



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, September 6, 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
 Judy Smith, Real Estate Administrator
 Beth Smith, Assistant Ops/Maintenance Manager
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel

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

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

Items approved by consent agenda were:

1. Minutes, KID Board Meeting, July 19, 2011
2. Minutes, KID Board Meeting, August 16, 2011
3. Minutes, KID Special Board Meeting, August 29, 2011
4. Approve Short Plat - McDonald
5. Approve Travel Request
6. Approve TCT Contract
7. KID O&M Vouchers

Accounts Payable

Numbers	62774	through	62814	\$	21,768.20
	62815	through	62850		26,659.60
	62851	through	62891		93,366.08
	62892	through	62892		100.00
	62893	through	62893		<u>930.00</u>
Total Accounts Payable					142,823.88

Payroll

Numbers	32118	through	32123	\$	6,652.85
Direct Deposit					<u>68,266.38</u>
Total Payroll					74,919.23
Total Disbursements					\$ <u>217,743.11</u>

Voided Checks

Check No's 62853-62856 void and reissued with changes

PRESENTATIONS:

Policy 2.24 Assessment Principles: Mr. Revell presented draft Policy 2.24, Assessment Principles, as recommended for approval by the Water Rate Advisory Committee (WRAC) at the last meeting, and staff recommendations for additional minor changes. He highlighted policy issues concerning condominium and townhouse assessment, phasing in of changes, and assignment of the construction and federal financing benefits. Discussion ensued.

At the request of Mr. Freeman, Mr. Revell reviewed list of community outreach efforts made by staff to discuss the proposed assessment changes. Public meetings included:

- May 23 - Special joint meeting of the KID Board and the WRAC - Consultant Presentation
- May 24 - Kennewick Kiwanis
- May 24 - Home Builders Association – Local Government Committee
- July 6 - Pasco-Kennewick Rotary
- July 12 - City of West Richland
- July 25 - WRAC meeting with owners of condominiums and townhouses
- July 26 - Kennewick City Council
- August 9 - Richland School Board
- August 16 - Richland City Council
- August 17 - Kennewick School Board
- August 23 - Benton County Commissioners
- Scheduled for September 7 - KONA radio interview

Discussion ensued regarding holding another town hall type special meeting on assessment principles. In response to a question from Director McGuire, Mr. Revell and Mr. Freeman described the public reception of several earlier presentations. Mr. Freeman said that efforts to reach out to the public included presentations, advertisements, and that a meeting with the Tri-City Herald editorial board was scheduled soon. Scheduling of meetings, policy approval, meeting the editorial board, and delivery of the assessment roll were discussed.

Mr. Freeman recommended holding the town hall meeting the last week in September or the first week in October, at a site with capacity for a large audience. Mr. Revell estimated that bulk mailing a postcard to all customers would cost a couple thousand dollars. Discussion continued regarding the best order of events.

Whether the rate model could be run prior to approval of the Assessment Principles policy and an interactive assessment calculator could be ready before the public meeting was held were discussed. Mr. Freeman said the rate model could be run based on the draft policy, allowing the Board to adopt the policy after hearing from the public at the proposed town hall meeting.

In response to questions from President McKenzie, Ms. Storms said it would take a couple weeks to update the model and longer to program an assessment calculator with customer interactivity. After discussion of the proposed assessment calculator, Ms. Storms said she would discuss possible search parameters with the rates consultant, Gordon Wilson. Ms. Storms confirmed to Director McGuire that, as the database used in the model was from 2010, the material presented would be only a proposed assessment roll, not the actual assessment roll. Ms. Storms said the phase-in component of the draft policy would be the most difficult to incorporate in the model.

In response to a question from President McKenzie, Mr. Revell said consideration was being given to transitioning the Water Rate Advisory Committee into a Planning Advisory Committee. He offered to present options at the next Board meeting. Discussion ensued.

Mr. Freeman summarized the order of events as discussed:

1. Run the rate model based on the policy draft as currently written
2. Meet with the Tri-City Herald editorial board
3. Hold a town hall special meeting with the assessment calculator tool ready to use
4. At the following Board meeting, adopt the Assessment Principles policy based on feedback from the various meetings, and adopt the new rate structure.

Director McGuire said the WRAC had two dissenting votes on allocation of the construction subsidy. Discussion ensued. Director Rathbun noted that while the vote on removing section 3.1 was split, the vote to recommending the policy as a whole was unanimous. Mr. Revell reviewed WRAC's discussions of the issue and said this was the only issue with a split vote.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Approve Renewal of CIAW Insurance Policy for 2011-2012: Ms. Storms reported that the asset list review and update almost doubled the value of the property listed. She said CIAW was approved by the state of Washington to increase rates this year. Ms. Storms said that overall, KID's rate increase was about 20.3%. She noted that KID declined earthquake and terrorism insurance, but increased the liability limits. She said KID sent information to the CIAW about KID's risk management efforts.

Director Jaksch moved to approve renewal of KID's insurance with Cities Insurance Association of Washington. Vice President Huffman seconded the motion and it carried unanimously.

Approve Policy 9.3, Limited Authority to Approve, Amend and Sign Contracts, and Policy 9.4, Sale or Lease of Surplus Real Property: Judy Smith reported that the Realty Committee had reviewed the proposed policy updates.

Ms. Smith said Policy 9.3 would allow the District Manager to sign certain Purchase and Sales Agreements. She drew attention to section 1.3, which was added to the policy at the recommendation of the Realty Committee.

Regarding Policy 9.4, Ms. Smith reported that following research with other agencies, she added sections 2.3 through 2.9 to clarify how sales would be presented and processed, and that there would be no oral agreements. She said sections 3.4.1 and 3.4.2 were added by the Realty Committee to set minimum earnest money deposit and down payments. In response to a question from Director Jaksch, Ms. Smith said she qualified prospective buyers.

Ms. Smith said legal counsel had not been asked to review the policy drafts, but Mr. Freeman confirmed that Fran Forgette was present at the Realty Committee in July when they were discussed. Mr. Iller suggested that the second sentence of section 2.7 of Policy 9.4 be changed to read "The Committee may reject the offer, present a counteroffer, table the offer or recommend presentation to the Board for final approval."

Vice President Huffman moved to approve Policy 9.3, Limited Authority to Approve, Amend and Sign Contracts, and Policy 9.4, Sale or Lease of Surplus Real Property, as amended by Mr. Iller. Director Jaksch seconded the motion and it carried unanimously.

Authorize District Manager to enter into a contract with highest rated financial advisor: Mr. Freeman reported that the RFP was reissued on the advice of legal counsel. Seattle Northwest Securities re-submitted a proposal. He said the issue leading to reissue of the RFP was that the deductible in the case of a claim default was higher than allowed in the first RFP. Only one submittal was received.

Director Jaksch moved to approve award of the financial consulting contract to Seattle Northwest Securities, and authorize staff to negotiate and enter into a contract for financial advisor services with Seattle Northwest Securities. Director Rathbun seconded the motion and it carried unanimously.

Form Ad Hoc Committee for Red Mountain South LID Design: Mr. Freeman recommended the Board consider formation of an ad hoc committee for oversight of the 30% design for the project, and if continued, for the final design as well. Discussion ensued regarding who should be on the committee, including the number of LID participant committee members.

In response to a question from Director Rathbun, Mr. Freeman suggested the first meeting be held in September prior to Board approval of the contract. Mr. Everaert recommended adding the consultant from RH2 Engineering to the committee. Discussion ensued regarding how to select LID participants for the committee and when appointments would be made. Mr. Freeman said Mr. Revell could ask LID participants to submit names. Mr. Iller added that President McKenzie could then accept or reject the recommendations.

Director Rathbun moved to form an ad hoc Red Mountain South LID Design Committee. Director Jaksch seconded the motion and it carried unanimously.

President McKenzie appointed Director Jaksch as chair, and Director Rathbun to fill second seat. He appointed Ms. Storms, Mr. Everaert, Con Higley, Mr. Revell, Ms. Smith and Mr. Freeman and said the RH2 Engineers consultant would be on the committee. Mr. Revell confirmed that he would contact the LID participants and give President McKenzie the list of interested parties by the next Board meeting.

Sale of Surplus Property, KID #9001, 1508 W. 3rd Avenue: Judy Smith reviewed the history of the sale of this property. She said five inquiries and one offer were received. Ms. Smith reviewed terms of the Offer to Purchase. Mr. Iller addressed proration of the assessments after the date of purchase to end of year. Ms. Smith noted that the outstanding property taxes must be paid from the closing of the sale and that the outstanding irrigation assessments, due at foreclosure, would be paid to KID by the purchaser.

Vice President Huffman moved to approve the sale of KID #9001, 1508 W. 3rd Avenue, to Greg Lee in the amount of \$21,089. Director Rathbun seconded the motion and it carried unanimously.

RESOLUTIONS: None

PUBLIC COMMENTS:

James Wade, 1813 S Rainier Place. Mr. Wade disputed a statement by Mr. Freeman that there had been no assessment increases in the last three years. Mr. Wade said the capital charge was an increase and proposed changes to the assessment of condos and townhouse was another increase. He said cities didn't charge extra for water and sewer; it went to their committee for the homeowners' condo association. Mr. Wade suggested charging the canal

rehab fee by acre. He said top floor condo owners did not use irrigation water but were charged for it. He expressed some confusion regarding statement about whether lands were irrigable. Mr. Wade said it was obvious that a quarter acre lot would use less irrigation water than a 100-acre lot, but both would be charged \$53.09. Mr. Wade said that instead of conservative people on the Board or in the KID management, all he saw was "spend, spend, spend." He asked if KID would pay overtime to the ad hoc committee members.

STAFF REPORTS:

Finance Manager: Ms. Storms reported that she was working on the financial software selection and discussed visits being made to see the software options in use. She said Becky Mellinger was working on financial statements to bring to the Board in two weeks. Ms. Mellinger was also working on foreclosures and the capital budget.

Ms. Storms noted that, in the future, capital assessment not be assessed by parcel, or \$53.09 as it was this year. She said, as part of new rate design, it would be assessed as a combination of fixed charges and charges by acre, in the same manner as the rest of the assessment.

In response to a question from Director Jaksch, Ms. Storms said that both new financial software options were inexpensive in comparison to Springbrook software, which included customization charges in addition to the annual fee. She said she planned to keep the payroll, general ledger and financial statements Springbrook modules with no customization and that she expected a large decrease in the annual Springbrook fee. Timing for training and installation of the new software was discussed. Ms. Storms said KID would contractually obligate the selected software firm with dates for performance.

Engineering/Operations Manager: Mr. Everaert reported:

- The Main Canal was at 298 cubic feet per second (cfs). The August diversion was 18,159 acre-feet, averaging 295 cfs.
- He discussed the monthly precipitation, Yakima River flows, and reservoir inflows, releases, and diversions to major canals.
- Mr. Everaert was working on a spreadsheet and scope of work for the Red Mountain South LID 30% design. He discussed tracking of hours worked on the project.
- "Smart" radios for the SCADA system were in place and working. Mr. Everaert discussed work done to correct data transmission problems and confirmed that the data which was not transmitted was collected and downloaded. He said two sites needed further wiring and control programming, and ten sites were ready for L&I inspection and certification.
- 1,634 Work orders of 1,647 year to date were complete.
- The Amon pump shaft on the west side sheared August 27th and could not be spliced due to metal crystallization. A new shaft was installed and the operations crew reports it is quieter and the bearings were now cold. Mr. Everaert discussed using a proactive approach to replacement of pumps within the design life as part of the capital program. In response to a question from Director Rathbun, Mr. Everaert discussed operational changes for water delivery during the repair. Mr. Everaert told Vice President Huffman he would check whether the District had equipment to test for harmonics and vibration in pumps and look into purchasing the tools if not.
- In response to a question from Director Huffman, Mr. Everaert said security measures were in place for the SCADA system.

Planning Manager: Mr. Revell thanked the Directors for attending the Washington State Water Resource Association's luncheon for Doc Hastings. He invited the Directors to join the Yakima Basin Joint Board tour on Wednesday, September 28th.

Mr. Revell reported that on Friday, September 9th, in conjunction with the Columbia Snake River Irrigators Association, a tour of Red Mountain and other places would be given to the Water Resources Program's new Deputy Program Manager.

District Manager: None

WORKSHOP: None

President McKenzie called a short break at 10:37 a.m.

EXECUTIVE SESSION:

At 10:43 a.m., the Board went into executive session for fifteen minutes to consider the minimum price at which real estate will be offered for sale or lease per RCW 42.30.110(1)(c).

At 10:58 a.m., the Board returned to open session.

Director Jaksch moved to adjourn at 11:59 a.m. and Vice President Huffman seconded the motion. The motion carried unanimously.

Attest:

Witness:



David McKenzie, Board President



Chuck Freeman, District Manager

Prepared by Doris Rakowski