



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, February 19, 2013, 9:00 a.m.

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

Directors Present:

Gene Huffman, President
 Patrick McGuire, Vice President
 Penny Hermanson
 David McKenzie
 Kirk Rathbun, via Skype

Staff Present:

Chuck Freeman, District Manager
 Colleen Storms, District Treasurer
 Scott Revell, Planning Manager
 Jason McShane, Engineering/Operations Manager
 Ben Woodard, Staff Engineer
 Judy Smith, Real Property Manager
 Brad Crawford, Purchasing, Inventory, and
 Technology Coordinator
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel
 Paul Cross, RH2 Engineering
 Wendy Christensen, USBR
 Chris Lynch, USBR

APPROVAL OF AGENDA: In response to a request from Director Hermanson, Mr. Iller asked that an executive session be added to the agenda to discuss with legal counsel litigation in the form of legal risks of a proposed action or current practice regarding Board governance pursuant to RCW 42.30.110(1)(i)(iii) for an estimated fifteen minutes.

Director McKenzie move to approve the agenda as amended. Director McGuire seconded the motion and it carried unanimously.

CONSENT AGENDA: Director McGuire move to approve the consent agenda. Director Rathbun seconded the motion and it carried unanimously.

Items included on the consent agenda were:

1. Revised Minutes, KID Board Meeting, January 8, 2013
2. Minutes, KID Board Meeting, January 15, 2013
3. Minutes, KID Board Special Meeting - Workshop, February 5, 2013
4. Approve Short Plat 12-09 – Skagit Ave (Dry Plat)
5. Approve Short Plat 12-13 – Hansen Road (Dry Plat)
6. KID O&M Vouchers

Accounts Payable

Numbers: 65876 through	65877	\$	39,430.37	
65878 through	65878		4,736.02	
65879 through	65923		32,101.27	
65924 through	65931		<u>7,476.89</u>	
Total Accounts Payable				83,744.55

Payroll

Numbers: 32466 through	32473	\$	8,083.41	
Direct Deposit	2/7/2013		<u>69,420.96</u>	
Total Payroll				<u>77,504.37</u>

Total Disbursements **\$ 161,248.92**

Voided Checks: None

PUBLIC COMMENTS:

Kevin Corliss, Vice President of Vineyards for Ste. Michelle Wine Estates, addressed the Board regarding concerns about design elements of the Red Mountain South LID irrigation system. He discussed the importance of the Col Solare Red Mountain site to his employer for entertainment of media, trade and customers. He said the booster and storage station to be located at SW corner of their property would be in the center of the vista on the road down from the winery and would not be in the best interest of the winery. He said the plan as proposed was not in alignment with Benton County's recently approved Red Mountain Master Site Plan. He discussed Ste. Michelle's contributions to the community and the industry and asked that the Board and their neighbors to mitigate the visual impact of the tank to their property.

President Huffman said the Board would take Mr. Corliss's comments under consideration prior to responding.

PRESENTATIONS: None

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Award Red Mountain Phase 1 Construction Bid: Mr. Freeman noted that the Bid Summary Sheet from the Friday, February 15th bid opening was in the meeting packet.

Mr. Cross briefly reviewed the five bids which were received and reported Rotschy of Vancouver was the apparent low bidder. He said the bid had been checked for accuracy and references were checked. Mr. Cross recommended KID consider awarding the Phase 1 project to Rotschy.

In response to a question regarding change orders from Vice President McGuire, Mr. Cross noted there were buffers in the contract, including an item for force account work for items which were not identified and four work items which would be based on what was seen in the field. He concluded it was reasonable to expect the contract would not be exceeded.

Mr. Cross confirmed to Director McKenzie that all five bidders were Washington firms and two were from Tri-Cities.

Director Rathbun said he had worked intermittently with Rotschy and had only positive things to say about the firm.

President Huffman moved to award Contract 13-001 to Rotschy, and approve Charles Freeman, KID District Manager, to execute Contract 13-001, KID Red Mountain Couth, Kiona Intake and Pump Station, Phase 1, the cost not to exceed \$536,232.51. Director Rathbun seconded the motion and it carried unanimously.

Approve Preliminary Plat 12-07 Conditions for Hansen Park Phase 5: Mr. Freeman reported that this item had been reviewed several times by the Technical Review Committee and twice by the Operations and Engineering Committee. He said the project was off the 1.8 Rehab and was not expected to require additional staff to serve. He said the comment letter included requirements to meet KID standards.

Mr. Woodard clarified to Director Hermanson that the 1.8 Rehab was the pump facility which would provide pressurized service to the area and was located near the Highland Feeder Canal and the intersection of S. Columbia Blvd. Mr. Freeman stated that the owner had the opportunity to connect to the 1.8 Rehab, which the District preferred, but also had the option to build a pond and pumping facility.

In response to a question from President Huffman, Mr. Woodard said the 10' easement fulfilled an RCW requirement but that the system was located in the street.

In response to a question from Vice President McGuire, Mr. Woodard said the review comments identified the USBR right-of-way, noted prohibitions on grading in the right-of-way and required signage regarding District irrigation facilities.

In response to a question from Vice President McGuire, Mr. Woodard said that because the project was below the canal, comment 9b regarding Developer Risk Mitigation was included. He reported the City of Kennewick Plan Development Service Manager said the condition would be included. Mr. Woodard said that, pending approval, a letter would be sent to the developer. Mr. Woodard confirmed to Vice President McGuire that developers had the option to coordinate risk mitigation with KID, and that staff was authorized by policy to cost share to 25%. Mr. Freeman added that an irrigation district could not force mitigation, nor put the entire cost on the developer.

Mr. Woodard confirmed to Director Hermanson that there were typically signature blocks on construction plans for the municipalities, including the KID.

Director McKenzie moved to approve the comment letter for Hansen Park Division 5 (Preliminary Plat). Vice President McGuire seconded the motion and it carried unanimously.

Approve Preliminary Plat 12-10 Conditions for Gadbois: Mr. Woodard identified the location and purpose of the project. He said the same conditions of approval would be applied to this project as to the last project reviewed as well as additional provisions for potential infrastructure upsizing in the future.

In response to a question from President Huffman, Mr. Freeman said the lot size met city code.

Vice President McGuire noted a spelling error in section 5.

In response to a question from Director McKenzie, Mr. Woodard said the project would be allowed to draw water from the Highlift Canal and not be required to put in a pond, similarly to neighboring areas.

Mr. Woodard confirmed to Vice President McGuire that there would be a meter on the pump.

Director Rathbun moved to approve the comment letter for the Preliminary Plat of Gadbois. Director McKenzie seconded the motion and it carried unanimously.

Approve Preliminary Plat 12-09 Conditions for Canyon Ranch: Mr. Woodard identified the location and some details of the project. He said it had many of the same conditions of approval as the other projects.

Mr. Woodard discussed the possibility of consolidations for regional facilities in surrounding areas. Discussion ensued regarding pipe sizing and use of a re-regulation reservoir as a potential regional pond facility.

In response to a question from Vice President McGuire, Mr. Woodard discussed ownership of existing infrastructure in the area. Mr. Woodard confirmed that Vic Johnson currently owned the majority of the land.

Director McKenzie moved to approve the comment letter for the Preliminary Plat of Canyon Ranch. Director Rathbun seconded the motion and it carried unanimously.

Policy 2.6, Leave Donation, Rev. 2: Mr. Freeman discussed the change from 24 to 12 months of employment for participation in the program, which allowed employees to donate vacation to an employee in need. Mr. Freeman said there was no cost to the District, as vacation banks were owned by employees, not the District. The only other changes were updated format, retention schedule and history.

Director Rathbun moved to approve the revisions to Policy 2.6, Shared Leave. Director McKenzie seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2013-02, Canyon View LID: Mr. Freeman reported that a participant approached KID regarding interest rate currently set at 8.25%. He said staff reviewed the matter and determined it was in the District's best interest to keep all terms and conditions the same but set the interest at 3.75% retroactive to the establishment of the loan, with no prepayment penalty.

In response to a question from Director Hermanson, Ms. Storms said not all participants were current on payments, but the change would only affect interest, not penalties. Discussion ensued regarding methodology used to set interest rate and corrections to the pending interest.

In response to questions from Director Rathbun, Mr. Freeman said KID was applying what was learned from the bond counsel to future LID formations. Ms. Storms confirmed this was a unique situation. Ms. Storms said further work was needed on the policy on interest rates because of upcoming longer term repayments.

Vice President McGuire and Director Hermanson reported they were neighbors to participants in the LID and would abstain from voting.

Director McKenzie moved to approve Resolution 2013-02, Canyon View Irrigation System Local Improvement District Revised LID Assessment Roll and Terms. Director Rathbun seconded the motion. Directors Huffman, McKenzie and Rathbun voted in favor. Directors McGuire and Hermanson abstained. The motion carried.

Resolution 2013-05, Sale of Real Property: Ms. Smith reported that the sale to HAPO was approved October 2, 2012 based on a record survey. She reviewed terms of the final agreement, reported that the due diligence period was met and a latecomers agreement was agreed upon. She asked the Board to approve the resolution memorializing the sale.

Director Hermanson moved to approve Resolution 2013-05 authorizing the sale of KID #7015, Stoneridge Lot 1, Block 1, to HAPO Community Credit Union for the total cash

purchase price of \$881,219.00. Director Rathbun seconded the motion and it carried unanimously.

STAFF REPORTS:

Finance Manager: Ms. Storms distributed 2012 year-end financial statements to the Board and discussed the year end open period until late January. She reviewed highlights of the report. Pages reviewed included:

- Balance Sheet as of December 31, 2012 – Final
- Statement of Revenues & Expenditures - Budget to Actual - Summary.
In response to a question from Vice President McGuire, Ms. Storms said less money was transferred from reserves for the irrigation operating fund because less money was required than expected and assessments revenue was higher than anticipated. She discussed the capital work budget calendar year.
- Grant & Matching Funds Schedule
- Red Mountain Revenue to Budget (new report)
- Fund Balance Change – Year ending 12/31/2012.

President Huffman clarified that expenses incurred by the District for the Red Mountain South LID would be repaid by that LID.

Vice President McGuire requested that policy numbers be added to policy-driven fund reports.

Ms. Storms said year-end financial statements were due to the State Auditor by May 30th and reported that the auditors would be here this year for the biennial audit.

Ms. Storms said there was only one property left on the foreclosure list and she hoped to have it resolved without a foreclosure sale.

Ms. Storms said she expected assessments to be mailed by the 10th or 12th of March.

Vice President McGuire moved to accept treasurer's financial reports. Director McKenzie seconded the motion and it carried unanimously.

Engineering/Operations Manager: On behalf of Mr. McShane, Mr. Woodard reported:

- Lining on the Badger East Canal was approximately 80% done and crews were prepping a small reach upstream from Gage.
- First interviews for Staff Engineer and Maintenance positions would be held in the next couple weeks.
- Changes in TruePoint for the 2013 year were being finalized.

President Huffman commended the employees working on lining for their hard work.

Planning Manager: Mr. Revell reported:

- Planning staff from the City of Richland and KID met last week regarding the Amon Wasteway and drain issues centered on the expected subdivision of Beer Falls.
- The County Shoreline Advisory Committee met last week in Prosser. The KID's expectation that, in areas where county has discretion, drains and wasteways not be treated as habitat was communicated.

- Mr. Revell attended the County Planning Commission's Red Mountain Master Plan hearing. He reported that the County was ready to adopt Red Mountain Master Plan into their Comprehensive Plan.

Mr. Revell said Mr. Wade attended that hearing and asked about Agenda 21 Sustainable Development, as he has at KID in the past. Mr. Revell told KID's Board neither the Master Plan nor KID's activities have anything to do with Agenda 21.

Mr. Revell said sites for a wine village and a visitor serving area, previously shown on KID properties had been removed from the map, but were still included in the text.

In response to a question from Vice President McGuire, Mr. Revell discussed the vision of the master plan and zoning code limitations, and said he did not think the master plan would be an impediment to whatever path KID board chose to take with regards to the water tower.

District Manager: Mr. Freeman reported:

- Red Mountain South LID participants including Ste. Michelle Wine Estates had been notified of the public LID meetings, and the design committee minutes were on the KID website. He noted that Ste. Michelle Wine Estates did not come forward until the last meeting, where other LID members in attendance were 17 to 2 against burying the tank. He added that other options to mitigate the impact of the tank were available. Mr. Freeman suggested that the LID, not KID, respond to Ste. Michelle Wine Estates, as KID was only an LID member.
- The consultation inspection with Labor and Industries went well and the few items found were being addressed. Mr. Freeman reported there were no concerns with the process being used for the canal liner installation.
- Time Loss L&I cases were reviewed the Washington Farm Bureau Claims Manager. The Farm Bureau will meet with KID quarterly on safety program matters.

President Huffman called a short break at 10:25 a.m. and the meeting resumed at 10:32 a.m.

WORKSHOP:

Integrated Plan Implementation: Mr. Revell introduced Wendy Christenson, Technical Projects Program Manager, and Chris Lynch, Hydraulic Engineer, from the USBR. He briefly reviewed key events in the history of the integrated plan project including:

- 1945 Consent Decree
- 1953 KID-USBR Repayment Contract
- 1977 Drought
- 1977 Acquavella Adjudication
- 1979 YRBWEP I law
- 1994 YRBWEP II law
- 1999 ESA Listing for Steelhead
- 2003 Storage Study
- Workgroup formed in 2009 and plan completed in 2010

Mr. Revell clarified two items in the meeting packet memo: the integrated plan had 170,000 acre-feet of conservation and the statement that severe drought was modeled at 30% of water supply was in error.

Mr. Revell said three options for the future of KID's water supply depended on whether the Integrated Plan was implemented and whether KID determined to buy into the plan to purchase

access to the newly managed water. He distributed and briefly discussed an email from 2010 regarding items of concern in the draft integrated plan.

Mr. Lynch displayed charts illustrating possible future water supplies with and without implementation of the Integrated Plan, and explained they were based on modeling of past drought years. He discussed KID's prorated water supply. Discussion ensued regarding water rights and how prorating worked for KID and other districts.

Mr. Lynch noted that KID's diversion was downstream of Parker and could take advantage of return flows between Parker and Prosser as long as minimum levels at Prosser were maintained. He said USBR accounting was done at Parker. Discussion ensued regarding KID's rights to water in the river if it wasn't return flow and depending on levels in river. Mr. Lynch USBR able to use natural flows to meet diversions.

In response to a question from President Huffman, Mr. Revell said he recalled work by Darryll Olsen (Pacific Northwest Project) had determined that KID's canals would cease to operate correctly below about 150 cfs.

Mr. Lynch displayed hypothetical models of the future based on the period 1991 to 1995 with the integrated plan implemented and without KID involvement, and without the integrated plan implemented and with conservation projects that USBR confident would be implemented. Mr. Revell noted that conservation alone would not be sufficient to fix water supply issues. Mr. Lynch noted that conservation measures would reduce return flows causing more water to have to be released from storage to meet downstream obligations. Discussion ensued. Mr. Lynch went into further detail about upstream releases relative to flows and target flow at Parker. He said one of the uncertainties about the effects of upstream conservation was the effect on downstream diversions like KID, but added that implementation of the Integrated Plan would stabilize diversion.

Mr. Lynch displayed similar hypothetical modeling of the future based on the period 2001 to 2005. He emphasized that with a stable upstream water supply at 70% even in drought years, KID's water supply should be stabilized, but said there were uncertainties like effects of water conservation, legislation to increase target water follow at Prosser for the Endangered Species Act, and wells and pumping.

Mr. Freeman asked whether KID might be disqualified from benefiting from the plan due to urban water use and the water being subsidized. Ms. Christensen said she did not have an answer. She noted that the Implementation Committee was non-federal and said Jerry Kelso (Columbia-Cascades Area Manager) had talked about authorizing the Yakima Project for municipal but it was not yet. She emphasized the importance of KID participation in the work group because of the District's unique circumstances.

In response to a question from Vice President McGuire, Ms. Christensen discussed the payment capacity analysis. She said she did not expect any one district would be expected to pay over their proportional share based on other district's inability to pay. Mr. Iller discussed the historic requirement for an ability to pay analysis before the federal government authorized projects and it was to ensure the lands benefitted by the project had the ability to pay construction costs back. Mr. Revell reported that KID had a conference call with the economist in Denver last Thursday and provided information on the District's customer base.

Mr. Revell briefly reviewed the report in the packet regarding staff involvement level and costs.

Ms. Christensen provided an update on the Implementation Committee, which asked for formation of a multi-agency DC leadership group which would meet on February 28th then have a follow up call with the regional group in March.

Mr. Freeman asked the Board to weigh in on the level of involvement they expected from District staff and noted that if Mr. Revell continued at this level of involvement, there could be additional staffing needs in the planning department. Discussion ensued regarding benefit to District from involvement in this project, other KID project needs from the Planning Department and staffing options.

In response to questions from Director McKenzie, Mr. Lynch said that if KID were part of the plan as a prorated district, it would be guaranteed 70% supply in a bad year. He did not know what supply KID would realize if it did not buy in, though the proration rate would be the same as now, because of the uncertainty with return flows over time.

Ms. Christensen said it was still early in the process and encouraged KID to stay engaged. Director Rathbun said he thought it would be imprudent for KID to disengage this early in the process. Director McKenzie agreed, but said the level of Mr. Revell's time spent on the project was an important question. Mr. Freeman said he would report back to the Board if the time commitment became an issue.

President Huffman said the project may take years and encouraged the Board not to micro-manage the staffing issues that were management's responsibility as the Board's responsibility was to set policy. Director Hermanson advised that in house staffing changes be based on ability and nothing else.

EXECUTIVE SESSION: At 11:51 a.m., on behalf of the presiding officer, Mr. Iller announced that the Board would go into executive session to discuss with legal counsel potential litigation in the form of proposed action or current practice pursuant to RCW 42.30.110(1)(i)(iii) regarding board governance issues for estimated 15 minutes. He said no action was expected following executive session.

At 12:08 p.m., the meeting returned to open session.

Director McKenzie moved to adjourn the meeting at 12:08 p.m. and Vice President McGuire seconded the motion. It carried unanimously.

Attest:

Witness:


Gene Huffman, Board President
Approved April 16, 2013


Chuck Freeman, District Manager

Prepared by Doris Rakowski