



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, October 18, 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
 Kirk Rathbun

Directors Absent:

John Jaksch
 Patrick McGuire

Other Persons Present:

Brian Iller, Legal Counsel

Staff Present:

Charles Freeman, District Manager
 Ed Everaert, Engineering/Operations Manager
 Colleen Storms, Comptroller/Treasurer
 Scott Revell, Planning Manager
 Jason McShane, Staff Engineer
 Brad Crawford, Purch., Inv. & Tech. Coordinator
 Lynda Rosenbaum, Assistant Planner
 Judy Smith, Real Estate Administrator
 Doris Rakowski, Executive Assistant

APPROVAL OF AGENDA: President McKenzie added True Point Contract Adoption to the agenda. **Director Rathbun moved to approve the amended agenda. Vice President Huffman seconded the motion. All Directors present voted in favor and the motion carried.**

CONSENT AGENDA: **Vice President Huffman moved to approve the consent agenda. Director Rathbun seconded the motion. All Directors present voted in favor and the motion carried.**

Items approved by consent agenda were:

1. Short Plat – KTV, LLC
2. Final Plat – Brantingham Heights Phase2
3. Final Plat – Heights at Meadow Springs Phase 3
4. Binding Site Plat – Benton County (Spink Eng.)
5. KID O&M Vouchers

Accounts Payable

Numbers: 63033 through 63051	\$	15,403.93	
63052 through 63080		33,369.67	
63081 through 63081		9,958.54	
Total Accounts Payable			58,732.14
<u>Payroll</u>			
Numbers: 32139 through 32144	\$	5,169.90	
Direct Deposit		67,606.08	
Total Payroll			72,775.98
Total Disbursements			\$ 131,508.12

Voided Checks: None

PRESENTATIONS:

Financial Reports for September 2011: Ms. Storms reviewed highlights of the September 2011 Financial statements. Pages discussed included:

- Balance Sheet as of September 31, 2011
- Statement of Revenues & Expenditures - Budget to Actual
- Balance Sheet Footnotes - Cash Schedule
- Statement of Revenue Footnotes - Grant & Matching Funds Schedule
- Comparative Salary & Benefit Report

Ms. Storms introduced a new report titled Revenue and Expense by Fund which was distributed at the meeting. She discussed the format of the report and said it would illustrate how money was transferred between the different funds and would allow activity for the year to be tracked.

Vice President Huffman moved to accept the September 2011 Financial Statements. Director Rathbun seconded the motion. All Directors present voted in favor and the motion carried.

SCADA: Mr. McShane and Mr. Crawford presented information on the Supervisory Control and Data Acquisition system (SCADA).

Mr. McShane discussed how KID was using SCADA technology and reviewed the history of the SCADA program at KID. He displayed the SCADA data available from the real time monitor and control screens for several of sites monitored by the system and gave examples of how the information was being used.

Mr. Crawford displayed an Adcon graph from the KID website which allowed monitoring flow and pressure at pump station filters and complemented the information on the canals available from the SCADA system. He reported that staff planned to integrate this system with SCADA in the future. Mr. McShane said the second system was adopted several years ago before the SCADA systems were functional to monitor remote sites.

Mr. Crawford discussed the correction of past difficulties with the SCADA radio and antennas. He reported that the radios were now working. Mr. McShane added that data was downloaded and collected manually while the radios were not transmitting correctly.

Mr. McShane discussed additional installations at the Rubicon gate regulating water to the Highlift Canal and at Pond 157 automating inflows and fill. He said these sites were outside the original project and were not yet online. He discussed the expected benefits from control installations.

In response to a question from Vice President Huffman, Mr. McShane said it was possible to monitor pump amperage and temperature.

In response to a question regarding capture of return flows from Director Rathbun, Mr. McShane said KID had a goal to reduce the amount of spill and make the best, most efficient use of the water right. He said there were a number of methods to achieve those goals.

In response to a question from Vice President Huffman, Mr. McShane discussed long-term planning using a balanced approach to future development of the SCADA program and integrating those investments with the other long term goals of the District. Mr. Freeman said a

plan would be developed before further expenditures were made on the system. Discussion ensued regarding use of automation and SCADA by other agencies and system security.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Approve Policy 3.2-2 Revision 4, Water Allotment Transfer: Mr. Freeman said the proposed policy revisions had been reviewed by the Finance and O&E Committees.

Mr. Everaert discussed the purpose of changes to the policy language and said the revisions were the result of a thorough review of by each of the KID departments.

Mr. Freeman noted section 3.1.2 needed to be changed to update a policy reference to read "See Policy and Procedure 3.2-4."

Vice President Huffman moved to adopt Policy 3.2-2 Rev. 4, Water Allotment, with a change to section 3.1.2 to read "See Policy and Procedure 3.2-4." Director Rathbun seconded the motion. All Directors present voted in favor and the motion carried.

Approve Policy 3.2-4 Revision 0, Reclassification: Mr. Freeman presented the proposed policy revisions, which he confirmed were reviewed by legal counsel.

Director Rathbun moved to adopt Policy 3.2-4 Rev. 0, Reclassification. Vice President Huffman seconded the motion. All Directors present voted in favor and the motion carried.

Approve Kennedy Road LID: Judy Smith reported that improvement of one half of Kennedy Road was a condition of the 2002 binding site plan with the City of Richland for the Stoneridge Business Park. She discussed the details and the City of Richland cost estimate to have the work completed through a road LID with the city. She said a letter to the city had been prepared with the assistance of legal counsel stating that KID did not oppose the road LID. Ms. Smith discussed assessing the remaining properties in the Stoneridge Business Park to pay back costs of the improvements by adding the cost per square foot to the marketing price.

In response to a question from President McKenzie, Ms. Smith reported that a portion of the costs would be included at the time of sale for the lot on which a sale was pending.

In response to questions from Director Rathbun, Ms. Smith said there are about 45 acres would be in the LID and that most were zoned business commercial, and some were light industrial. Mr. Revell described the zoning change which was crafted for KID by the city about ten years ago.

President McKenzie asked if the city would develop the other half of the street. Ms. Smith said they did not plan to develop the other half at this time and that the property across the street was owned by Department of Natural Resources and was under lease until about 2023. Vice President Huffman said that the committee believed that moving forward with the road would help the sale of KID's property even without development of the other half of the street.

Vice President Huffman moved to approve KID's participation in the Kennedy Road LID with payment of the assessment to be paid from Realty funds in an estimated amount of \$475,860. Director Rathbun seconded the motion. All Directors present voted in favor and the motion carried.

True Point Contract Adoption: Ms. Storms discussed terms of the negotiated contract which was modified with assistance of legal counsel. She highlighted sections of the contract including Exhibit C, Required Software Functionality, and the agreement that KID would have access to the program code if the company were to default on the contract.

Discussion ensued regarding budgeting. Vice President Huffman said he expected that the lower cost of this system would rapidly result in a cost savings for the District. Mr. Freeman discussed the expected efficiencies from the new system.

In response to a question from Director Rathbun, Ms Storms said that about \$110,000 of the cost was available in the 2011 budget through the software upgrade budget plus the \$70,000 not expended on the proposed elevator in 2011. She said that the cost was due in three payments and the balance would come out of the 2012 budget.

Vice President Huffman moved to approve the True Point contract as presented. Director Rathbun seconded the motion. All Directors present voted in favor and the motion carried.

RESOLUTIONS:

Resolution 2011-31, Approve 2012 Budget: Mr. Freeman identified changes which were made since the Board's last review of the proposed budget, including budgeting to fill the vacant pump technician position, adding an engineering position, minor budget changes regarding additional consultant work, and purchasing technology for the Board. He reviewed the budget by department and discussed changes listed in the notes column of the report. Mr. Freeman said the total general fund budget for 2012 after all reserve transfers would be \$8,066,777.

Mr. Freeman reported that rate increases were proposed for the two potable water systems and that notifications would be made and public hearings held for those systems after the first of the year.

Mr. Freeman discussed the various reserves and funds including:

- Operating (Carryover) Reserve
- Equipment Reserve
- Emergency Mitigation Reserve
- Realty Reserves
- Capital Upgrade & Improvement Fund
- Red Mountain LID Fund
- Conservation Capital Projects
- General Non-Irrigation Infrastructure Capital Projects

Mr. Freeman reported that the salary ranges presented were consistent with the Board adopted salary survey and the two Collective Bargaining Agreements.

In response to a question from Director Rathbun, Ms. Storms reviewed how the how the total expenditures in the 2012 Budget Adoption Resolution were determined.

Discussion ensued regarding the Board's increased confidence level in the information provided by the Finance Department compared to previous years.

Director Rathbun moved to approve Resolution 2011-31 adopting the 2012 budget for the Kennewick Irrigation District and setting the salary ranges for the District. Vice President Huffman seconded the motion. All Directors present voted in favor and the motion carried.

Resolution 2011-34, Setting Compensation of Directors: Mr. Freeman presented the recommendation that the Board adopt a new resolution setting compensation of Directors to coincide with future changes to the governing statute.

Vice President Huffman moved to approve Resolution 2011-34, Setting Compensation of Directors. Director Rathbun seconded the motion and it carried unanimously.

Resolution 2011-35, Supporting House Bill 2124 and Senate Bill 5964: Mr. Freeman reported about a utility rate informational meeting he and Ms. Storms attended at the Benton PUD. He discussed the purpose of House Bill 2124 and Senate Bill 5964 regarding purchase of energy from state-recognized renewable energy sources. Mr. Freeman recommended that board adopt a resolution supporting legislation to allow utilities to not purchase more renewable energy than was needed to serve customer loads. He said that if the Board chose to approve the resolution he and Mr. Revell would work with WSWRA to support the legislation.

Discussion ensued. Vice President Huffman spoke in favor of approval.

In response to a question from Director Rathbun, Mr. Freeman reported that the proposed legislation did not address changing the classification of hydropower to renewable. Discussion continued.

Vice President Huffman moved to approve Resolution 2011-35 (Supporting House Bill 2124 and Senate Bill 5964 that narrows the requirement for utilities to purchase eligible renewable energy resources or renewable energy credits when not needed to serve customer loads). Director Rathbun seconded the motion and it carried unanimously.

PUBLIC COMMENTS:

James Wade, residing at 1813 S. Rainier Place, asked if the plan to assess condos and townhouses was still in effect.

Mr. Freeman reported that at the November 1st meeting, when the assessment roll was presented, staff would suggest charging condominiums and townhomes under the existing tier and toll system as tier one with the capital component for a total of \$73.09 per unit.

Mr. Wade asked if each of the condominium and townhome parcels had an allotment for water individually or just for the common area.

Mr. Freeman replied that each individual parcel that was getting project water had an allotment.

KID Attorney, Mr. Iller clarified that you could not distinguish units from parcels because under Title 64 statute each unit plus the unit's proportional share of the common elements of the condominium was considered a parcel for assessment purposes.

Mr. Wade said the statute to which Mr. Iller referred had no bearing.

Mr. Iller said the statute applied for all taxing and assessment purposes.

President McKenzie called a short break at 10:45 a.m. and the meeting resumed in open session at 10:51 a.m.

STAFF REPORTS:

Finance Manager: Ms. Storms discussed response to the re-billing which was mailed to accounts which did not pay assessments in full in the spring. She asked the Board if it would support changing the office hours for the water off season to 8:00 a.m. to 4:30 p.m. to allow staff time at the end of the day to complete various tasks. Discussion ensued. Board consensus was that this was appropriately a management decision.

Engineering/Operations Manager: Mr. Everaert reported:

- The water year total diversion was 99,215 acre feet. Mr. Everaert discussed the USBR Hydromet report including reservoir inflow, storage and releases, precipitation levels, canal diversions and river flows.
- Mr. Everaert was working on the phase two scope of work for the recalibration effort and on the engineering position job description.
- Operations crews were working on cleaning and shaping trenches and roads for the Badger East Canal lining.
- The cultural, historical, and environmental NEPA Categorical Exclusion Checklist was in to the USBR Yakima office and was expected back to KID by the end of October. Mr. Everaert said preparatory work can continue in the meantime.
- Staff was working on the bid for additional lining materials and the schedule of delivery of material to the work sites.
- Work to correct placement of some brackets for the propeller meters was planned.

In response to a question from Director Rathbun, Mr. Everaert discussed SCADA data collection and the antenna issues which had been corrected

Discussion ensued regarding planned water off weed control projects for on Division 4 and at PSA 99, including a flow meter and weed screen installations.

Liner installation plans were discussed.

Planning Manager - Integrated Plan Update: Mr. Revell reviewed the business discussed at the quarterly YRBWEP meeting held October 12, 2011. He said a proposal would be submitted to the Department of the Interior and that there was a reasonable expectation of funding for the proposals. He discussed the issue of power subordination, which was currently focused on Roza Dam and could have similar effects at the Chandler power plant. Mr. Revell reported that the final draft of the EIS was expected in February 2012.

Department Report: Mr. Revell reported:

- The monthly WSWRA meeting would be held October 19th.
- The Yakima Basin Joint Board meeting would be held next week.
- Yakima Basin Fish Biologist meeting was attended by Mr. Iller, Seth Defoe and Mr. Revell.
- KID representatives were scheduled with the Water Transfer Work Group on November 7th regarding the Kiona Point of Diversion Change, for the required re-submittal of the application.

- Staff was scheduled to make a presentation regarding the planning process for the Red Mountain project on December 7th at the Annual WSWRA conference in Spokane.

District Manager: Mr. Freeman reported:

- Shut down went well with no canal breaks or major issues. The schedule for shut down was changed for safety reasons from the published plan when minor breaks occurred with increased pressure.
- Work was continuing on the draft policies for Assessment Principles and Recalibration.
- The Water Off meeting would be held Tuesday, October 25th, at 8 a.m. at Granny's Buffet. Mr. Freeman discussed the planned agenda.
- The Shrub Steppe Mitigation Agreement was being drafted for the Red Mountain South LID.

WORKSHOP: None

EXECUTIVE SESSION: At 11:25 a.m. the Board went into executive session for fifteen minutes to discuss with legal counsel the legal risks of a proposed action per RCW 42.30.110(1)(i)(iii).

Executive session was extended five minutes at 11:40 a.m.

Following a short break, the meeting returned to open session at 11:49 a.m.

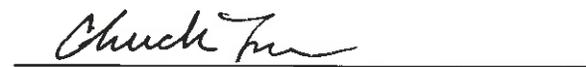
Vice President Huffman moved to adjourn at 11:49 a.m. and Director Rathbun seconded the motion. The motion carried unanimously.

Attest:

Witness:



David McKenzie, Board President



Chuck Freeman, District Manager

Prepared by Doris Rakowski