



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, July 19, 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
 John Jaksch
 Patrick McGuire
 Gene Huffman, Vice President,
 Via telephone

Staff Present:

Charles Freeman, District Manager,
 Ed Everaert, Engineering/Operations Manager
 Colleen Storms, Comptroller/Treasurer
 Scott Revell, Planning Manager
 Judy Smith, Administrative Contracts Specialist
 Jason McShane, Staff Engineer
 Becky Mellinger, Accounting Manager
 Sandra Dallas, Administrative Assistant
 Doris Rakowski, Executive Assistant

Directors Absent:

Kirk Rathbun

Other Persons Present:

Brian Iller, Legal Counsel

APPROVAL OF AGENDA: Director Jaksch moved to approve the agenda. Director McGuire seconded the motion and the Directors present voted in favor of approval. The motion carried.

CONSENT AGENDA: Director Jaksch moved to approve the consent agenda. Director McGuire seconded the motion and the Directors present voted in favor of approval. The motion carried unanimously.

Items approved by consent agenda were:

1. Rescind Policy & Procedure #58, Cash Receipting
2. Approve Aust Short Plat
3. Approve Claybrook Short Plat
4. Yakima Basin Joint Board Letter
5. KID O&M Vouchers

Accounts Payable

Numbers: 62563 through 62588	\$ 23,370.34	
62589 through 62642	40,837.22	
Total Accounts Payable		64,207.56
<u>Payroll</u>		
Numbers: 32049 through 32054	\$ 7,304.47	
32055 through 32077	6,245.57	
Direct Deposit		71,703.50
Total Payroll		85,253.54
Total Disbursements		\$ 149,461.10

Voided Checks

Check No. 62621 Void & reissued due to incorrect information on the check

PRESENTATIONS: None

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Approve Policy 2.6 Vacation Donation/Shared Leave: Ms. Storms presented changes to the existing policy. The policy was corrected to state that the receiving employee would pay payroll taxes. There would be no significant budget impact to KID since vacation leave belongs to the employee. Constraints were added to prevent the donating employee from completely depleting their leave bank. Additionally, vacation leave that could be lost at the yearly roll over could be put in a leave bank for a future need. Donated leave would be at the cash value of the donating employee. Ms. Storms clarified to Director Jaksch that leave given to the leave bank was not refundable, but excess leave donated to a specific employee would be returned on a prorated basis to donating employees.

Director McGuire moved to approve Revision 1 of Policy 2.6, titled "Leave Donation Policy." Director Jaksch seconded the motion and the Directors present voted in favor of approval. The motion carried.

Award Contract for Badger East 16.1 Lateral Replacement Piping Phase 2 (Materials Only): Mr. McShane distributed copies of a map which he displayed on the overhead screen. He presented project background information. He said the lateral served five ponds and discussed operational challenges of balancing the lateral when water orders and canal levels changed. He reported that, in past years, the division boxes had overflowed. Mr. McShane described completed Phase 1 work and planned Phase 2 work.

Mr. McShane reported that bids for materials were solicited per the July 5th Board authorization. He presented the results of the bid opening.

Director Jaksch moved to approve the purchase of material for the Badger East 16.1 Lateral Replacement Phase 2 pipeline project to the lowest responsible bidder as reviewed and presented by KID staff. Director McGuire seconded the motion and the Directors present voted in favor of approval. The motion carried.

RESOLUTIONS:

Resolution 2011-21, Rescind Resolution 02-21 to Market Red Mountain Property: Ms. Smith presented a resolution to rescind a resolution made in 2002 to market a piece of property which was now being considered for the pump site.

Director Jaksch moved to approve Resolution 2011-21, rescinding Resolution 02-21. Director McGuire seconded the motion and the Directors present voted in favor of approval. The motion carried.

Resolution 2011-22, KID's Participation in the Preservation and Sale or Lease of Real Property in the Red Mountain Area: Ms. Smith presented a resolution to supersede Resolution 2007-32 regarding management of properties at Red Mountain. Legislation enacted this year would allow indeterminate length leases and changed the options open to KID's Board. The word "lease" was added to the language from the older Resolution.

Director McGuire moved to approve Resolution 2011-22, superseding Resolution 2007-32. Director Jaksch seconded the motion and the Directors present voted in favor of approval. The motion carried.

Resolution 2011-23, Authorizing Marketing of Surplus Real Property, KID #9001, Lots 33 & 34, Hover's Fountain Park: Ms. Smith presented a resolution to allow marketing of two lots and described the property. She reviewed appraised and tax assessed values, and noted that property taxes, interest and irrigation assessments were accumulating. Ms. Smith said a current title check showed no other liens on the title. She suggested sending letters to adjoining property owners and advertising in the newspaper for three weeks. The process of setting price by resolution was briefly discussed, as was the option of paying the property tax to stop the fees from accumulating. Director McGuire suggested using the Multiple Listing Service to market the property.

Director McGuire moved to approve Resolution 2011-23, authorizing the Marketing of Surplus Real Property, KID #9001, Lots 33 & 34, Hover's Fountain Park. Director Jaksch seconded the motion. The Directors present voted in favor. The motion carried.

PUBLIC COMMENTS: None

STAFF REPORTS:

Finance Manager: Ms. Storms introduced Becky Mellinger, the new Accounting Manager.

Ms. Storms referred to the Financial statements for May 2011 which she distributed at the beginning of the meeting and briefly discussed highlights. Pages discussed included:

- Balance Sheet as of May 31, 2011
- Statement of Revenue & Expenditures - Budget to Actual Director Jaksch asked that the column header "% Remaining" be changed to "% Budget Remaining." Discussion ensued regarding tracking of small, attractive assets, such as tools. Planned improvement of the Capital Expenditure reporting was also briefly discussed.
- Statement of Revenue & Expenditures - Year-to-date May 31, 2011
- Comparative Salary & Benefit Report

Ms. Storms reported the success of the effort to bring potable water accounts up to date and praised Katie Kinnison's work. Discussion ensued regarding accounting for promissory notes.

Mr. Huffman thanked the Finance staff for the improvements in the financial reporting.

Engineering/Operations Manager: Mr. Everaert reported:

- Through July, KID diverted 10,249 AF of the 18,995 AF maximum allotment.
- Reservoir levels, snow pack reduction, releases and inflow, canal diversion, and precipitation were reported.
- 1266 of 1282 work orders for 2011 to date were closed.
- The six statements of qualification received for the Red Mountain South Local Improvement District (LID) Request for Qualifications were being reviewed by Mr. Freeman, Ms. Storms, and Mr. Everaert. Other reviewers would be given the package today. Mr. Everaert hoped to select a firm to present to the Board for approval by August 2nd.
- Radio problems have been a major part of the SCADA system problems. Mr. Everaert described the problem and possible solutions. He reported that only two sites were working well. Antennae location and transmission were discussed. Mr. Everaert discussed technical

assistance that was being brought in. Mr. Everaert confirmed to Director McGuire that the radios in use were from the initial installment and were selected by ITRC.

- In answer to a question from Director Jaksch, Mr. Everaert said that "moss" (algae and pond weed) was increasing and the Endothall treatment would occur within the next ten days.

Planning Manager: Mr. Revell reported:

- The Notice of Application for the point of diversion change was published today and would be published again on July 26th.
- The Washington State Water Resource Association meeting would be held July 20th.
- The Columbia River Policy Advisory Group meeting would be held July 21st.
- The Yakima Basin Joint Board meeting would be held July 22nd.
- Red Mountain LID South newsletter was about to go out to the LID participants.

District Manager: Mr. Freeman reported:

- The Water Rate Advisory Committee presentation at West Richland City Council went well.
- City of Kennewick confirmed that KID was on agenda on Tuesday, July 26th, at 6:30 p.m. KID Board and Water Rate Advisory Committee (WRAC) members were invited to attend.
- The U.S. Bureau of Reclamation (USBR) did a cultural historical review for the \$300,000 grant Main Canal project area, but did not look at Badger East for the other portion of the capital improvement work. Mr. Freeman said KID would ask the archeologist back, because crews would be at a standstill on that project until the review was done.

Mr. Freeman confirmed to Director Jaksch that little feedback was received on the rate structure. He said KID was placing door hangers inviting condominium and townhouse owners to attend the July 25th WRAC special meeting and would advertise in the paper. He discussed meeting format and content, and the next steps for implementing the Communication Plan.

Discussion ensued regarding the possibility of implementing the results of the rate study in time for the 2012 assessment, as the implementation would coincide with moving to new accounting software. Ms. Storms said she preferred to set up the tiers in the new software with the new tier system rather than have to change it later. She said it must be done manually once, but then it would be easy to apply the fees for actual billing. Mr. Freeman added that policy needed to be adopted to guide how townhouses and condominiums were entered.

WORKSHOP:

Policy 2.24, Assessment Calculation Principles: Mr. Revell reviewed Water Rate Advisory Committee recommendations regarding:

- Small unbuildable parcels rate classification
- Creation of a condominium rate class in cases with undivided, shared land. The committee recommended that each unit pay the fixed charge and the proportionate share of the assessment of the mother parcel.
- Assessment of multi-story condominiums. It was recommended that these be treated the same way as any other condominium unit.
- Creation of a buildable small lot rate class. Units on lots under 4000 square feet would pay the fixed charge. Any common areas would be assessed per the tier system.
- The committee did not make a recommendation about the assignment of the construction subsidy.
- The committee has not recommended a phasing-in provision for implementation of any new system of assessment.

Yakima River Basin Water Enhancement Project (YRBWEP) Work Group Update: Mr. Revell discussed the YRBWEP Work Group quarterly meeting. He said a draft environmental impact statement was to be issued this fall and the final draft would be issued in the spring of 2012. He reported that the Department of Ecology and the USBR began a public outreach and education program to explain the integrated plan. Mr. Revell said the power subordination issue was still to be resolved. He discussed materials sent to the Board by the group.

Project Tracking: Mr. Freeman reviewed project tracking updates including:

- Regarding Red Mountain, all parties have signed the settlement agreement and the funding agreement was in place. Mr. Revell said he would check the status of the funding.
- 440 acres were identified to date by phase one of the recalibration project. The target for completion of phase one was September 2011, followed by next steps to evaluate whether work would begin on smaller acreages.
- Drought mitigation tasked to Mr. Revell. Mr. Freeman suggested the Finance Committee consider whether it should be a budget priority to set aside funds for a drought mitigation reserve in addition to the emergency fund previously created.
- The target completion date for the Comprehensive Plan was April 2012.
- 5-year capital planning would be brought to the next Board meeting if reconciliation of the fund was completed.
- Staff would be meeting with a firm and drafting a scope of work for a leak detection program to address some of the higher risk pressurized service areas. \$50,000 has been targeted on the draft capital plan budget.
- Dates for three hour demonstrations of finance software from possible vendors were being set and would be communicated to Finance Committee members.
- Small system plans were about done and water use efficiency submittals and consumer confidence reports were submitted and mailed in a timely fashion. Mr. Freeman said the Board needed to consider strategy regarding possible transfer of the Elliott Lake system. Needed system upgrades and how they could best be accomplished were discussed. Mr. Freeman said he thought it would serve the public interest if the District puts together an attractive package for the City of Kennewick. He said that, if requested, the Department of Health would send a letter to the Mayor requesting that the transfer occur.
- Staff met with the City of Richland regarding options for the Kennedy Road LID and the process for modifying the binding site plan.
- Finley properties were discussed in the Realty Committee meeting. Engineering staff was conducting a feasibility study regarding options. The engineer's estimate for bringing water from Division 4 was not encouraging. Mr. Freeman and Mr. Revell met with Keith Martin regarding the possibility of the Columbia Irrigation District (CID) carrying water for KID.
- Mr. Freeman discussed a recent meeting with CID and noted that a revised invoice was received from CID following the meeting. Mr. Iller said he would review the revised invoice. Discussion ensued regarding water management. Mr. Revell noted that exchange of acreage through annexation and de-annexation would be extremely complicated.

EXECUTIVE SESSION:

At the request of Mr. Iller, President McKenzie added to executive session discussion with legal counsel of litigation regarding Wellenbrock and Chavallo.

At 10:33 a.m. the Board took a short break.

At 10:40 a.m. the Board went into executive session for fifteen minutes to discuss with legal counsel litigation regarding Acquavella, Wellenbrock and Chavallo per RCW 42.30.110(1)(i)(i).

The Board returned to open session at 10:55 a.m.

Director Jaksch moved to adjourn at 10:55 a.m. and Director McGuire seconded the motion. The Directors present voted in favor and the motion carried.

Attest:

Witness:



David McKenzie, Board President



Chuck Freeman, District Manager

Prepared by Doris Rakowski