



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, June 21, 2011, 9:00 a.m.

Vice President Huffman called the meeting to order at 9:05 a.m. Mr. Freeman called roll.

Directors Present:

Gene Huffman, Vice President
 Kirk Rathbun
 Patrick McGuire

Directors Absent:

David McKenzie, President
 John Jaksch

Staff Present:

Charles Freeman, District Manager
 Ed Everaert, Engineering/Operations Manager
 Colleen Storms, Comptroller/Treasurer
 Scott Revell, Planning Manager
 Jason McShane, Staff Engineer
 Doris Rakowski, Executive Assistant

Other Persons Present: Brian Iller, Legal Counsel

APPROVAL OF AGENDA: Director McGuire reported that modifications to the May 17th Board meeting minutes were recommended. **Vice President Huffman moved to transfer the May 17th Board Meeting Minutes from the consent agenda to action items. Director McGuire seconded the motion. The Directors present voted in favor and the motion carried.**

Director Rathbun moved to approve the modified agenda. Director McGuire seconded the motion. The Directors present voted in favor and the motion carried.

CONSENT AGENDA: Director McGuire moved to approve the modified consent agenda. Director Rathbun seconded the motion. The Directors present voted in favor and the motion carried. Items approved by consent agenda were:

1. Minutes, KID Board Meeting, June 7, 2011
2. Confirm Job Description for Accounting Technician
3. Approve Updated Organizational Chart
4. Authorize District Manager to Apply for a Preliminary Plat and Related Permits for KID's Finley Property
5. Cockbain Short Plat
6. Herrin Short Plat
7. Highland Townhomes Phase 1 Final Plat
8. KID O&M Vouchers

Accounts Payable

Numbers: 62373 through 62376	\$	11,190.09	
62377 through 62406		25,478.35	
62407 through 62440		93,253.52	
Total Accounts Payable			129,921.96
<u>Payroll</u>			
Numbers: 32031 through 32039	\$	8,870.83	
Direct Deposit		65,997.83	
Total Payroll			74,868.66
Total Disbursements			\$ 204,790.62

Voided Checks: Check No. 60716 returned and void for reissue

PRESENTATIONS: None

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Adopt Policy 4.21 Annual Irrigation Water Allotment Transfers and Rescind Policy and Procedure #38 Water Combination/Transfer: Mr. Everaert discussed the need for a new policy. He said water combinations were eliminated due to conflict with other KID policies by potentially allowing more than 3.5 acre feet per acre. He noted that the proposed policy would be effective January 1, 2012, to allow 2011 transfers and combinations to remain under the policy and procedure in place at the time of application.

Discussion ensued regarding applicability of the policy to the smaller allotments at Red Mountain. Mr. Freeman acknowledged that a separate policy may be needed for the different situation at Red Mountain. Mr. Everaert described difficulties with allowing and monitoring temporary water combinations.

Director McGuire moved to adopt Policy 4.21 Annual Irrigation Water Allotment Transfers, and to rescind Policy and Procedure #38 Water Combination-Transfer. Director Rathbun seconded the motion. The Directors present voted in favor and the motion carried.

Cultural Resources Review of Capital Projects: Mr. Freeman presented the staff request for a cultural resource survey for the five-year capital plan. He reported that staff had requested clarification from the USBR on when cultural surveys were required and received training from the USBR last week. He discussed USBR requirements based on Section 106 of the National Historic Resource Preservation Act and described the expected process and time frame for such surveys.

Mr. Freeman said the USBR needed up to five months to complete the survey which must be done prior to 2011-2012 water-off work. He proposed changing the scope of work for Reiss-Landreau Research, which was already doing cultural resource survey work for Red Mountain. He listed examples of projects for which surveys would or would not be required.

Discussion ensued regarding the basis for the survey requirements. Mr. Freeman noted that the State Historic Preservation Rules also applied. He confirmed that this was the first time the requirements had been applied to the KID.

Director Rathbun moved to authorize the District Manager to execute a contract with Reiss-Landreau Research to perform a cultural resources review of the projects in the District's five year capital program for an amount not to exceed \$40,000. Director McGuire seconded the motion. The Directors present voted in favor and the motion carried.

Minutes, KID Board Meeting, May 17, 2011: Director McGuire moved to approve the May 17th Board Meeting Minutes as modified by staff recommendation. Director Rathbun seconded the motion. The Directors present voted in favor and the motion carried.

RESOLUTIONS:

Resolution 2011-19 Authorize Feasibility Investigation for Royal Ann Estates Local Improvement District (LID): Mr. McShane reported that staff received petitions to form an LID

for Royal Ann Estates. He said the proposed resolution would allow investigation of the feasibility of the project. He described details of the resolution and the proposed LID, and described some of the steps in the LID formation process.

Director McGuire asked about the benefit to KID of forming a new LID. Mr. McShane said rates of participants would increase, but would be in proportion to the increased costs due to urbanization and costs would be recovered. KID standards for each phase of the development were discussed. Mr. Freeman said that this first instance of a private line area (PLA) petitioning to upgrade its system and become a pressurized service area (PSA) highlighted the need for a policy addressing requirements for such conversions.

Discussion ensued regarding metering, water masters and the Bretz Road PSA. Enforcement of requirements for water masters was discussed. Mr. Iller offered to provide previously drafted language for requiring a water master.

Mr. McShane confirmed that if the LID was formed the LID participants would bear all costs. Mr. Freeman said the feasibility study costs were reimbursable even if the LID were not formed.

Director McGuire moved to approve Resolution 2011-19, Accept Surety and Authorize Feasibility Investigation of the Proposed Royal Ann Estates LID. Director Rathbun seconded the motion. The Directors present voted in favor and the motion carried.

PUBLIC COMMENTS:

James Wade, residing at 1813 S. Rainier Place, addressed the Board regarding public records requests. He claimed he received a document of disputed origin which he previously provided to the Board in a KID envelope. He said he believed it was printed on the same printer as documents for Red Mountain LID assessment costs. Mr. Wade said the words, "wrong file," were added to the document after he gave it to the Board.

Mr. Wade said there must be documents to back up and verify the information in statements or the statements were worthless. He said he had not received a response to his March 8, 2011 public records request for items five through eleven. Mr. Wade said if there were no documents to back up the statements or figures, he was requesting a retraction. Mr. Wade asked why the UB Cash Receipts by Rate Code report showed 37,808 accounts and said it was misleading.

Mr. Iller said it was possible to have knowledge of a fact without having a document to reflect it.

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- Three accounting manager candidates were interviewed. An offer would be made this week.
- Ms. Storms was supervising customer service and reviewing delegation of duties.
- Ms. Storms noted that Deanette Warn and Katie Kinnison have performed all of the transactional work in accounting for several years, so that work was on track. She expected to be caught up on financial reports within a few weeks of hiring an accounting manager.
- A policy defining the roles of water masters would be helpful to customer service.

Engineering/Operations Manager: Mr. Everaert reported:

- Crews were working on seven work orders and reading meters on the domestic systems.
- The automatic weed screen at PSA 99 was removed today. Modifications would be made to correct clogging. Future vertical screen orders would be made with the modified design.

- The Chandler Diversion was at 265 CFS. June diversions were low to date, due in part to the temporary outage to clean the Chandler Diversion Canal fish screens. He discussed reservoir inflows and releases, and main canal diversions as reported on the USBR Hydromet webpage, and precipitation as reported by SNOTEL.
- Staff was working with PSA 99, which had pressure and flow problems after the fish screen water outage. Mr. Everaert expected that PSA 99 would receive their correct allotment on an annual basis.
- Mr. Everaert discussed algae control preparations and said a single application of Endothall was planned.
- Staff created a spreadsheet with calibration factors for all turnouts for micrometer meters. Readings which have been recorded would be calibrated from the spreadsheet later.

Planning Manager: Mr. Revell reported:

- The Water Rate Advisory Committee (WRAC) discussed townhouse issues last week. Some policy issues were resolved.
- A newsletter would be sent to Red Mountain South LID participants. KID had received a signed copy of settlement agreement and was waiting for the shrub steppe mitigation agreement from the Department of Ecology. KID would publish the notice of application for the Kiona point of diversion change soon.
- Mike Schwisow was given a tour of Red Mountain and the pump station site following the WSWRA meeting last week.

District Manager: Mr. Freeman reported:

- The Operations division was installing realty signs to replace those that disappeared over winter. The storage shed was being emptied and the lease would not be renewed.
- The Kennewick City Manager tentatively scheduled Mr. Freeman to address the City Council on July 29th regarding the rate study. WRAC members would be invited to attend.

WORKSHOP: None

Vice President Huffman called a break at 10:03 a.m.

Mr. Iller requested that executive session include discussion of litigation regarding Chavallo and Wellenbrock, and potential litigation regarding foreclosures and MV Investments. He estimated one hour would be needed, with potential action following the executive session.

EXECUTIVE SESSION:

At 10:10 a.m., the Board went into executive session for one hour 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), to discuss with legal counsel litigation regarding Acquavella, Chavallo, and Wellenbrock per RCW 42.30.110(1)(i)(i), to discuss with legal counsel potential litigation regarding foreclosures and MV Investments per RCW 42.30.110(1)(i)(i) and to consider the minimum price at which real estate will be offered for sale per RCW 42.30.110(1)(c).

The board returned to open session at 11:00 a.m.

Collective Bargaining Agreement: Mr. Freeman reviewed the contract negotiation history. He said staff recommended that the Board approve the proposed three-year agreement and the union would recommend ratification to the members. He noted that when the contract was approved, there would be retro pay to January 1, 2011.

Mr. Freeman briefly reviewed key changes to the agreement. Discussion ensued regarding calculation of overtime and verification of excused sick leave absences. Mr. Freeman said a policy was being drafted regarding management of sick leave. Other contract changes highlighted included differential pay for working out of class, bereavement leave, acceptance of the employee handbook, and a clothing allowance to replace of KID purchase of clothing. Mr. Freeman said a dress code was being developed.

Mr. Freeman said KID contribution to insurance would decrease from 95% to 93% in 2012, and 92% in 2013. Wage increases would be 3% in 2011, and 2.8% in 2012 and 2013, subject to Board resolution 2011-17. Additionally, leads would be eligible for on-call bonus pay and no employees would receive herbicide spray pay when not performing the duty. Mr. Freeman reported that the only certified domestic system operator, other than himself, was giving up his certification and there would be no grandfathered pay for that function.

Director McGuire moved to approve the collective bargaining agreement between KID and the operating union for a new three year contract as described by Mr. Freeman. Director Rathbun seconded the motion and all Directors present voted in favor. The motion carried.

District Foreclosure Sales: Mr. Iller reported that, at the recent District foreclosure sale, all parties identified on the preliminary litigation report for a property commonly known as 4814 W. 24th Avenue in Kennewick failed to appear, default was taken and the property was sold. There were no bidders so the Treasurer executed a treasurer's deed in exchange for the amount of assessments in default. It was later discovered that the sale occurred after the owner of record filed for bankruptcy, unknown to the Secretary, Treasurer, or legal counsel, though notice was sent to the District. Mr. Iller said that, as a result, the sale might not be effective to transfer title to the District. To recognize that and avoid litigation from other interested parties, he recommended that the Board authorize the Secretary/Manager to execute a quit claim on the property with appropriate reservations to reserve the District's right to receive payment of the past due assessments, future assessments, and reserve the assessment lien on the property.

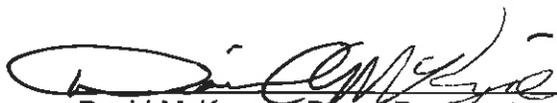
Ms. Storms said a second title report would be obtained just prior to future sales to prevent recurrence of this event. She said staff was advised of the importance of all legal notices regarding property. Ms. Storms said foreclosure proceedings were previously coordinated by the Accounting Manager and that his departure let KID without experienced staff in the last week before the sale. Mr. Iller said legal counsel would assist the Treasurer in establishing a process to ensure this does not recur.

Vice President Huffman moved that the KID Secretary Manager execute a quit claim deed to the property commonly known as 4814 W. 24th Avenue, Kennewick WA, while reserving to the District the right of recovery of past, present and future assessments and reserving the assessment lien that secures those obligations. Director McGuire seconded the motion. The Directors present voted in favor and the motion carried.

Director Rathbun moved to adjourn at 11:20 a.m. and Director McGuire seconded the motion. The Directors present voted in favor and the motion carried.

Attest:

Witness:


David McKenzie, Board President


Charles Freeman, Secretary/Manager