



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, July 5, 2011, 9:00 a.m.

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

Directors Present:

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

Staff Present:

Charles Freeman, District Manager,
 Via telephone for executive session only
 Ed Everaert, Engineering/Operations Manager
 Colleen Storms, Comptroller/Treasurer
 Scott Revell, Planning Manager
 Judy Smith, Administrative Contracts Specialist
 Jason McShane, Staff Engineer
 Doris Rakowski, Executive Assistant

Other Persons Present: Fran Forgette, Legal Counsel, present for executive session only

APPROVAL OF AGENDA: Director Jaksch moved to approve the agenda. Director Rathbun seconded the motion. The motion carried unanimously.

CONSENT AGENDA: Director Rathbun moved to approve the consent agenda. Director Jaksch seconded the motion. The motion carried unanimously.

Items approved by consent agenda were:

1. Minutes, KID Board Special Meeting with Water Rate Advisory Committee, May 23, 2011
2. Minutes, KID Board Meeting, June 21, 2011
3. Confirm Job Description for Accounting Technician/Customer Service Lead
4. Confirm Job Description for Software Specialist/Accounting Assistant
5. Approve Updated Organizational Chart
6. Approve Westcliffe Phase IX Final Plat
7. Approve Inspiration Estate Phase 4 Final Plat
8. KID O&M Vouchers

Accounts Payable

Numbers:	62441 through	62441	\$	149,527.37
	62442 through	62484		246,283.53
	62524 through	62562		73,567.30

Total Accounts Payable 469,378.20

Payroll

Numbers:	32040 through	32046	\$	8,179.42
	32047 through	32047		486.17
	32048 through	32048		3,513.16

Direct Deposit 70,241.75

Total Payroll 82,420.50

Total Disbursements \$ 551,798.70

Voided Checks: Check No. 62485-62523 Void & reissued due to print error

PRESENTATIONS:

LeMaster Daniels Follow-up Report: Ms. Storms presented her report on progress made towards implementing the recommendations from the 2010 LeMaster Daniels financial review. She said the report was intended to assist the Board in making a decision as to whether a follow up review by LeMaster Daniels (now Larson Allen) was needed, and if so, the scope of the review. Ms. Storms briefly highlighted some of the topics covered in her response including:

- Contract checklist. Improvements were made and the checklist has been in use.
- Bank reconciliations. Reconciliations have been prepared on time since August 2010
- Change to cash basis accounting has made financial reports more effective and one additional important report would be added when the new accounting manager arrives.
- Board review of State Auditor's Office reports. This year's audit was cancelled by the State Auditor's Office. Handbooks from the Government Finance Officers Association on governmental cash basis financial statements would be provided to the Board if requested.
- Management of investments. Appropriate controls for bank access and transfers were in place. A new investment policy was being prepared.
- Documentation of significant accounting decisions. Ms Storms recommended that the documentation be an appendix to the upcoming accounting manual. Per Mr. McGuire's request, Ms. Storms said she would provide to the Board a synopsis of past decisions for which she had gathered documentation previously.
- Human Resource module of Springbrook. Ms. Storms said staff had recommended not implementing the Springbrook HR module and incurring additional costs and she concurred. She said appropriate controls were in place for payroll and that manual personnel files were sufficient for KID's needs.
- Separation of accounts receivable and credit manager duties. Ms. Storms said that LeMaster Daniels mistakenly perceived Deanette Warn as a credit manager, a role which was actually filled by the accounting manager and for which Katie Kinnison was now cross-trained. She said while separation of duties was already in place, she proposed filling a current job opening in customer service with a person who would be responsible for cash receipts.
- Control of payroll function. Ms. Storms described the review process for payroll changes and proposed she keep an independent record of pay rates as an additional control.
- Accounting manual. Ms. Storms was adapting the sample accounting manual she received from LeMaster Daniels to KID's needs. She expected it to be complete by October 2011.
- Inventory. A purchasing policy and procedure were in place. A controlled location for shop inventory was created. Staff was establishing thresholds for inclusion in a perpetual inventory and work was underway to complete inventory procedures.

Ms. Storms requested that the Directors study the response report and determine what scope of review is needed. She said that the original estimate for a second review was about \$30,000. The Finance Committee was scheduled to review the report the following week and the Directors were encouraged to give their comments to the committee members.

Director Jaksch said that a policy on investments was needed. Discussion ensued regarding restrictions on investment vehicles.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Rescind Policy and Procedure #74, Signage, and Policy and Procedure #76, Sale of Realty other than Foreclosure Property: Ms. Smith discussed the Realty Committee's recommendation to rescind two unnecessary policies. Ms. Smith said that signs were the main marketing tool for KID properties and it was desirable to have flexibility in posting or removing signs, but that Policy and Procedure #74, Signage, was not needed. She reported that the Policy and Procedure #76 pertained to sale of realty's personal property, but was made redundant by a more recent District-wide policy (Policy & Procedure 2.23, Disposal of Surplus Personal Property).

President McKenzie thanked Ms. Smith for working on eliminating duplicate policies.

Director Rathbun moved to rescind Policy & Procedure #74, Signage. Director McGuire seconded the motion. The motion carried unanimously.

Director Rathbun moved to rescind Policy and Procedure #76, Sale of Realty other than Foreclosure Property. Director McGuire seconded the motion. The motion carried unanimously.

Comprehensive Irrigation Water System Plan: Mr. Everaert discussed the 2010 contract with Mackay and Sposito for development of a Comprehensive Irrigation Water System Plan, and the recommendation that the Comprehensive Plan be prepared in house. He said KID would benefit from increased control of the process and by the internal knowledge gained in the process. A lot of the work would be done by KID anyway, and taking the final step of reporting, was not that much more work.

Mr. Everaert recommended that the contract be terminated without cause and outstanding charges to date be paid. He said the \$54,296.30 remaining in the budget could be allocated to other work. Mr. Everaert asked the Board to approve the scope of work for KID and terminate the contract with Mackay and Sposito. Discussion ensued regarding what work product could be expected for the \$11,000 already expended.

Mr. Everaert said he planned to have a draft of the comprehensive plan within the next twelve months and would bring a proposed schedule to the August Operations and Engineering Committee meeting.

The completion date in the Mackay and Sposito contract and the expected completion date if the work were done in house were discussed. Terms of the contract regarding termination were discussed.

Mr. McGuire said he would like the \$54,000 savings to be tracked. Mr. Everaert said he would work with Ms. Storms to track it and report to the Board. In response to Mr. Rathbun, Ms. Storms said KID could track labor costs if engineering was diligent about using project management to record time spent on the project.

Ms. Storms said the contract allowed termination by either party, without cause, with 30 days notice. Mr. Everaert said Brian Iller, KID Legal Counsel, had reviewed the contract and the draft termination letter.

Mr. Everaert confirmed to Director Rathbun that he would request any work product for the first part of the work done by Mackay and Sposito to date.

Director Jaksch moved to approve the KID scope of work for the Comprehensive Plan for the KID Engineering Department to complete the associated tasks for the plan, and to terminate, without cause, the Mackay and Sposito Incorporated contract for services for the KID Comprehensive Plan. Director McGuire seconded the motion. Vice President Huffman did not vote. The motion carried.

Badger East 16.1 Lateral Replacement Project: Mr. McShane discussed the Badger East 16.1 lateral project, which was identified within the last round of project prospectuses. He reported that weather and the canal lining project delayed this project, and due to increased costs of materials staff was resubmitting the project to the Board. He asked the Board to authorize staff to seek competitive bids for materials.

Director McGuire asked which capital improvement budget would pay for the project. Mr. McShane said it would be from the 2011-2012 budget because of the excess material purchased for planned lining. Discussion ensued regarding the appropriate process to be followed for approval. Director McGuire said the Board was to approve the 2011-2012 capital improvement plan as whole, not piecemeal. Mr. McShane said the project was part of the 2010-2011 plan. He noted that the 2011-2010 plan would be reviewed by the Operations and Engineering Committee today, but potential for flooding during peak seasons motivated staff to seek earlier approval for this action.

Mr. McShane confirmed to Director Jaksch that only minor interruption of service would take place during the final connection. He discussed the installation plan. Mr. McShane said the initial budget was \$60,000, and after design was \$80,000, largely due to increased pipe cost. He said the urgency in approval was because of the time needed for the bidding process. Mr. Everaert said that the work crews were available now and would be occupied with lining by mid-October.

Discussion continued regarding process and planning ahead for projects. Ms. Storms discussed how funding of the capital work projects had been coordinated. She noted that the funding was not synchronized with calendar years and that staff was working to correct that. She noted that liner for next year was purchased in advance and \$300,000 matching funds were received from the USBR, so it would square away eventually. Discussion regarding process continued. Scheduling and available labor time were also discussed.

It was suggested that in addition to the Operations and Engineering Committee discussing the capital projects, the Finance Committee should address the funding as part of the budgeting process. Director Jaksch asked to have answers to these issues brought to the full board August 2nd.

Director Jaksch moved to authorize staff to advertise for competitive bids for the purchase of materials necessary to complete the 16.1 Lateral Replacement Project. Director Rathbun seconded the motion. The motion carried unanimously.

RESOLUTIONS:

Res 2011-20, Authorizing the Sale of Real Property, KID #7095, Stoneridge Lot 9, Block 1: Ms. Smith said the Board approved the sale of the lot on December 7, 2010. She discussed factors involved in the development of the site. She reported that the sale closed last week and that the resolution was to memorialize the sale.

Ms. Smith confirmed to Director McGuire that JUB would check the compaction of moved dirt and will report to KID. She said cost of the new access would be deducted from the sale with the cost shared with Maverik.

Director McGuire moved to approve Resolution 2011-20 authorizing the sale of KID #7095, Stoneridge Lot 9, Block 1, to Maverik, Inc. in the amount of \$605,480.00. Director Jaksch seconded the motion. The motion carried unanimously.

Vice President Huffman requested to be called back for executive session and left the meeting due to a poor telephone connection.

PUBLIC COMMENTS:

James Wade, residing at 1813 S. Rainier Place, said Mr. Freeman stated, in a letter dated June 27, 2011, that the document Mr. Wade gave him was not a KID-produced document. Mr. Wade said that led him to believe that all the reports he had received were false documents since they did not conform to the standards that Mr. Freeman mentioned.

Mr. Wade said that, in a letter to the Water Rate Advisory Committee dated January 17, 2011, Mr. Freeman stated that 78,868 acre feet of water were delivered to 19,171 acres <Preparer's note: In 1978>. Mr. Wade said that would amount to 4.12 acre feet per acre, not 3.5. He noted that acreage increased by 1,039 acres since 1978 to 20,210 acres. Mr. Wade said that 3.5 acre feet per acre for the 2011 acreage would amount to 70,730 acre feet of water. Mr. Wade said the increase in assessments from \$566,207 in 1978 (or \$29.53 per acre) to \$8,687,021 in 2011 was an increase of over 1,200%. Mr. Wade further noted that the acreage went up by 9 acres since 2004.

Mr. Wade asked why KID gave \$5,068 for a legislative committee and said he believed that individual rate payers should have chosen whether to donate to the committee instead.

Mr. Wade asked why KID tried to cover up its mistakes.

Director Jaksch said Mr. Wade may have confused the settlement agreement with actual billed acres. Mr. Everaert said the diversion amount of water per acre was different than the delivery amount because the reported diversion did not have the transmission loss (from evaporation, deep percolation, seepage, etc.) taken out.

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- New Accounting Manager had been identified and would start July 18th. She said she would circulate the Accounting Manager's resume to the Board.
- Targeted demonstrations were scheduled for review of the accounting programs under consideration to verify that they were appropriate to KID's needs.
- The Finance department was working on an accounting manual.
- Regarding duplicate payments, Ms. Storms said staff would wait until contacted by customers and not make an assumption that the duplicate payment was in error.

Discussion ensued regarding the cost of the Springbrook Software program annual fees. Ms. Storms said the cost was high due to customization and that through negotiation costs were reduced, though an accurate revised billing had not yet been received.

In answer to Director McGuire, Ms. Storms said water usage report discrepancies between the field and customer service were being addressed. She said she would follow up on the issue.

Ms. Storms reported that there was a power outage on Friday. Based on information learned about the computer and phone systems during this outage, she and Ms. Rakowski would revise the emergency manual.

Engineering/Operations Manager: Mr. Everaert reported:

- The main canal ranged from 275 to 279 CFS last week.
- Yakima Basin reservoirs storage, inflows, releases, and main canal diversions.
- Precipitation as reported by SNOTEL.
- Operations crews were cleaning Division 4 weed screens with the Palfinger, doing weed control and working on three broken valve work orders.
- Submissions for the Red Mountain South LID Professional Engineering Services request for qualifications were due today at 4:30 p.m.

In response to a question from Director Jaksch, Mr. Everaert reported that staff was trying to determine air relief valve placement at PSA 99. He discussed modifications which were made to the weed screen. Discussion ensued.

Director McGuire discussed an incident where a rate payer ordered 20 points of water and received 23 points of water. Director McGuire asked if there was a training program for ditch riders. Mr. Everaert said he would make sure relief and night shift crews were properly trained.

Director McGuire noted that an employee was giving up his domestic water licensing and asked if employees were permitted to make such choices about their duties. Mr. Everaert reported that the domestic water license situation was unique and the Mr. Freeman continued to hold his domestic water license. He said that Mr. Freeman would be able to provide further information.

In response to a question from Director Rathbun, Mr. Everaert discussed KID's on demand system and means of maintaining constant head on the canal, such as SCADA and use of 48 hour notice for water orders. He noted that ponds act as re-regulation reservoir and that there could be fluctuations for those served directly from canals.

In response to a question from Director McGuire, Mr. McShane discussed ponds and storm drains at five locations along Keene Road. He noted that there were drainage challenges when rainy conditions led to increased runoff and lower water usage from the ponds. He reported that the discussions with the City of Richland were regarding the area at Shockley Road and Keene.

In response to President McKenzie, Mr. Everaert reported that vegetation control was going well with copper sulfate treatments and a planned application of Endothall.

In response to a question from Director Rathbun, Mr. Everaert said staff was working on issues with ClearSCADA. He said that the goal was to be fully operational at the twelve stations.

Planning Manager: Mr. Revell reported:

- The quarterly meeting of the YRBWEP Work Group would occur next week.
- The Yakima Basin Joint Board took action last week to send a letter to the cities in the Basin in opposition to a request for resolution of support from the Yakima Basin Storage Alliance.
- Management and staff had been working on the condominium and townhouse assessment issues and would report on policy implications to the Water Rate Advisory Committee. He

reported that the committee would be scheduling a special meeting and inviting condominium and townhouse owners.

- A Red Mountain South LID newsletter was ready to be mailed.

District Manager: No report.

WORKSHOP: None

EXECUTIVE SESSION:

At 10:35 a.m., President McKenzie announced that following a short break, the Board would meet in executive session to discuss with legal counsel litigation regarding one matter and Acquavella per RCW 42.30.110(1)(i)(i).

Following the break, Vice President Huffman and District Manager Freeman joined the meeting by telephone conference and the Board went into executive session for approximately 30 minutes. Executive session was extended 15 minutes at 11:15 a.m.

Following a short break, the Board returned to open session at 11:33 a.m.

President McKenzie reported that in executive session the Board discussed current litigation for which a settlement offer was received. Options for Board action were discussed. Director McGuire said he believed the requirements of the settlement offer were inappropriate and recommended the Board take no action. Directors Jaksch and Rathbun concurred and no alternate actions were recommended.

Director McGuire moved to take no action on the litigation settlement offer. Director Jaksch seconded the motion. The motion carried unanimously.

Director Jaksch moved to adjourn at 11:36 a.m. and Director Rathbun seconded the motion. The motion carried unanimously.

Attest:



David McKenzie, Board President

Witness:



Ed Everaert, Engineering/Operations Manager

Prepared by Doris Rakowski