



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, July 17, 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:

Chuck Freeman, District Manager
 Colleen Storms, District Treasurer
 Ed Everaert, Engineering/Operations Manager
 Scott Revell, Planning Manager
 Jason McShane, Staff Engineer
 Becky Mellinger, Accounting Manager
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel
 Paul Cross, RH2 Engineering

APPROVAL OF AGENDA: Mr. Iller asked to add an executive session discussion with legal counsel of pending litigation regarding Wellenbrock pursuant to RCW 42.30.110(1)(i)(i) and estimated it would take approximately ten minutes. **Director Rathbun moved to approve the amended agenda. Director McKenzie seconded the motion and it carried unanimously.**

CONSENT AGENDA: **Director McKenzie moved to approve the consent agenda. Vice President McGuire seconded the motion and it carried unanimously.**

Items approved by consent agenda were:

1. Minutes, KID Board Meeting, July 3, 2012
2. Approve Short Plat 12-02 - Monogram Homes
3. Approve Final Plat 12-04 - Southridge Phase 2A
4. Approve Final Plat 12-05 - Rainier Meadows
5. Approve LGPI Contract Amendment
6. KID O&M Vouchers

Accounts Payable

Numbers: 64691 through	64745	\$	219,542.13
64746 through	64779		54,586.70
			274,128.83

Total Accounts Payable 274,128.83

Payroll

Numbers: 32329 through	32336	\$	8,472.38
Direct Deposit	6/28/2012		76,791.49

Total Payroll 85,263.87

Total Disbursements \$ 359,392.70

Voided Checks:

Accounts Payable: Check #64713: Void and Reissue
Accounts Payable: Check #64714: Void and Reissue
Accounts Payable: Check #64423: Void and Reissue

PRESENTATIONS:

Financial Reports through June 2012: Ms. Storms displayed the financial statements and reviewed highlights. Pages reviewed included:

- Balance Sheet as of June 30, 2012.
- Statement of Revenues & Expenditures - Budget to Actual - Summary
- Statement of Revenues & Expenditures - Budget to Actual - Irrigation (including Potable)
- Statement of Revenues & Expenditures - Budget to Actual - Realty
- Balance Sheet Footnotes through June 2012 - Cash Schedule
- Balance Sheet Footnotes through June 2012 - Grants & Matching Funds Schedule
- Cash Investment Report by Investment Maturity Date
- Aging by Year - Annual Totals
- Potable Water Service Delinquencies. Ms. Storms confirmed to Vice President McGuire that Lorayne J reserves were sufficient to cover repairs and the intertie necessitated by the recent pump problems.
- Real Estate Contracts Receivable

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Programmatic Review Report: Mr. Cross from RH2 Engineering displayed slides (on file) and presented the 2012-2014 Capital Improvement Project Programmatic Project Level Review. He discussed the objectives of the programmatic cultural and environmental review of proposed KID projects and described RH2's role in conducting the study. Mr. Cross described the environmental elements, which were considered, as well as the projects and locations which were evaluated.

He presented the environmental results. For the EPDM Lining Projects, he said there would be no adverse effect, if certain conservation/mitigation measures were employed. For other KID projects he said there would likely be no adverse effect if certain measures were taken.

In response to a question from Mr. Iller, Mr. Cross discussed irrigation-induced wetlands and how they were delineated from naturally occurring wetlands. Discussion ensued.

Mr. Cross discussed the cultural/historic results. He said that for the EPDM Lining Projects there would be no adverse effect, assuming certain criteria were met. For other KID projects he said there would likely be no adverse effect given certain measures were taken.

Mr. Cross displayed a list of future projects and their recommended review statuses as either federal or non-federal undertakings. He recommended KID work with the USBR and the state Department of Archeology and Historic Preservation to develop a Cultural Resources Management Plan to facilitate development of a Programmatic Agreement under Section 106.

In response to a question from Director Rathbun, Mr. Cross said the national Historic Preservation Act called for historic review but KID's programmatic review approach was new, at least to the Yakima Project Office. Discussion ensued regarding the federal requirements. Mr. Freeman said the USBR, at KID's request, had arranged training on the new rules for irrigation districts and the Yakima USBR office. He noted that because the USBR could not guarantee personnel would be available to conduct reviews in future years, KID had arranged to have the reviews completed independently and the USBR had approved the choice of contractors.

Mr. Everaert thanked Mr. Cross for his report. He reviewed the history of the project and noted that this report was for the 41.9 miles of phase one, and focused on federal facilities. He said that once approval was received from the USBR, work would begin on the scope of work for phase two for other KID projects. He noted that a programmatic study was much more economical than conducting a site specific study for each project. He said he expected the report would be good for at least 15 to 20 years. He discussed the budget impact and requested the Board approve submittal of the final draft report to the USBR. He noted that a copy of the draft report was available for inspection at the office.

In response to a question from Vice President McGuire, Mr. Everaert said the USBR would distribute the report for comment to the people on their list. He also said he expected the USBR would keep KID informed of changing environmental requirements.

Mr. Everaert confirmed to Director McKenzie that KID was not responsible to have a review done for the Chandler facilities because they were staffed by USBR personnel and would do their own internal reviews.

Director McKenzie moved to approve submitting the RH2 Final Draft Programmatic Review Report to the United States Bureau of Reclamation for the Phase 1 Environmental Services for the 2012-2014 KID Capital Upgrade and Improvement Plan. Director Rathbun seconded the motion and it carried unanimously.

In response to a question from Vice President McGuire, Mr. Freeman said KID would ensure that the operations crews knew the environmental requirements through engineering oversight.

RESOLUTIONS:

Resolution 2012-21 Setting Fees: Ms. Storms reported that the fee schedule was reviewed as part of the annual budgeting cycle. She noted the changes from the previous year:

- Addition of a Relegation Application fee
- Operating costs for the new Vactor. She noted that this fee is generally charged when the equipment needed to be used for repair of damages which were the responsibility of other parties. She said the equipment was not generally rented out.
- Updated rates for staff time

Vice President McGuire moved to approve Resolution 2012-21, setting fees for the District and, effective January 1, 2013, superseding all previous fee resolutions. Director Rathbun seconded the motion and it carried unanimously.

Mr. Freeman was excused from the meeting.

PUBLIC COMMENTS: None

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- Departments would be submitting budgets to Mr. Freeman this week.
- Budgeting and assessment levels were discussed by the Finance Committee. She said assessment levels would be considered after expenditures were determined and that using an inflationary factor for assessments was discussed.
- ESRI and TruePoint were working together on the GIS interface with the finance and customer management software.

In response to a question from Director McGuire, Ms. Storms said water usage reports began to be sent out last week. She discussed the work staff completed checking data accuracy for the reports.

Engineering/Operations Manager: Mr. Everaert reported:

- KID Main Canal was at 356 cfs this morning, following a July 12th adjustment to the KID Canal at Chandler. KID was at 8,184 AF through the Main Canal for 16 of 31 days in July, or 49.7% of KID's allotment if Red Mountain were operating. The Yakima River at Prosser was at 1,162 cfs; storage at the five reservoirs was 122.1% of average; inflow at the five reservoirs was 196% of average; releases were 96% of average; canal diversions were 107% of average. Precipitation for October 1 through July 16 was 226.03 inches or 104.9% of average. Snotel sites were no longer reporting for the season.
- Adjustments were being made to the automation of Country Meadows PSA 171 pond and turnout following a spill from the outlet this weekend.
- The private pond at the 19.6 main canal turn-out was still empty following an embankment failure, probably at the pipe out of the pond. Mr. Everaert reported he emailed the lead homeowner that KID would not turn out water to the pond until the pond was inspected by an independent licensed engineer and assurances were given that it would not fail again.
- The Endothall treatment started at 4:00 a.m. today. The July 2012 vegetation management calendar was posted on the website. Notifications were not needed for Endothall treatment as it was not harmful to fish and the canal would not be dropped for the application.

Mr. McShane confirmed to President Huffman that there were no outages due to lightning.

In response to a question from Director Rathbun, Mr. Everaert said Red Mountain South LID work currently was focused on right-of-way, pipeline easements and coordinating meetings on the 1,010 foot elevation water user private line systems.

Planning Manager: Mr. Revell reported:

- The Mitigated Determination of Non-Significance for the Red Mountain South LID project was issued by Ecology and KID last week. The comment period would be through July 26th.
- The Planning Committee worked yesterday on drafting private line area policy suggestions. The committee elected Tim Berk as Chair and Barbara Fangman as Vice-Chair.

District Manager: None

WORKSHOP:

Review policies regarding reserves: Ms. Storms reported that the Finance Committee reviewed the policies at the meeting on July 12th and considered funding levels for the reserves as part of the annual budgeting process. She reviewed policies relevant to budgeting for reserves including:

- **Policy 2.18, Carry Forward Balances:** Funded by 95% of the surplus cash from the irrigation fund at year end. Projected year-end balance based on the 2012 budget was \$882,585. The Finance Committee recommended no change.
- **Policy 2.28, Risk Management Mitigation Fund:** Funded by 5% of the surplus cash from the irrigation fund at year end, and super-funded by the Board last year. Projected balance at the end of this year was \$361,671, which would probably be adequate, so no change.
- **Policy 2.29, Equipment Replacement Reserve:** Based on scheduled replacement. Ms. Storms would update the spreadsheet and report the actual amount needed this year. Projected balance at the end of 2012 was \$300,000.

In response to a question from Director Rathbun, Ms. Storms said the equipment replacement spreadsheet included market value and the anticipated years of life left for each asset. She noted that proceeds of sales of surplus equipment, as well as budgetary transfers, would be put in this reserve.

- **Policy 2.32, Conservation Capital Project Reserve:** Ms. Storms said that once the Conservation Plan was complete, the reserve could be set up to meet estimated conservation costs anticipated for each year, with a place holder for possible grant funds. \$100,000 has been added each year to date and the balance on December 31, 2012 would be \$350,000.
- **Draft Policy 2.xx, Drought Mitigation Fund:** Mr. Revell and Mr. Freeman have been working on a new drought plan and a draft policy was provided. Based on previous drought experience, there would be no guarantee of outside funds to mitigate drought. The Finance Committee recommended moving \$500,000 from irrigation operating reserves to start the drought mitigation reserve and then adding \$75,000 each year until a target of \$1,000,000 was reached, at which time contributions would be suspended until funds were used. In response to a question from Director Rathbun, Ms. Storms said the \$500,000 would come from irrigation operating capital, not the Carry Forward Reserves.
- **Policy 2.11, Realty Reserves:** About \$5.2 million were in Realty Reserves and from \$1.5 million to \$2 million in sales were pending, for an approximate balance of \$7 million by the end of 2012. A small amount was being spent for Realty Department operations.

Vice President McGuire noted that the Finance Committee discussed revising the Realty Reserve policy, to make it less cumbersome and redundant, because now there were dedicated reserves for other purposes. Ms. Storms added that it overlapped other policies and needed details added regarding LID lending rates, how to determine if money was available to lend, and what the term of lending would be. She said Mr. Freeman was taking the lead on the revisions.

President Huffman remarked on the change at KID over the last few years from operating based on hind-sight to planning and creating reserves, which were managed in a forward-looking way.

In response to a question from Director Rathbun, Ms. Storms said there was no plan being discussed to address the costs of acquiring a potential additional 82 cfs.

EXECUTIVE SESSION: On behalf of the presiding officer, Mr. Iller announced that following a five minute break the Board would go into executive session to discuss with legal counsel of pending litigation regarding Wellenbrock pursuant to RCW 42.30.110(1)(i)(i) for an estimated ten minutes, or until approximately 10:40 am

The Board returned to open session at 10:44 a.m.

Director Rathbun moved to adjourn at 10:44 a.m. and Vice President McGuire seconded the motion. The motion carried unanimously.

Attest:


Gene Huffman, Board President
Approved August 7, 2012

Witness:


Colleen Storms, District Treasurer

Prepared by Doris Rakowski