



Minutes

Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, June 5, 2012, 9:00 a.m.

President Huffman called the meeting to order at 9:00 a.m. Mr. Freeman called roll.

Directors Present:

Gene Huffman, President
Patrick McGuire, Vice President
Kirk Rathbun
David McKenzie

Staff Present:

Charles Freeman, District Manager
Ed Everaert, Engineering/Operations Manager
Scott Revell, Planning Manager
Colleen Storms, District Treasurer
Jason McShane, Staff Engineer
Con Higley, Asst Operations/Maintenance Manager
Seth Defoe, GIS Specialist
Judy Smith, Administrative Contracts Specialist
Rob Schunk, Customer Accounts Supervisor
Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel
George Fearing, Legal Counsel (Present for executive session only)
T. C. Richmond, Legal Counsel (Present via telephone for executive session only)

APPROVAL OF AGENDA: President Huffman added Award Contract for Purchase of a Used Truck Mounted Combination Positive Displacement Machine to Action Items.

Director Rathbun moved to approve the agenda as amended. Director McKenzie seconded the motion and it carried unanimously.

CONSENT AGENDA: Director McKenzie disclosed that the KID short plats up for approval were properties next door to him and that he would abstain from voting on the consent agenda.

Vice President McGuire moved to approve the consent agenda. Director Rathbun seconded the motion. Directors McGuire, Rathbun and Huffman voted in favor and Director McKenzie abstained from voting. The motion carried.

Items approved by consent agenda were:

1. Minutes, KID Board Meeting, May 15, 2012
2. Approve Short Plat – Korsvik
3. Approve Short Plat 112-02 - Jerry Sleater
4. Approve Short Plat 11-20 - KID
5. Approve Short Plat 11-21 - KID
6. Approve Final Plat – Cottonwood Estates
7. Ratify Final Plat – Plat of Valley View Estates, Phase Four
8. Approve Relinquishment of Easement – KP Development, LLC
9. KID O&M Vouchers

Accounts Payable

Numbers: 64325 through	64475	\$	148,713.71
64476 through	64524		109,250.53
			-
			<u>257,964.24</u>

Total Accounts Payable 257,964.24

Payroll

Numbers: 32270 through	32278	\$	8,961.51
			-
Direct Deposit	5/17/2012		75,033.12
			-
			<u>83,994.63</u>

Total Payroll 83,994.63

Voided Checks:

Payroll check #32269: printing error

PRESENTATIONS:

Financial Reports through March 2012: Ms. Storms reported that she had not yet reviewed the financial reports but that she would discuss the Audit Report in her manager's report.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Approve Application for Open Position on Board: Mr. Freeman reviewed highlights of the proposed application and the timeline presented in the staff report. He noted that applications would be due by 5:00 p.m. on Tuesday, July 31st.

In response to a question from Director Rathbun, Mr. Freeman said the appointee would have to stand for election on December 11, 2012 if they wished to continue to serve on the Board. Ms. Rakowski confirmed that the 2012 election would elect a Director to serve for the remaining year of this term and the election in 2013 would be for the next three-year term for Position 4.

Director Rathbun moved to approve the proposed application for prospective candidates for appointment to Position 4 of the KID Board of Directors and to instruct Secretary/Manager Freeman to issue a press release and place advertisements according to the schedule presented. Vice President McGuire seconded the motion and it carried unanimously.

Approve JUB Engineering Services Contract - Realty: Ms. Smith reported that she reviewed the 18 firms on the engineering services roster. Of the firms qualified to provide the type of services needed she recommended selection of JUB to provide engineering services to the Real Estate Department because of their ten-year history of work for the district, the time and cost to transfer KID files to a new firm, and current involvement on work in progress.

In response to a question from Director Rathbun, Ms. Smith said the contract was renewed each year. She confirmed to President Huffman that JUB's price range was competitive. Mr.

Freeman said that KID was required to go out annually for engineering services that were outside the scope of the Engineering department.

Vice President McGuire moved to approve JUB Engineering, Inc. as the engineering firm to be used by the Real Estate Department for a period of 12 months. Director Rathbun seconded the motion and it carried unanimously.

Geotechnical Engineering Services: Mr. Freeman discussed the need for geotechnical engineering services, for which KID had no specialized expertise in house. Mr. Freeman reported that, after reviewing and ranking the submitted firms, he recommended Shannon & Wilson. He listed some work previously done in the District by Shannon & Wilson. He recommended that they be contracted for one year on an as-needed basis. Mr. Freeman said the initial focus would be limited to Thompson Hill.

Director Rathbun moved to authorize the District Manager to negotiate a contract for professional geotechnical engineering services with Shannon & Wilson Geotechnical & Environmental Consultants. Director McKenzie seconded the motion and it carried unanimously.

KID Finley Short Plats Dedications of Easements and Rights of Way (SHP 11-20 and SHP 11-21): Mr. Defoe reported that the KID short plats on 217 acres in Finley had been signed and approved by Benton County and the Health District. He described the easements being required by the County and KID for each short plat.

Additionally, Mr. Defoe reported that the surveyor found that for Short Plat 11-21, the road right-of-way for Nine Canyon Road had never been dedicated and recommended that KID dedicate that right-of-way now.

At the request of Director Rathbun, Mr. Defoe went over how the parcels would be divided.

Director McKenzie restated that he would abstain from voting to avoid any appearance of conflict of interest.

Director Rathbun moved to authorize the District Manager to execute the owner's certificates and submit the Finley Short Plats, 11-20 and 11-21, for recording. Vice President McGuire seconded the motion. Directors McGuire, Rathbun and Huffman voted in favor and Director McKenzie abstained from voting. The motion carried.

Award Contract for Purchase of Used Truck Mounted Combination Positive Displacement Machine: Mr. Freeman reported that staff previously discussed with Board the possible purchase of a vactor type truck and the board had approved an interlocal agreement with Houston/Galveston City Council. Staff later determined to issue a request for bids via advertisement as well as direct invitation to nine firms.

Mr. Freeman reported only one bid was received and that the cost for equipment in the winning bid was \$346,434 including taxes. He reviewed details of the remaining warranty components for the 2010 vehicle and discussed an additional one-year warranty for the Vactor portion less the Blower for \$6,370. He said the Equipment Reserve Fund would be used for the purchase.

Mr. Freeman briefly went over the materials provided for Board review. He noted that purchase of a used vehicle saved approximately \$80,000 and that the vehicle would be immediate available. He said training would be provided upon delivery.

At the request of President Huffman, Mr. Higley reviewed uses for the equipment including with underground valves, main lines in roads, canal turnouts, lined ponds and culverts. At the request of Mr. Freeman, he discussed the condition of the existing Vac-Tron. Discussion ensued regarding uses of the equipment. Mr. Freeman confirmed that staff, Director Rathbun and President Huffman had inspected the truck. Mr. Higley discussed attachments available.

Director McKenzie moved to award a contract for purchase of a used truck mounted combination positive displacement machine to Owen Equipment in the amount of \$353,332.71 plus licensing costs. Director Rathbun seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2012-12, Declaring Surplus Personal Property: Mr. Crawford reported that staff had identified items no longer used by the District including office items and computer equipment, and field items and vehicles. He confirmed to Director Rathbun that field staff had reviewed the list.

In response to a question from President Huffman, Mr. Freeman briefly discussed procedures for disposal of the items. He said available methods included public auction, and paper or electronic advertisements. Mr. Freeman recommended money received for rolling stock be put in the equipment reserve fund and money received for computer equipment be put in the general irrigation fund.

Director Rathbun moved to approve Resolution 2012-12, Declaring Surplus Personal Property. Vice President McGuire seconded the motion and it carried unanimously.

PUBLIC COMMENTS:

William Dove, 1601 S. Quay Ct. Mr. Dove noted that he worked for KID for fifteen years. He said he thought no one had touched the automatic valve which he installed at Edison Street where the Low Lift Canal takes off in 17 years. He reported that the last wind storm blew off the cover. He showed a picture of the location. Mr. Crawford said the equipment was an automated valve originally installed to regulate the Low Lift Canal, but which was now fully opened and no longer used. Mr. Dove asked why it was not maintained and said that it was overgrown and an eyesore.

Vice President McGuire asked Mr. Freeman look into the matter and report to Board.

Jim Wade, 1813 S. Rainier Place. Mr. Wade asked why short plats were only approved if irrigation systems were constructed or fully bonded. He asked if LIDs had to do the same thing. Mr. Wade reported he had not received his request for public records which he expected before the end of the month. He asked why there was a separate water allocation program for Red Mountain. He asked if the public could come in and look at the surplus equipment.

President Huffman said the public could see surplus equipment after it was determined how to dispose of it. Ms. Rakowski reported she had sent a letter to Mr. Wade and offered to show the requested materials and a copy of the letter to him while the Board was in executive session. Vice President McGuire recommended sending registered letters to Mr. Wade in the future.

STAFF REPORTS:

Finance Manager: Ms. Storms distributed an annual report which had been provided to the State Auditor's Office on May 24, 2012. She noted that the report had gone through two hands as required by the auditor. Ms. Storms said the net increase in cash and investments was

\$3,760,663 including \$2,438,209 from sale of real estate assets. She said the positive balance of net revenue was less than 2% of the total operating budget.

Ms. Storms said the draft financial statements which she reviewed showed a \$754,314 in carry forward reserve at the beginning of 2012 and a little over \$5 million in operating funds. She reviewed the amounts in the Equipment Replacement, Emergency Mitigation, Capital Projects and Conservation Fund reserves. She said the next cash management step was determining how much to leave in operating reserves and how much to invest.

Ms. Storms said she expected to present the March and April financial reports at next meeting.

At the request of Ms. Storms, Mr. Schunk reported that last week staff discovered 140 checks were misplaced due to bank error. He discussed the process and how the error occurred. He reported that staff found, entered and posted the checks, and removed interest and penalties. Mr. Schunk said the problem was identified and a process put in place to prevent it happening again. Staff contacted the bank, customers, and the Tri-Cities Herald. Ms. Storms added that the lockbox needed a barcode which was not there with automatic bill payments, causing processing difficulties. She commended Mr. Schunk and Deanette Warn for correcting the problem. In response to a question from Vice President McGuire, Ms. Storms described automatic bill pay.

Engineering/Operations Manager: Mr. Everaert reported:

- The Main Canal was at 236 cfs and the Yakima River was 7,215 cfs at Prosser and 7,723 cfs at Kiona. Storage in the five reservoirs was at 111.5% of average, inflow was 141% of average, releases were 147% of average, snowpack was 163% of average on the upper Yakima Basin and 186% of average on the lower Yakima Basin.
- Maintenance crews were working on clean up of Blair Dam and Elliott Lake.
- There were no service orders last weekend.
- The 14,620 acre feet of water were diverted at Chandler in May, which was below the amount of the District's allotment if Red Mountain South LID had been running.
- Arena Road culvert repair was out for contract. He expected the work would be possible to complete with only one lane of traffic control.
- Participants approved going to final design at last night's Red Mountain South LID meeting.
- The on-site visit for the programmatic review of the canal and laterals was taking place now.

In response to a question from Director Rathbun, Mr. Everaert said the contract for the Red Mountain South LID Design would be through final design, but there would be stages, probably 60%, 90% and final. He expected to meet with LID members at 60%, but have only internal review at 90%.

In response to a question from President Huffman, Mr. Everaert discussed water management in the canal when there was excess water due to weather conditions.

In response to a question from Director Rathbun, Mr. Everaert described how the Badger East Canal would be managed during the culvert replacement to minimize disruption of irrigation water for down-stream customers.

Planning Manager: Mr. Revell reported:

- The draft SEPA checklist and attachments for Red Mountain South LID environmental work was transmitted to the Department of Ecology last week.
- Ms. Rosenbaum reported that there were over fifty delegations. Now that the application period was closed the requests were being processed.

District Manager: Mr. Freeman reported:

- Both unions had ratified the collective bargaining agreement contracts. Future COLAs were now tied to CPI in April. Managers were being trained on evaluations as merit increases were tied to performance.
- Mr. Freeman, President Huffman, Mr. Iller, and Mr. Revell met with the Joint Board. Mr. Freeman learned that Governor Gregoire would come to Red Mountain in August and a ceremonial ribbon cutting was being considered in conjunction with other agencies. Also, the County Planning Director attended the meeting to learn about the project.

President Huffman called a short break at 10:00 a.m. and the meeting resumed in open session at 10:10 a.m.

WORKSHOP:

Draft Policy 9.5, Red Mountain Irrigation Water Allocation Program: Mr. Freeman reported that the draft policy had been extensively reviewed by staff and legal counsel. He said the policy would allow Red Mountain South LID landowners the opportunity to temporarily or permanently relegate or transfer all or a portion of water allocations delivered through the Red Mountain South LID irrigation system.

Mr. Freeman reviewed details of the proposed policy including general requirements regarding irrigability, classification, and system capacity. He noted that relegated water would revert to KID and that staff could not transfer relegated water out of the service area without action by the Board. He discussed the time permitted for water to be put to beneficial use and approval contingencies including metering.

Mr. Freeman noted that regarding transfers, LID associated debt must be paid prior to transfer or documents executed to make the LID debt first priority.

Regarding relegation, Mr. Freeman said it was fairly consistent with the existing Policy 4.17, but that, to answer Mr. Wade's question, Red Mountain needed to be treated somewhat differently because it was a unique system directly off the river. He said allotments would not be granted that negatively impact the system.

Mr. Freeman said that recalibration would be at the sole discretion of the District and would be detailed in Policy 4.17 which would be reviewed next.

Mr. Freeman discussed section 6 which addressed priority of assignment of water allotments and management of the list by the Engineering department.

Mr. Freeman said he was not asking for action at this time and offered to bring the policy back to the Board for approval or to a Committee for more work.

In response to a question from Vice President McGuire, Mr. Freeman said establishing specific due dates for submittal of various annual reports was not advised. Mr. Iller recommended that the Board and staff establish a practice if there was no reason other than administrative to bind to a date.

Draft Policy 4.17, Irrigable Land Recalibration Principles, Rev. 1: Mr. Freeman reviewed the proposed changes to the existing policy. He reported that they had been through committee. Mr. Freeman read the purpose of recalibration and discussed the importance of recalibration to District's management of water rights and system efficiency. He reported that Mr. Everaert would manage the list.

Mr. Freeman reviewed the definitions, discussed how eligibility and the decision to proceed would be made. He discussed section 3, Existing Impermeable Surfaces and Preliminary Recalibration for Urbanized Areas, as well as priority for assignment of Irrigation Water Allotment resulting from Recalibration (other than in Red Mountain South LID area).

In response to a question from Director McKenzie, Mr. Freeman discussed how landowner request for recalibration would be handled and avoiding partial relegation. Mr. Iller discussed the importance of not relegating water without having a different place to put that water.

Mr. Iller suggested deleting "in size" from section 1.9 and changing "one-third acre" to "one acre" in section 3.2 to make it consistent with section 1.9. In section 4.4, he said there should be a section similar to that in draft Policy 9.5, that all other factors being the same, the allotments would be granted on a first come first served basis. He said he would work on clarifying language for section 4.6 and asked to be contacted with any suggestions.

President Huffman said the policy would be considered at the next Board meeting.

EXECUTIVE SESSION: At 10:35 a.m., on behalf of the presiding officer, Mr. Iller announced that following a short break the Board would go into executive session for an estimated one hour to discuss with legal counsel pending litigation pursuant to RCW 42.30.110(1)(i), to discuss with legal counsel potential litigation in the form of the legal risks of a proposed action and/or current practices regarding canal risk mitigation practices and policies pursuant to RCW 42.30.110(1)(i)(iii), to discuss with legal counsel (by phone) potential litigation in the form of the legal risks of a proposed action regarding risk mitigation for Southcliffe Development pursuant to RCW 42.30.110(1)(i)(iii), and to consider the minimum price at which real estate will be offered for sale or lease pursuant to RCW 42.30.110(1)(c). Mr. Iller noted for record that he would not participate in Southcliffe item due to conflict of interest in his firm between the Southcliffe developers and KID. Mr. Iller said action noted on the agenda may follow executive session.

At 11:40 a.m. executive session was extended for thirty minutes.

OPEN SESSION: The Board returned to open session at 12:15 p.m.

Approve Sale of Real Property: Ms. Smith reviewed an offer to purchase City View Block 3, Lot 3 made by IMB Development Group, LLC. She discussed details of the offer including the negotiated price of \$14.00 per square foot for a total purchase price of \$609,840. She reviewed terms and contingencies including earnest money and cash at closing. She noted that the purchaser would reimburse Richland GG Holdings \$13,947.10 for a portion of access road construction. She said there would be a one-year construction start date with a buy-back provision.

In response to a question from Vice President McGuire, Ms. Smith said the purchaser would be responsible for ensuring they meet Home Depot and Walmart restrictions.

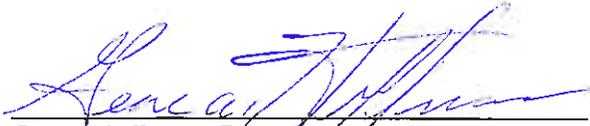
Ms. Smith confirmed to Director Rathbun that the price was consistent the sales price of other KID property in the area and was within market value.

Director Rathbun moved to approve the sale of KID #7033, City View Block 3, Lot 3, to IMD Development Group, LLC in the amount of \$14.00 per square foot for a total purchase price of \$609,840. Vice President McGuire seconded the motion and it carried unanimously.

Director Rathbun moved to adjourn at 12:18 p.m. and Vice President McGuire seconded the motion. The motion carried.

Attest:

Witness:



Gene Huffman, Board President
Approved July 3, 2012



Chuck Freeman, District Manager

Prepared by Doris Rakowski