



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, January 15, 2013, 9:00 a.m.

President Huffman called the meeting to order at 9:04 a.m. and Mr. Freeman called roll.

Directors Present:

Gene Huffman, President
 Patrick McGuire, Vice President
 Penny Hermanson
 Kirk Rathbun, via telephone
 David McKenzie, arrived following public comments

Staff Present:

Chuck Freeman, District Manager
 Colleen Storms, District Treasurer
 Scott Revell, Planning Manager
 Jason McShane, Engineering/Operations Manager
 Con Higley, Asst Operations/Maintenance Manager
 Judy Smith, Real Property Manager
 Jaime Britton, Senior Accountant
 Dana Auckland, Customer Accounts Supervisor
 Doris Rakowski, Executive Assistant

Other Persons Present:

Paul Cross, RH2 Engineering
 Rich Romm, Argus Insurance
 Brian Iller, Legal Counsel

APPROVAL OF AGENDA: President Huffman confirmed to Vice President McGuire that the agenda had been revised to move public comments to following consent agenda to conform to recently updated Procedure 1.4, Board Meetings.

Vice President McGuire moved to approve the agenda as modified. Director Hermanson seconded the motion and it carried unanimously.

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, December 4, 2012
2. Minutes, KID Board Meeting, January 8, 2013
3. Approve Preliminary Plat Conditions for Indian Hill
4. Approve Policy 2.5, Helping Hands, Revision 2
5. KID O&M Vouchers

Accounts Payable

Numbers: 65736 through	65770	\$	92,648.21
65771 through	65790		189,999.06

Total Accounts Payable

282,647.27

Payroll

Numbers: through

Direct Deposit

Total Payroll

Total Disbursements

\$ 282,647.27

PUBLIC COMMENTS:

Jim Wade, residing at 1813 S. Rainier Place, asked when the Indian Hill preliminary plat was classified as non-irrigable and whether it was part of the City of Richland's Sustainable Land Project on the Badger Mountain Subarea Plan.

Mr. McShane referred to the site map provided for consent agenda item 3 and noted the site was above the canal. He said the City of Richland had not required a secondary water supply for the site and the developers did not receive or intend to pursue irrigation water for the project.

Mr. Revell said his memory from when he worked for the City of Richland Planning department was that the site was not part of the Badger Mountain Master Plan park component and had been viewed by the city as land able to be urbanized for a couple decades.

Mr. McShane confirmed to President Huffman that the City of Richland would provide water.

Director McKenzie arrived at the meeting.

PRESENTATIONS:

Kiona Site Phase One Construction, Paul Cross, RH2 Engineering: Mr. Cross gave a brief overview of the Red Mountain South LID project to date. He addressed source of water supply and reviewed the design for the hydraulic system and system components. Mr. Cross discussed details of the Kiona intake site design at the 60% design level, including topography and filtering.

Mr. Cross reviewed the result the geologic report and recommendations from the boring tests by Shannon & Wilson. He displayed two alternate designs for the site access. Mr. Cross said design changes which may be necessary for stabilization could have significant cost implications for the project, due to increased rock work, roads and surfacing, grading and retaining walls, and other stabilization measures. He said that costs could increase by \$2.2 million for the walls alone.

To avoid risk of missing the construction timing window, Mr. Cross proposed said a Phase 1 construction contract was being proposed today. He said the Phase 1 Construction cost range would be between \$800,000 and \$1,000,000 and discussed the schedule for bids, awards and construction.

Mr. Cross reported that this was the only part of the project with unexpected components. He briefly discussed the booster pump and the 838 and 1070 reservoir locations and designs.

Mr. Cross discussed alignment of the project and the ongoing acquisition of easements. He reported on the work done to verify rock depth prior to bidding the work on the pipeline.

Mr. Cross displayed a list of permits which were in process with a variety of agencies.

Mr. Cross said RH2 proposed to build the project with four bid packets. He noted that several schedules within the bid packets could be awarded to different bidders.

Mr. Cross reported that a meeting would be held with land owners at 6:00 p.m. on January 28th.

In response to a question from Director Hermanson, Mr. Cross discussed project costs and identified the components which were additive to the base cost.

President Huffman and Mr. Cross discussed options for stabilizing the Kiona intake design which had been reviewed at the Red Mountain South LID Design Committee meeting.

Director McKenzie supported meeting with LID participants. Mr. Freeman said the meeting was scheduled to discuss the higher cost per acre from the additional \$2.2 million. He said this was a qualifying expense for the grant and noted that the LID would be responsible for project costs to date regardless of whether the project was completed. He said Ms. Storms would present costs to date and probable financing costs at the meeting. Mr. Freeman said participants would be asked for feedback and staff would meet with people regarding easements.

In response to a question from Vice President McGuire, Mr. Cross said the original estimate for water on the ground was spring 2015.

Mr. Freeman confirmed to Vice President McGuire that LID participants and people outside the LID from whom easements were needed would be invited to the meeting.

Mr. Cross confirmed to President Huffman that advertisements for bids would not go out until after the LID participant meeting, even if proposed motion passed.

Director McKenzie moved to approve the Advertizing of Bids for the Red Mountain South LID Project Phase 1 construction. Vice President McGuire seconded the motion and it carried unanimously.

Board Liability Training, Rich Romm, Argus Insurance: Mr. Freeman introduced Mr. Romm, of Argus Insurance, the District's insurance brokerage.

President Huffman called a short break at 9:51 a.m. and the meeting resumed in open session at 9:56 a.m.

Mr. Romm presented "Public Officials Liability Creating Balance." Topics addressed included:

- Factors which determine liability
- Current liability issues for organizations
- Liability issues specific to boards
- Methods to minimize risk
- Leadership team roles of the Board and management
- Board expectations of the Manager
- Manager expectations of the Board
- Difficult lessons for Board Members
- Board Procedures including the Open Public Meetings Act, executive session, confidentiality, media and board meeting disturbances
- Establishing and maintaining a leadership team

Mr. Romm noted that, in his observation, risk management and policy was discussed more at the KID than at other agencies.

Financial Reports for December 2012: Ms. Storms distributed and reviewed the preliminary December 2012 financial reports. Pages reviewed included:

- Balance Sheet as of December 31, 2012
- Statement of Revenue & Expenditures – Budget to Actual – Summary
- Grant & Matching Funds Schedule

- Red Mountain Revenue to Budget (current year)
- Aging by Year

Ms. Storms briefly discussed her plan for the year-end report.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Appointment of Committee Members and Chairs: President Huffman appointed:

- David McKenzie as chair, and Kirk Rathbun to the Operations and Engineering Committee;
- Patrick McGuire as chair, and David McKenzie to the Finance Committee;
- Gene Huffman as chair, and Penny Hermanson to the Realty Committee; and
- Kirk Rathbun and Gene Huffman to the Red Mountain South LID Design Committee.

RESOLUTIONS: None

STAFF REPORTS:

Finance Manager: Ms. Storms reviewed the history of the Helping Hands program and refinements to the procedures.

Engineering/Operations Manager: Mr. McShane reported:

- 2,000 feet were remaining on the Main Canal Lining Project.
- Preparation for lining of the Badger East Canal was nearing completion.
- The WaterSMART grant application was ready for submission.
- Snow levels were above average and total storage was a little below average.
- Preliminary plats for two new subdivisions would be brought to the next Board meeting.

In response to a question from Vice President McGuire, discussion ensued regarding whether the Board had made a determination regarding whether new pressurized service areas (PSA) or private line areas (PLA) would be accepted. Mr. McShane said current practice was systems within the city urban growth boundaries would be PSAs owned by the District, and those outside those boundaries would be PLAs. He noted that a report of the Planning Committee's discussion of the issue would be given later in the meeting and said that the Board was free to change District policy on the matter.

Planning Manager: Mr. Revell reported:

- The WaterSMART grant application would be mailed today.
- Mr. Revell would meet with the Integrated Plan Implementation Committee in Portland on Friday.
- The monthly Benton County Shoreline Committee would meet this week in Prosser.
- Staff was tracking information released by Port of Kennewick regarding Vista Field Airport.
- The Benton County Commissioners rearranged committee assignments and Jerome Delvin would be the Integrated Plan representative.
- Staff was working on a letter to the Washington State Department of Fish and Wildlife regarding the fishing regulations particular to the Amon Wasteway and regulations for predator game fish on the Lower Yakima River.

District Manager: Mr. Freeman reported:

- The Kennewick City Manager said the city could not take over the Elliot Lake Potable Water system because there were four homes outside the urban growth area.
- Directors McKenzie and Hermanson planned to attend the Washington State Water Resources Association (WSWRA) meeting on Wednesday.
- Directors Hermanson and McGuire planned to attend the Yakima Basin Joint Board (YBJB) meeting on Friday.

WORKSHOP:

Draft Policy 8.2, Private Line Areas: Mr. Freeman noted that this report of the Planning Committee recommendations from October had been delayed due to a full calendar.

Mr. Revell discussed current private line areas in the districts and how they have been operated. He discussed challenges of dealing with diverse type of private line areas.

Mr. Revell discussed highlights of the draft Policy 8.2 Private Line Areas. He noted that if the section prohibiting new residential Private Line Areas (PLAs) were adopted concurrent changes would be needed in Procedure 4.0 Short Plat Review. He referred to a chart which listed characteristics of five PLA categories. He discussed the suggested requirement in section 8.2.4 that PLAs submit an operational plan, planned capital improvements and a contact person prior to water delivery each year.

Mr. Revell reported that WSWRA was pursuing amendments to state law governing the formation of irrigation district Local Improvement Districts (LIDs).

Vice President McGuire noted that data was still being collected for the cost of service study and asked how a decision could be made without that data. Mr. Freeman discussed the public relations problem when, due to problems in a PLA, homeowners cannot receive water and KID is unable to help because the problem is in a privately owned system.

Vice President McGuire asked how proposed section 8.2.5 could be enforced. Mr. Freeman said, in theory, a homeowners association could be required, but there was a possibility of them going defunct in the future. Mr. Revell said that when KID required systems to be built to KID standards, developer expectation was that KID would own and operate the system. He suggested that legal risks of a proposed action could be addressed by legal counsel in executive session.

In response to a question from Director McKenzie, Mr. McShane said staff had found that, since KID began to require systems to be built to AWWA standards, there had been very few issues in the first years and the cost for pressurized service areas (PSAs) was down. He said that, in PLAs, KID operators were in a position where they were not able not help customers. He gave an example of a private area with a pump which had a flood and the water master could not be reached. Mr. McShane briefly discussed the capital improvement plan and said he would encourage PSAs to reduce costs.

Discussion ensued regarding the option for systems outside the urban growth boundary to be PLAs. Mr. McShane confirmed to Vice President McGuire that by publicly financing the Red Mountain South LID, that system would become publicly owned. Director McKenzie questioned whether it was a good idea to use urban growth boundaries and city limits as KID's standard, as those could change. An example was discussed. Mr. McShane discussed his understanding of the intent of the policy.

President Huffman noted that after ownership changes in PLAs there was often a lack of understanding of who had responsibility for maintenance. He said converting PLAs to PSAs was an option, but that LIDs might be necessary to bring systems up to standard. Mr. McShane identified a risk of burdening the District with substandard infrastructure if existing PLAs were accepted as PSAs. The option of relegation in extreme situations was briefly discussed.

Director McKenzie recommended a campaign of educating homeowners in PLAs regarding how their systems were organized and their responsibility for maintenance. Mr. McShane said welcome packets were sent to new owners, but they could be enhanced.

In response to a question from Director Hermanson, Mr. Iller said that most title policies excluded warranties as to water rights. Ms. Storms said that they may say the property had KID irrigation, but do not indicate whether they were private or public systems.

Mr. McShane confirmed to Director McKenzie that single ownerships were considered individual deliveries. He said this discussion was about urban and rural residential development not agricultural properties.

In response to a question from Director McKenzie, Mr. McShane discussed KID requirements for subdivisions, including very small subdivisions and said biggest resistance had been from very small, one-time subdivisions.

Discussion ensued regarding whether the Board had the prerogative to accept or deny a request to convert a PLA to a PSA. Director McKenzie said the District might have to require that the system brought up to standard. Mr. Freeman noted that the additional risk when a system became owned by the District needed to be weighed. Mr. Revell said an executive session could be held to discuss with legal counsel the legal risks of a proposed action.

Mr. Freeman agreed that an informational letter to new owners in PLAs was needed. He recommended the Board not rush into decision regarding the matter.

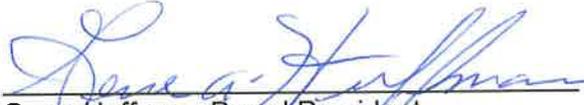
Mr. Iller noted that, for every standard the Board adopted, they would have the right to waive it for good cause under reasonable circumstances. He said he would research the issues and provide legal suggestions.

EXECUTIVE SESSION: None

Director McKenzie moved to adjourn the meeting at 11:56 a.m. and Vice President McGuire seconded the motion. It carried unanimously.

Attest:

Witness:


Gene Huffman, Board President
Approved February 19, 2013


Chuck Freeman, District Manager

Prepared by Doris Rakowski