



## Minutes

KID Board of Directors Special Meeting  
With the Water Rate Advisory Committee (WRAC)  
Red Lion Hotel, 1101 N. Columbia Center Blvd, Kennewick  
Tuesday, October 4, 2011, 6:30 p.m.

President McKenzie called the meeting to order at 6:35 p.m. Mr. Freeman called roll.

### Directors Present:

David McKenzie, President  
Gene Huffman, Vice President  
John Jaksch, Director  
Patrick McGuire, Director  
Kirk Rathbun, Director & WRAC Chair

### Staff Present:

Charles Freeman, District Manager  
Colleen Storms, Comptroller/Treasurer  
Scott Revell, Planning Manager  
Lynda Rosenbaum, Assistant Planner  
Becky Mellinger, Accounting Manager  
Shannon Frame, Customer Accounts Supervisor  
Brad Crawford, Purch., Inv. & Tech. Coordinator  
Teresa Horrocks, Customer Service Specialist  
Doris Rakowski, Executive Assistant

### Other Persons Present:

Gary Hall, WRAC Member  
Tim Berk, WRAC Member  
Brian Iller, Legal Counsel

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

President McKenzie welcomed the guests. He said the meeting was an opportunity for KID to present the findings of the rate study to the public and for the board to hear from customers.

### **PRESENTATION: Cost of Service**

Mr. Freeman drew attention to the sign in sheet, comment forms, and various displays including the draft policy which was the driving force behind the rate model.

Mr. Freeman discussed the history of the rate study project. He said that the Cost of Service study was policy driven, and that while policies have an impact to individual rate payers, the Board and staff considered public policy rather than looking at individual accounts.

Mr. Freeman said that the rate study was budget neutral. He reported that the assessment portion of KID bills had not increased in the last couple years and would not increase for 2012.

Mr. Freeman said the purpose of the study was to address assessment equity. He said the intent of the new model was to insure that those customers using the most infrastructure pay the most, and those using the least infrastructure pay the least. Issues addressed by the policy and study included the impact of urbanization, whether to phase in any changes to the assessment rates, whether any very small lots should have an exemption, and how to assess condominiums and townhouses.

Mr. Freeman described how to use the assessment calculator on the website and said staff was present to help attendees use the assessment calculator if desired.

Mr. Freeman discussed cost control options which were available under certain circumstances for relegation of water allotment or parcel consolidation. He noted that the Board of Equalization occurred every year as required by statute and was a time that the Board would consider individual cases.

Mr. Freeman briefly reviewed and corrected some popular misconceptions about the KID. He emphasized that the Board wanted feedback from the community. He discussed outreach efforts that were being made including advertisements, articles, postcards, and open meetings. He said rates were not being changing to pay for Red Mountain LID, which was a stand-alone LID and not subsidized by District ratepayers. He noted that KID was a not for profit municipal corporation which did not make a profit and said that KID was working to increase efficiency.

Mr. Freeman said that the Board was considering a phasing plan to ease the impact from changes to the rate structure. He noted that the Board had not yet released the rate model.

Mr. Freeman restated that the KID was not increasing the budget and that the rate model was budget-neutral. He said the District continued to work to balance the needs of urban and agricultural customers.

#### **PUBLIC COMMENTS, QUESTIONS AND ANSWERS:**

- **Tom Longley, owner of a subdivision of townhomes, said he heard from a KID employee that KID was considering charging townhomes the same rate as homeowners with a quarter acre. He asked what the justification was for doing so and said that townhomes were essentially the same as condominiums, which were charged a fraction of that rate.**

Ms. Storms said that condominiums would be charged a portion of the customer service part of the fixed fee and townhomes were currently set up to be charged the full fixed fee but no acreage charge.

Mr. Freeman said law required condominiums and townhouses to be charged, and that changes were to address assessment oversights that were discovered while examining the assessment structure. He noted that condominiums and townhouses would not be charged the same as other residential customers.

Mr. Iller said law required that individual units of condominiums be individually assessed as separate parcels for all tax and assessment purposes. He said that as part of this process, where errors to how they were assessed in the past were found, they would be corrected. He stated that KID was doing its best to comply with statutory requirements.

- **Will Frank, residing in the Pinewood Condo area, asked why he would be assessed if all he owned was the footprint of the house and he would be unable to use the water.**

Mr. Freeman said that the property was always classified as irrigable within the District Boundaries and should always have been charged, and that the law was clear that each parcel should be assessed individually.

**Mr. Frank said KID assessed the entire condominium community.**

Mr. Iller said the statute said the unit, whether or not it was a ground unit, must be assessed as a separate parcel plus a proportionate share of the common area. He noted that the State legislature wrote the statute. He said that, unfortunately, the statute was not always properly applied to District assessments, but now that KID was aware, the Board must follow the mandatory statute.

- **Jim Wade asked which RCW was for townhouses and condominiums, and whether condominiums had been charged for their acreage, divided among the residents.**

Mr. Freeman replied that some condominiums had been charged in that manner, but that by statute, KID's relationship was with the individual parcel, not the homeowners' association.

Mr. Iller said that the old condominium act was RCW 64.32, and the new condominium act was RCW 64.34. He confirmed to Mr. Wade that these statutes pertained to condominiums, and that other than the requirement to assess them, he did not know of anything in the irrigation statutes that specifically addressed condominiums.

**Mr. Wade asked if private non-pressurized parcels of one-third acre in size would have a reduced assessment.**

Mr. Freeman said that in theory, a private line area right off a canal would pay less than an area using a KID pump to get water.

**Mr. Wade asked if the canal rehab charge was still in effect.**

Mr. Freeman said that in the past the capital charge was a flat fee, but that now the capital component would be lower for smaller parcels and higher for larger parcels. He said all charges were included in the rates shown by the assessment calculator, which provided fully loaded rates based on the draft model which had not yet been accepted.

- **June Farnkoff asked how many new accounts were added in 2011 and why the KID budget was not posted in the paper.**

Mr. Freeman said that publication of the budget in the paper was not required by Washington State and was expensive. He said the budget was posted on the website or could be provided through a public records request. Mr. Freeman and Ms. Storms estimated that a little over 200 new accounts were added in 2011.

- **Lorie Bennett said irrigation water for the Elliott Lake area was not from the KID canal, and asked if their rates would be affected. She also told the Board of Directors that Elliott Lake residents would like information on their potable water service.**

Mr. Freeman confirmed that since the area used surface water and not Yakima Project water, it would be in its own classification, as would areas served by wells. He said the projected charges could be looked up this evening.

Regarding the potable system, Mr. Freeman said that the Board hired Pacific Northwest Project to do a system appraisal and recommend options for its disposition. He said the Board had not made any systems regarding the system. He noted that Elliot Lake had a small system with capital needs which were a challenge for the small group. Mr. Freeman said the Board was considering what to do since it would be unfair to shift costs to the rest of the District. He said options included joining a larger system such as the city. Mr. Freeman said information from the Mr. Olson's presentation was on the website and offered to have it sent to Ms. Bennett.

**Ms. Bennett said she attended part of that presentation and walked out.**

- **Judy Van Hecke, residing in the Pinewood Condo neighborhood, asked if it would be necessary to contact their legislator if they wanted a change to the way they would be assessed. She clarified that she meant being charged individually, and asked if the Pinewood Homeowners' Association has not been paying the assessment in the past.**

Mr. Freeman said that the law was clear that KID's relationship was with the individual owner not the homeowners' association. He said changes to that would require a change to the law. Mr. Freeman said KID met with the President and Vice President of the Pinewood Homeowners' Association who indicated their preference that KID bill members individually. He confirmed that Pinewood had been paying for irrigation water for the common area and that now the individuals would pay their proportional share. He was unable to recall whether the amount would be the same as previously paid by the association, but said that the assessment calculator could be used to determine the amount.

- **Joanne Shields, President of the Kennewick Quail Ridge Condo Association, asked what KID's action would be if individual condo residents did not pay their bill.**

Mr. Freeman said statute required foreclosure if assessments were not paid for three years.

**Ms. Shields said that if there were a default in dues or payments that no one would be able to buy into the association because it would be impossible to obtain a loan if it were reported on certificate of resale. She asked how the association would know if an individual had not paid.**

Mr. Freeman suggested that if the residents gave KID permission, KID could send the homeowners' association notification of the individuals' payment status. He said he was not sure whether the information could be legally provided without individual permission.

Mr. Iller said that the dues would no longer include the irrigation assessment, so it would no longer be a default in the dues, it would be similar to any other loan that they failed to pay that was secured by the unit. The unit would be foreclosed, not the dues. Mr. Iller said that he had not researched the question, but that he would not expect it to impair the marketability of any other unit. Mr. Iller read RCW 64.34.040 (1)(2): "If there is any unit owner other than a declarant, each unit together with its interest in the common elements must be separately taxed and assessed." He said the declarant was typically the developer.

Mr. Iller said that KID was reviewing the assessment structure due to questions from people, some of whom were present in the audience, and that KID was trying to do the right thing and follow statute. He said that, unfortunately, following the statute sometimes made things more difficult for some people than doing things the old way did.

- **Elaine Chapman said Country Ridge received irrigation water from a well serviced by the KID. She asked if parcel owners served by wells and not charged based on service from the canal would still be charged by acreage under the new rate system. She asked how many owners were in this category.**

Mr. Freeman said there were about 220 parcels that got irrigation water from sources other than canal system. He said they would be charged differently from those served from the canal, and that there would be a fixed charge and a component based on acreage. He said the capital charge would also have both fixed and acreage based components.

- **Ken Silliman, residing in the Palisades Condominiums, thanked Ms. Storms and Mr. Revell for their help in walking them through the effects of the new rate model. He said he understood the requirement to bill the individual owners, but said the cost of getting the water to them would not change. He said according to the figures provided by Ms. Storms, they would be jointly paying a 295% increase over what they paid in the past. He asked how that was justified.**

Ms. Storms said that previously there was only one bill for the development, which amounted to about \$20 per parcel. Assessed individually, the charge would be about \$75 per parcel, or \$20 plus the capital charge.

Mr. Freeman said KID had to be equitable, and that while Mr. Silliman may not like the increase, it was defensible. He said the Board was sensitive to the needs of those with increase and was considering a phasing plan.

- **Kevin Adamson discussed the difficult trade-off between urban and farm land. He said he was paying \$100 per acre on marginal rocky pasture land in the KID, which was about 60% more than he paid for irrigating land in South Columbia Irrigation District. He said there was an economic reality of what could be done with farmland and stay in business. Mr. Adamson said you can't run the farms out of business with the water rate, and that while KID was trying to find the right balance, they should be aware that farmers were paying much more in KID than in other districts.**
- **Sherry Lorang asked to be told what Pinewood was paying previously so she could compare it to what the residents would be asked to pay as individuals.**

Mr. Freeman said KID could provide that information.

- **Pat Sullivan said that, from what he read on the KID website, it appeared he would have a 100% rate increase. He said his rates had already increased 100% since 2006 and wondered when it would end. He asked which class of parcels were the 95 accounts which were expected to have increases over 100%.**

Mr. Freeman said the new draft model, was updated this from the information put on the website in May. He said staff could check Mr. Sullivan's projected rates.

**Mr. Sullivan said that his bill was \$600 in 2006 and that if the new rates were phased in for four years, his rate would be around \$4000 in four years. He noted that he had not yet received any water.**

Mr. Freeman said staff would check Mr. Sullivan's rates with the new data. He said revenue from townhomes and condominiums, which previously had been subsidized, would go into the model and would help stabilize other rates.

**Mr. Sullivan said he had used the rate chart from the May presentation.**

Mr. Freeman confirmed that the rate table had changed.

- **David Langstaff asked if the KID had a business plan for the coming year.**

Mr. Freeman said there were numerous policies, standards and plans such as the five year capital plan and drought plan that directed district activities. He confirmed that there was a budget for 2012 which was available on the website.

- **Dale Walter said that the 800 customers which received water from the Columbia Irrigation District were charged the tiered rate in 2009, 2010 and 2011. He asked if they would be refunded the assessment and the canal rehab fee.**

Mr. Freeman said if Board directs it. He noted that customers served through the Columbia Irrigation District had their own capital needs and that the fee was not a canal rehab charge, it was a capital improvement program for the District. Mr. Freeman reported that those parcels would be charged differently because, through a 1931 agreement, they used someone else's canal to get the water to them, but they still had associated costs plus the carriage agreement charge. He said the carriage agreement charge for the Columbia Irrigation District to carry water to about 900 parcels was increasing. Mr. Freeman said he did not agree that KID was overcharging those parcels.

- **Sharon Zeller asked if by taxing and charging more for farmers that feed us, KID was thinking getting rid of farmers and getting more subdivisions to get more money. She said greed was what was wrong with the country. Ms. Zeller said farmers work hard and it was unfair to charge them lots of money.**
- **Brian Davidson said that while KID was saying the numbers were strong, they were not being displayed. He discussed the rate increase for his quarter acre parcel from 2004 to present. He said he did not see many repairs other than lining one mile of canal in a year. He asked why the budget increased so much in that time and where the money went.**

Mr. Freeman said for about twenty years KID did not raise rates and system deteriorated enough that it now needed to be addressed. He said District business is done publically and that Board and Committee meeting minutes were on the website and meeting notices are posted though it was not required by law for committee meetings.

Mr. Freeman said that the District was now being more pro-active about the system, and that the first major adjustment was the move to the tier and toll system. He said that the complaints triggered this study which cost about \$86,000. He said that the Board would determine when to release the new model, which was thousands of pages long with the data base. He said that the model was policy driven.

Mr. Freeman noted that city water was more expensive than KID water. He added that KID was sensitive to the needs of farmers and that there were farmers on the Board.

**Mr. Davidson said he understood the rationale. He said the election system was weighted by acreage for how many votes people had. He asked what percent of the budget was paid by the urban clientele, and said they should have the same percentage of the votes.**

Mr. Freeman said that was not a KID decision, and that if he wanted a different system, state law would have to be changed. He said KID had to follow the law.

- An unidentified individual who declined to use the microphone said that money was not well spent for 22,000 invitations for the low level of attendance at the meeting. He said the audio system was bad. He said he had 65 acres in Badger Canyon and knew most of the farmers on the Board. He discussed the challenge of paying his KID bill and electric bill. He said that the rate was higher at the end of the season when water was needed. He said that there were no new farmers and that KID had not done anything for farmers who took water off the ditch. He said that most people attending the meeting were from LIDs and thought their bills were too high or their pressure too low. He said he could understand them complaining because they were not satisfied with service provided for price charged. He said income from condos would cost KID nothing. He said if there were farmers on the Board, KID should take a little more care of farmers.
- Richard Campbell said he had KID on speed dial because he often had no water. He said customers got nothing for the high cost. He said a ditch rider told him if a pump failed he would find out why it did. Mr. Campbell accused his ditch rider of waiting for a complaint then pushing a button. He said he paid a lot of money for no service. He reported watching employees do nothing for 45 minutes. He complained that one day someone would mow and a few days later another person would do the same thing. He said that for the cost of meeting room, the meeting should have been held at KID.
- Jim Wade asked if the Red Mountain LID participants had begun to pay on the LID. Mr. Wade said the RCW Mr. Iller cited regarding condominiums was for tax purposes and asked why the city or county was not charging separately for water.

Mr. Freeman said that the Red Mountain LID participants had not begun to pay because the project was in the feasibility phase. He discussed the schedule. He said that every penny spent to date (about \$200,000 from reserves) would be reimbursed by the LID.

- Sharon Zeller said that it was not true that KID didn't raise the rates in three years.

Mr. Freeman said he believed he had been truthful. He said that base assessment had not gone up in three years, but the capital component charge had, but for 2012 it was projected to remain at the 2011 level.

Ms. Rosenbaum noted that staff was present to look up estimated 2012 rates using the proposed rate structure model.

President McKenzie thanked the guests for their attendance and comments.

**Director Jaksch moved to adjourn at 7:45 p.m. Vice President Huffman seconded the motion and it carried unanimously.**

Attest:

Witness:

  
 David McKenzie, Board President

  
 Charles Freeman, Secretary/Manager

Prepared by Doris Rakowski