



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, December 3, 2013, 9:00 a.m.

President Huffman called the meeting to order at 9:03 a.m. and Mr. Freeman called roll.

Directors Present:

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

Staff Present:

Chuck Freeman, District Manager
 Colleen Storms, District Treasurer
 Seth Defoe, Planning Manager
 Michael Frey, GIS/Environmental Compliance Spec.
 Jason McShane, Engineering/Operations Manager
 Robert Blain, Asst. Operations/Maintenance Manager
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel

APPROVAL OF AGENDA: At the request of Mr. Freeman, Travel Requests-NWRA 2014 Leadership Forum was moved from the consent agenda to action items.

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

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

Items included on the consent agenda were:

1. Minutes, KID Board Special Meeting, November 23, 2013
2. Letter to WDFW commenting on the Hydraulics Code Rules Changes Draft PEIS
3. Letters to USBR commenting on Scope of the Kachess Drought Relief Pumping Plant and Keechelus-to-Kachess Conveyance EIS, and Scope of the Cle Elum Pool Raise EIS
4. Vouchers/Warrant Approval

Accounts Payable

Numbers: 67213 through 67293 \$ 522,795.75

Total Accounts Payable 522,795.75

Payroll

Numbers: 32645 through 32651 \$ 7,277.67

Direct Deposit 11/14/2013 71,711.47

Total Payroll 78,989.14

Total Disbursements \$ 601,784.89

Voided Checks: Ck# 67140-67141, 67143-67156, 67159-67163; lost in mail

PUBLIC COMMENTS (Matters other than Equalization):

John Trumbo, Kennewick City Councilman Elect, addressed the Board regarding the upcoming KID election. He expressed concern about the level of publicity about the election and voter participation. He complained about how irrigation districts elections are done in Washington. Mr. Trumbo questioned the Directors' credibility as public officials and called all recent irrigation district elections a sham.

Mr. Freeman said that Mr. Trumbo knew KID follows state law and advertized more than required. He asked Mr. Trumbo if he was addressing any other irrigation districts and what the City of Kennewick did to get out the vote. He said that now that Mr. Trumbo was an elected official he needed to be respectful of other elected officials. Mr. Freeman said that the state law was old and it was not KID's fault that KID had to follow it.

Mr. Trumbo said the KID Board could choose to initiate an effort to change state law.

President Huffman said he was not embarrassed to be on the Board and that the Directors were all capable of doing their job. He said that the Board followed the laws.

Jim Wade, Candidate for KID Board, said he agreed with some of Mr. Trumbo's points. He said KID advertized in the legal classifieds, which common people don't read.

Regarding private lines, Mr. Wade asked what KID had done with assessments from people in private line areas since KID says it can't do anything in private line areas. He said he thought KID wanted to charge people in those areas to have an LID in order to get more of their money.

Mr. Freeman asked Mr. Wade if he thought it was ok to give his money to people in private line areas.

Mr. Wade said KID gave his money to Red Mountain.

Mr. Freeman said the Red Mountain South LID would pay back all money spent on the LID with interest. He stated that it was not legal to use public resources for a private system. He noted that people in private line areas were getting water, which had value.

Jerry Martin, 3101 Canyon Lakes Drive, said he was concerned about KID's proposal for a 3.5% rate increase. President Huffman asked him to hold his comments for the board of equalization comment period.

PRESENTATIONS:

Financial Reports for October 2013: Ms. Storms displayed the October 31, 2013 financial reports and reviewed highlights. Pages reviewed included:

- Balance Sheet as of October 31, 2013
- Statement of Revenue & Expenditures – Budget to Actual – Comparative.

Vice President McGuire noted that the financial report broke out electricity, distribution expenses and transmission expenses based on the amount and type of service provided to different rate payer groups and said the District was already meeting Mr. Wade's expectation of identifying costs for different types of rate payers and charging them accordingly. Ms. Storms confirmed Vice President McGuire's observation and said the District identified that as an important element for being fair in rates and continued to collect data for that purpose.

In response to a question from Mr. Freeman, Ms. Storms confirmed that the \$10 million Department of Ecology (DOE) grant for Red Mountain was not rate payer money. She said half was granted by DOE with an agreement that when the \$5 million was repaid by the LID landowners to the DOE, it would be kept by KID in a conservation fund for reuse on conservation projects with approval by the DOE. The other half would be repaid to the DOE by the LID landowners.

Ms. Storms discussed the District's good financial health and said low debt, cost cutting, restricted reserves, and Board oversight helped achieve that. She confirmed to Vice President McGuire that there had not been a rate increase during the last three years while reserves were being built. Ms. Storms said she would report on cost cutting and the building of the reserves at the next meeting.

Vice President McGuire moved to accept the financial report as presented. Director McKenzie seconded the motion and it carried unanimously.

PUBLIC HEARING:

Board of Equalization: Mr. Freeman reported that the 2014 assessment roll was presented to the Board on November 5th, 2013, and since that date had been available for inspection in his office. He said the District gave notice by publication in the Tri-City Herald legal notices on November 8th and 10th of 2013 that the 2014 Assessment Roll had been filed with the KID Board of Directors and that the Board of Directors, acting as a board of equalization, would meet on December 3rd, 2013 at 9:00 a.m. to equalize assessments.

Director Hermanson moved to open the Board of Equalization. Director Rathbun seconded the motion and it carried unanimously.

President Huffman opened the floor for public comment.

Jim Wade, 1813 S Rainier Place, said he was curious why, when the 2013 budget was \$28,889,229 and the projected 2014 budget was \$21,541,600, or \$1,347,6292[sic] less than 2013, the District wanted to raise assessments by 3.5%. He repeated his complaint about putting notices in the classified instead of taking out an ad or putting them in the newsletter. He asked if the newsletter had information about getting an absentee ballot.

Directors Rathbun and McGuire reminded Mr. Wade to stay on the topic of equalization.

Mr. Wade said the board of equalization notice could also be in the newsletter. Mr. Wade complained about the District and other government agencies spending the people's money and said grants were taxpayers' money. He began to speak about travel expenses.

Mr. Freeman and President Huffman reminded Mr. Wade that the topic was equalization.

Mr. Wade said it pertained to equalization because it was wasted money and trying to raise dues for it. He said money spent on meetings would be better spent on pumps or anything else. He said he received a letter saying the District was allowed to do it, but that he provided a 1965 Attorney General's Opinion that said it was illegal. Mr. Wade said RCW 39.34.190 only pertained to water management and only in Washington State. Mr. Wade began to speak about having money in his LID.

Mr. Freeman and President Huffman reminded Mr. Wade again that the topic was equalization.

Mr. Wade asked what it was if it wasn't equalization when you take an LID from people. He asked if it was equalization or thievery.

Mr. Iller explained that the purpose of the equalization hearing was to discuss why he believed his assessment on his property was unfair or unequal to the assessments of other people within the District. He said it was not the time to be challenging specific expenditures or overall budgetary priorities. Mr. Iller said he could complain about a 3.5% increase, but the purpose of equalization was to demonstrate that his particular assessment was not fair or equal to other ratepayers' assessments. Mr. Iller further noted that he was preparing a letter to respond fully to Mr. Wade's 1965 attorney general opinion. He said modifications to the statutes since that time specifically authorized the District to spend money on WSWRA and related organizations. He repeated that it was not a proper subject for the equalization hearing.

Mr. Wade asked if Mr. Iller was telling him that wasteful spending had nothing to do with the equalization having to raise dues.

Mr. Iller said the equalization hearing was to show why his specific assessment was not fair compared to the others. He said it was not a time to grandstand about opinions about what are reasonable and unreasonable expenditures. He said Mr. Wade was free to do so in the public comment period, and had done so.

Mr. Wade asked why have a board of equalization when you are going to do what you want anyhow.

Jerry Martin, 3101 Canyon Lake, said he was a member of the Canyon Lake Property Owners Association Board of Directors and represented 935 homeowners in Canyon Lakes. He said he was concerned about the proposal to increase rates by 3.5% at the same time that there was a decrease in quantity and quality of KID water. He said it seemed like there was a decrease in availability of water last year and a decrease in quality because there was a lot of moss in the water. He asked if there was anything the District was able to do about the moss in the water. He discouraged a 3.5% rate increase.

There being no further comments, President Huffman called for a motion to close the board of equalization.

Director Hermanson moved to close the Board of Equalization. Director Rathbun seconded the motion and it carried unanimously.

BOARD REPORTS: None

ACTION ITEMS:

Amendment to Interlocal Agreement with Benton County: Mr. Freeman discussed the Interlocal Cooperative Purchase Agreement between KID and Benton County, which allowed KID access to the Owens Quarry R-87 for gravel and rock for operations and maintenance purposes. He said the agreement could be extended for one more year, after which it would need to be renegotiated. He said staff recommended approval of the extension amendment to the agreement.

In response to a question from Director Rathbun, Mr. McShane spoke about the amount of rock taken from the Owens Pit by KID and the purposes for which it was used.

Director Rathbun moved to approve the Interlocal Cooperative Purchasing Agreement Amendment with Benton County for the purpose of allowing KID to obtain quarry rock from the Owens Quarry. Director McKenzie seconded the motion and it carried unanimously.

Allotment Extension: Mr. Freeman reported that some of the persons who received new allocations in March 2009 had not yet put it to beneficial use. He said allowed one individual an extension last year consistent with the current procedure, but that person and other owners representing 10 parcels and 98.71 acres had not yet put their allocation to beneficial use.

Mr. Freeman reviewed the history of these allocations and the policy. He said the policy was suspended in March 2009 and recommended the new rules beneficial to these cases apply. He said staff recommended the Board grant extensions to these parties until April 30, 2015 and staff would request in writing that each party provide a development schedule to the District Manager regarding their intent for putting their allocations to beneficial use.

Discussion ensued regarding the recommended length of extension. Vice President McGuire spoke in favor of a 2014 deadline and Directors Hermanson and Director Rathbun spoke in favor of staff's recommendation. Mr. Freeman clarified that staff's intention was that the water be put to beneficial use by April 30, 2015 or the Board would rescind the allocation at the first Board meeting in May 2015.

Director McKenzie moved to grant an extension until April 30, 2015 to the parcels listed on Attachment A and direct staff to request a development schedule from same. Director Rathbun seconded the motion. Directors Huffman, McKenzie, Rathbun and Hermanson voted aye. Vice President McGuire voted nay. The motion carried.

Travel Requests-NWRA 2014 Leadership Forum: Mr. Freeman reported that Vice President McGuire and Mr. Freeman requested to attend the meeting. He discussed the importance of national water right planning to the Yakima Basin and KID. President Huffman indicated he also wanted to attend.

In response to a question from Vice President McGuire, Mr. Freeman said some of the national issues discussed at NWRA meetings which affect KID included the Endangered Species Act, climate change, drought management, water resource planning, coordination with other entities, new USBR regulations to require discharges from streets and other facilities to meet the Clean Water Act, the Environmental Protection Agency trying to change law to consider canals as water body of USA regulated similarly to rivers and streams, and the Food Safety Modernization Act rules adoptions.

Discussion ensued regarding potential impact on the District if the Food Safety Modernization Act rules required irrigation districts to treat canal water to potable quality and removed certain chemicals from use for weed control. Mr. Freeman reported that the Board submitted comments on the proposed rules directly to the Food and Drug Administration.

Mr. Freeman reported that he and Mr. Defoe were up for a dual chair on the Columbia Snake River Irrigators Association Board of Directors.

Mr. Freeman spoke regarding the importance of staff and board training.

Mr. Huffman reported that at a USBR meeting a couple years ago the Kennewick Irrigation District was held up as an example of a good id.

Vice President McGuire moved to approve the travel requests for President Huffman, Chuck Freeman and Patrick McGuire to travel to the National Water Resources Association 2014 Leadership Forum. Director Rathbun seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2013-29 Revised 2013 Budget: Ms. Storms addressed the confusion regarding the budget as mentioned by Mr. Wade. She clarified how capital projects, such as the Red Mountain South LID Project, highly inflate expenditures in a year. She said KID's budget was comprehensive, so 2013 and 2014 were not comparable because of differing amounts of the project being built in each year. Ms. Storms said this was why she summarized by like kinds of funds, so as not to confuse matters. She spoke further about her reporting techniques.

Ms. Storms briefly reviewed highlights of changes, including increased insurance cost, payment of settlements, decreased of overtime in operations, a low bill from the USBR, reduction of departmental expenditures, fluctuation of Red Mountain South LID expenditures, and building of reserves. She briefly discussed the purpose of the resolution and said KID considered a sole fund by government but that the District internally restricted use of certain funds.

Ms. Storms confirmed to Director Rathbun that the audit field work was done, but the exit interview had not been scheduled.

Vice President McGuire moved to adopt Resolution 2013-29 Revising the 2013 Budget and revised authorized positions list. Director Rathbun seconded the motion and it carried unanimously.

STAFF REPORTS:

Finance Manager: None. Ms. Storms left the meeting to attend an appointment.

Engineering/Operations Manager: Mr. McShane introduced Robert Blain, the new Assistant Operations/Maintenance Manager. Mr. McShane reported:

- Lining work could continue to 20 degrees F.
- Heavy earth work on Division 4 was underway.
- A pipeline materials purchase for the Cherry Creek and Olympia Street project was planned. An informational meeting was tentatively scheduled for December 19th for people in those areas. Benefits include decreased of risk by removal of old open air laterals, increased service, and reduced long-term cost through removal of obsolete facilities.
- The pre-emergent weed treatment was in progress. Mr. McShane discussed changes to the program.

Discussion ensued regarding winter work.

In response to a question from Vice President McGuire, Mr. McShane discussed the use of federal grants, with matching funds including in kind expenditures, for purchase of materials for canal lining. Discussion ensued regarding benefit to the District and Yakima Basin from federal grants, which would be spent elsewhere if not given to KID.

In response to a question from Director McKenzie, Mr. McShane discussed coordination of KID in-street work with the city's street resurfacing at the Cherry Creek Project.

Planning Manager: Mr. Defoe introduced Mike Frey, the new GIS/Environmental Compliance Specialist. Mr. Defoe reported:

- David Child, the Yakima Basin Joint Board Biologist, surveyed the Amon Wasteway a few weeks ago and found two Coho reds or nests, but no live or dead adult salmon, and an old breached beaver dam above the CID flume and a newer dam below it.
- Mr. Child would be proposing to study the west fork of the Amon Wasteway (East Badger Drain) where agricultural return flows created a wetland-like environment. He reported that wetland mitigation credits had been purchased in the area in connection with highway construction projects. He said KID tried to balance stewardship of area with operation of KID canals. Mr. Child would make a presentation to the Board at the next Board meeting.
- Ms. Rosenbaum was assisting Ms. Smith in the Realty Department.

President Huffman thanked Planning, Realty and staff for time and effort put into the sale of the Red Mountain surplus properties.

Vice President McGuire requested a later report on when mitigation credits were bought in the Badger Drain area. Mr. Defoe said they were purchased when Highway 240 expanded in the early 2000s. Vice President McGuire questioned whether that was in the KID right of way.

District Manager: Mr. Freeman reported:

- Scott Musser would provide a report to the Board on sale of surplus properties at Red Mountain at the next Board meeting.
- The funding gap resolution would need to be updated.
- A policy for the revenue stream from funding of the gap for the construction project would need to be drafted.
- A policy was being drafted for Red Mountain assessment principles and would be routed through committee.
- A private line area policy would be brought to the Board for action.
- A drought management policy would be brought to the Board, with the procedure to follow.
- Staff met with USBR last week regarding the inclusion process. Inclusions had been in process 18 months, though it was supposed to take 90 days.
- Staff would begin to visit people who had relegated allocations to make sure not they were not irrigating with project water.
- The awards banquet would be from 6:00 p.m. to 9:00 p.m. Saturday at Canyon Lakes Golf Course.

Mr. Freeman said the rate increase was defensible. He reported there were no rate increases for the last four years. He said budget management was tight and, despite weed growth in canals effecting turnouts, KID was providing a higher level of service.

Mr. Freeman discussed the value of cooperation. He said KID and the City of Kennewick had a couple projects important to the City and the District, and he hoped that the District relationship with the new Council continued in positive fashion.

President Huffman noted that the paper just reported that the City of Pasco was thinking of raising water rates 10%.

WORKSHOP: None

Executive Session: None

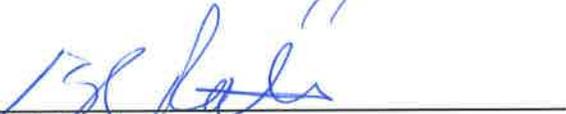
Director McKenzie moved to adjourn the meeting at 10:29 a.m. and Director Rathbun seconded the motion. The motion carried unanimously.

Attest:

Witness:


Gene Huffman, 2013 Board President


Chuck Freeman, District Manager


Kirk Rathbun, 2014 Board President
Approved February 4, 2014

Prepared by Doris Rakowski