaert, Engineering/Operations Manager
 Colleen Storms, Comptroller/Treasurer
 Scott Revell, Planning Manager
 Brian Iller, Legal Counsel
 Doris Rakowski, Executive Assistant

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

CONSENT AGENDA: Director McGuire asked to have confirmation of Revisions to Procedure 4.19 removed from the consent agenda. President McKenzie referred it to the Operations and Engineering Committee. **Vice President Huffman moved to approve the revised consent agenda. Director Rathbun seconded the motion and it carried unanimously.**

Items approved by consent agenda were:

1. Minutes, KID Board Meeting, February 15, 2011
2. Approve Final Plat - Hansen Park Division 4 Phase 4
3. Approve Letter of Support for Funding Columbia River Program
4. KID O&M Vouchers

Accounts Payable

Numbers: 61776 through 61829	\$ 137,191.18
61830 through 61830	192.00
61831 through 61863	<u>97,824.77</u>
Total Accounts Payable	235,207.95

Payroll

Numbers: 31626 through 31632	\$ 6,635.40
Direct Deposit	<u>60,107.73</u>
Total Payroll	<u>66,743.13</u>
Total Disbursements	<u>\$ 301,951.08</u>

Voided Checks:

None

PRESENTATIONS:

2010 Financial Report: Ms. Storms distributed copies of the 2010 Financial Statements (on file). She said it was the first time the Board had seen the cash basis statements. She said there would be format refinements in the final version. She reviewed items of note in the reports, including:

- The Balance Sheet showed cash and investment assets, and restricted and unrestricted fund balances. Ms. Storms said a distinction was made between money which was externally, by contract, legally restricted or reserved for external purposes, such as debt; and that which was internally restricted or reserved for Board committed funds, such as equipment reserves. She said there would be movement of money in the restricted and unrestricted funds and that the Board committed balance number would be populated when the 2010 year-end financial statements were finalized.

- **Statements of Revenues and Expenditures:** She said that cash accounting showed expenditures, not expenses, which was useful to Board members and public managers. Capital purchases and payment of principal on debt were examples of expenditures which were not true expenses, and thus did not appear on accrual statements. Ms. Storms said that all of 2010 had been converted to cash basis. She noted that revenues were broken out into irrigation and potable, realty and capital. Expenses were shown in more detail than on previous reports, and that items previously in the miscellaneous category had been broken out.

- **Actual Expenditures to Budgeted Expenditures by Department:** Ms. Storms said some of the variance was because staff had budgeted on a cash basis while the books were on an accrual basis. She said refund of deposits was not an expense with the previous method of accounting, and there was more retirement of debt last year than she had estimated for the budget.

Ms. Storms said she was confident the numbers were accurate, as she converted the general ledger herself. She said it was important to government to know that money is being set aside to replace infrastructure, as was being done with KID's new reserves.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Establish 2011 KID Professional Engineering Services Roster: Mr. Freeman discussed the response to the request for qualifications for professional engineering services. He said the eleven qualified respondents were on the proposed roster in alphabetical order and had not been ranked. He said qualified engineering firms could be selected from the list as engineering services were needed for a project. He discussed work previously done for KID by two of the firms and said that the earlier work would be considered in selection for specific projects.

Director Jaksch moved to approve the acceptance of the 2011 KID Professional Engineering Services Roster. Director McGuire seconded the motion and it carried unanimously.

Approve Red Mountain Funding Agreement (Department of Ecology Construction Grant and Interagency Receivables Agreement): Mr. Freeman presented the revised documents, which the Board had been tabling since the beginning of the year. He went over the changes on the version provided by the Department of Ecology, which had been reviewed and approved Mr. Iller. Notable changes to the Construction Grant included:

- The number of the agreement.
- Effective date to be date of execution by last party to sign.
- Multi-phased agreement with funding from State split between the 2009/2011 and 2011/2013 bienniums. Mr. Freeman said the LID was approved for six percent interest over 25 years, and, if KID did not receive the second half of funding despite assurances from the Department of Ecology, financing could be obtained on the market.
- Regulatory Approval: Strike out of information relative to the settlement agreement, which was included elsewhere. Clarification that JARPA is Joint Aquatic Resources Permit Application.
- Project Design/Construction Management: Section added regarding the settlement agreement. Sentence added "KID is responsible for final design approval and incorporation of any document reviewer comments." Section added regarding construction management quality control and progress reporting. Monthly construction management reports required.
- Construction: Section added regarding KID preparation of construction contract, management of bid process and award, and ensuring contractor has adequate bonding.
- Project Budget by Task: Reflects two phase funding.
- Special terms and conditions, C. Net Water Savings and Cost Recovery: Reference to June 29, 2010 MOU added.
- General Terms and Conditions, Q. Disputes: Appeal process built in.

Discussion ensued regarding LID notification requirements and the likely time frame should KID need to seek outside funding for part of the project.

Notable changes to the Interagency Receivable Agreement included:

- Collection of LID Assessments and Payment: KID Capital Development Account to be created. Terms and conditions of recovery of grant from LID landowners were addressed, including use of recovered assessments.

Discussion ensued regarding projected completion dates. Mr. Freeman said since project construction was anticipated to be complete December 2015, KID should counter to the Department of Ecology draft receivables agreement that the first payment be due December 31, 2015. The addition of the words "or upon completion of construction, whichever occurs last," was suggested.

- Records Maintenance: Language regarding the Public Records Act was inserted.
- Termination: Conditions for termination of agreement prior to and after advance of funds by Ecology OCR were added.
- Disputes: Mr. Iller said the dispute language in this document was made consistent with that in the grant document and that general contract principles would apply, not administrative procedure act standards of review.

Mr. Freeman said staff recommended approval of both agreements. Discussion ensued regarding the wording of the motion. Mr. Iller suggested the motion be **to approve the documents subject to revision of the Interagency Receivable Agreement to have the commencement date be January 1, 2015 and completion on December 31, 2040, and modification of the language regarding initiation of the repayment obligation to December 31, 2015 or upon completion of construction of the project, whichever occurs later. Director Rathbun so moved.**

Director McGuire asked about wording in the Interagency Receivable Agreement regarding recovery of the full cost of Ecology's grant under terms and conditions of the LID. Mr. Freeman confirmed that the LID was approved for 25 year at six percent interest. Discussion ensued regarding the interest rate in the LID terms and the percentage to be paid to Ecology. Mr. Freeman said KID originally proposed one-half of one percent, consistent with other Ecology programs. Director McGuire asked if KID must pay to the State the same percentage it received from the LID. Mr. Iller said that was how he interpreted it.

Director Jaksch said he originally thought KID would pay Ecology one-half of one percent and, due to KID's policy on lending from reserves, the LID would be charged three and one-half percent. He said if the document could be interpreted to mean KID would pay the six percent back to Ecology, it needed to be changed. Mr. Iller said that if a motion were approved subject to these changes, Ecology would review the changes and, if they were not in agreement, there would be more negotiations. **Director Rathbun withdrew the motion.**

Mr. Iller suggested the motion be **to approve the Construction Grant and the Interagency Receivables Agreement subject to the following changes to the Interagency Receivables Agreement: First, modification to the period of performance to January 1, 2015, completion on December 31, 2040; Second, modification of the interest to be paid to Department of Ecology to be one-half of one percent per annum, and; Third, correction of the first payment due date to be December 31, 2015 or upon completion of construction of the project, whichever occurs later.**

Director Rathbun asked about the sentence regarding repayment of the remaining one half of the recovered assessments plus interest earned. Mr. Iller said the line should be changed to read "the remaining one-half of the recovered assessments plus interest at one-half percent per annum, will be paid semi-annually to the Department of Ecology."

Mr. Iller said his expectation was that any savings in the interest with the Department of Ecology would be passed on to the LID's landowners. Director McGuire said KID's policy was to fund LIDs at prime plus one-half, so the interest would drop from six percent to what the policy said. The suggested motion was read back.

Director McGuire moved to approve the Construction Grant <Agreement #G1100220> and the Interagency Receivables Agreement <between the KID and the Washington Department of Ecology, Office of the Columbia River, for the design and construction of the Red Mountain South Local Improvement District>, subject to the following changes to the Interagency Receivables Agreement: First, modification to the period of performance to January 1, 2015, completion on December 31, 2040; Second, modification of the interest to be paid to Department of Ecology to be one-half of one percent per annum, and; Third, correction of the first payment due date to be December 31, 2015 or upon completion of construction of the project, whichever occurs later. Director Jaksch seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2011-12 Fees (Superseding Resolution 2011-04): Ms. Storms discussed the need to replace fee resolution 2011-04 with a revised fee resolution which included fees for the two potable water systems and potable water account delinquency fees consistent with Policy 2.16 Accounts Receivable, adopted on February 15th. She recommended that the rates for Elliot Lake remain at the current level pending Finance Committee review of new information, identified during the conversion to cash accounting, to determine whether an increase would still be necessary. She recommended that the Lorayne J rates be set at the level recommended at the hearing. Discussion ensued. Ms. Storms said she expected the rates for Elliot Lake would be set at or below the amount presented at the hearing.

Director McGuire moved to approve Resolution 2011-12, titled "Fee Resolution," to include the new Lorayne J potable water rate and the late irrigation payment penalties effective March 1, 2011. Director Rathbun seconded the motion and it carried unanimously.

PUBLIC COMMENTS:

Jim Wade, residing at 1813 S Rainier Place, addressed the Board regarding public records requests. He said he asked for a list of five acre tracts and under on January 21st and received a letter from the District Manager requesting clarification. He said he had also requested information on equipment and the canal rehab charge. Mr. Wade asked for clarification on how the fee resolution would be applied.

Mr. Wade said a gentleman had approached him while he was out to dinner. The gentleman said he had seen Mr. Wade's name in the paper and suggested he start packing a gun. Mr. Wade said he didn't know whether the gentleman had heard something at KID.

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- The Department of Revenue refunded the utility excise tax penalties which KID paid last year, after we identified the missed taxes and voluntarily paid what was due.
- Work was proceeding on a special request for proposals to insurance pools. Ms. Storms discussed the state Office of Financial Management oversight of insurance pools. She recommended approaching pools first and pursuing insurance through other channels only if a satisfactory response was not received from the pools.

Engineering/Operations Manager: Mr. Everaert reported:

- 800 feet of the Badger East Canal lining remained to be completed. Excavation, cleaning, and canal prism shaping work continued. Following completion of the Badger East lining, crew would move to the Main Canal. At that point crews would stop cleaning and shaping, because on March 29, the USBR was expected to start the Chandler Pumps for testing.
- More than 60 applications had been received for the temporary Maintenance Laborer positions and a few people would be hired shortly to help with the lining.
- Uninstalled lining material would be protected and stored in the shop yard for installation in October. Mr. Everaert praised the crew's teamwork and their achievement in lining three miles of canal.
- Work was underway on hydroscreens including the one at PSA 99.
- Engineering department was working on the Bretz Road LID.
- The Sutron 9210 certification would be bid by five qualified firms tomorrow. Brad Crawford was replacing the remaining three SCADA packs. Installation of the units would follow certification and John Humphries would come out to help. The units would be operational by water on.
- Mr. Everaert expected completion of Bretz Road LID to be shortly after water on.

Planning Manager: Mr. Revell reported:

- The zoning code amendment would go to the City Council for final approval tonight.
- Staff would speak to the Willowbrook Heights Home Owners Association tonight.
- Staff was working with WSWRA on the critical areas revisions that pertain to irrigation drains and wasteways.
- The next water season forecast would be released at the River Ops meeting on Monday.
- Staff toured the Lower Amon Wasteway with John McKern.
- Staff was meeting with the Benton County Commissioners individually regarding the letter of support for the Department of Ecology Columbia River Program (see Consent Agenda).
- Mr. Revell confirmed that he spoke to the Public Works Director regarding the Kennedy Road improvements.

District Manager: Mr. Freeman reported:

- The potable system transfer of liability presentation would be given to the Finance Committee on Thursday, March 10th.

- The salary survey was at about 60% completing and was taking longer than expected due to difficulty in getting responses from entities. If additional costs were over 10%, they would be brought to the Board.
- The joint Water Rate Advisory Committee (WRAC) and Board meeting might need to be rescheduled from March 15th due to the rate consultant's health issue.
- Private line areas would be discussed at the March 7th WRAC meeting.
- The Operations and Engineering Committee would consider whether KID should continue adding subdivisions.
- Chuck Garner, USBR Yakima Project River Operations Supervisor and past KID District Manager, would come to KID next month to discuss why KID was so expensive to build and why KID's rates were historically low through being subsidized by land sales.
- The USBR submitted an operational plan for the possible government shutdown due to budget issues, but KID had not received a copy. The Chandler Pump rebuild was determined to be mission-critical, but questions remained regarding the effect on KID's operations. If the shutdown were to last one week or longer, the start of the water season would be delayed per Mr. Garner.
- The sale closed on the Gold's Gym site.
- An article was submitted for the Tri-City Herald Progress Edition.

Vice President Huffman said the KID booth at the Home and Garden Show looked great and he appreciated staff that participated.

WORKSHOP:

Retreat Agenda: Mr. Freeman discussed plans for the March 19th Board retreat, to be held at the KID office. He said Darryll Olsen was selected to facilitate the meeting due to knowledge of the District and previous work for the District. Based on senior staff input, the topics selected were long term strategy for land assets and proceeds use, financial strategy for the \$50 million projects including the projects in the Feasibility Study, and the next steps for the Red Mountain economic analysis. The fee for Mr. Olsen's services would be \$3,960, based on 24 hours of work.

Director Jaksch discussed the need for Board input on the acceptance of additional PSAs which was to be discussed at the WRAC meeting and suggested adding the topic to the agenda. Mr. Freeman said that the Monday, March 7th WRAC meeting was a regular meeting. He said the joint WRAC/Board meeting, tentatively scheduled March 15th would probably be rescheduled. Mr. Freeman said that staff could facilitate discussion of that issue. Director Jaksch said Mr. Olsen had done rate studies and had the technical expertise to discuss the issue.

The Board agreed with the topic selection and with hiring Mr. Olsen as facilitator.

President McKenzie called a ten minute break at 10:22 a.m.

At 10:30 a.m., the Board met in executive session for 30 minutes to discuss with legal counsel legal risks of a proposed action or current practice per RCW 42.30.110(1)(i)(iii),

and to discuss with legal counsel litigation regarding Acquavella per RCW 42.30.110(1)(i)(i).

Executive session was extended 15 minutes at 11:00 a.m., and the Board returned to open session at 11:15 a.m.

Director Jaksch moved to adjourn the meeting. Director Rathbun seconded the motion and it carried unanimously.

Attest:

Witness:


David McKenzie, Board President


Charles Freeman, Secretary/Manager

Prepared by Doris Rakowski