



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, November 18, 2014, 9:00 a.m.

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

Directors Present:

Gene Huffman, Vice President
 Patrick McGuire, Director
 David McKenzie, Director
 Dean Dennis, Director

Staff Present:

Chuck Freeman, District Manager
 Colleen Storms, District Treasurer
 Seth Defoe, Planning Manager
 Jason McShane, Engineering/Operations Manager
 Jaime Britton, Senior Accountant
 Lynda Rosenbaum, Real Property Manager
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel

APPROVAL OF AGENDA: Vice President Huffman added Financial Reports for October 2014 and approval of Resolution 2014-29, Sole Source-Rubicon to the agenda.

Director Dennis moved to approve the amended agenda. Director McKenzie seconded the motion. All present voted in favor and the motion carried.

CONSENT AGENDA: Director McGuire moved to approve the consent agenda. Director McKenzie seconded the motion. All present voted in favor and the motion carried.

Items on the consent agenda were:

1. Minutes, KID Board Meeting, November 4, 2014
2. Comment Letter on Cle Elum Pool Raise Project Draft Environmental Impact Statement
3. Granting Easement to Department of Natural Resources
4. Short Plat 2014-39 Alexander - RSD - Dry
5. Vouchers/Warrant Approval

Accounts Payable

Numbers:	69110 through	69140	\$	128,275.48
	69141 through	69158		<u>496,718.48</u>

Total Accounts Payable

624,993.96

Payroll

Numbers:	32905 through	32916	\$	12,075.79
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Direct Deposit	10/30/2014	<u>82,986.28</u>
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Total Payroll

95,062.07

Total Disbursements

\$ 720,056.03

Voided Checks: None

PUBLIC COMMENTS: None

PRESENTATIONS:

Financial Report for October 2014: Ms. Storms displayed the October 2014 financial reports which were distributed before the meeting. She reviewed highlights of pages including:

- Balance Sheet as of October 31, 2014 – Final
- Statement of Revenue & Expenditures – Budget to Actual – Summary
- Fund Balance Change through October 31, 2014

Director McGuire moved to accept the financial report as presented. Director Dennis seconded the motion. All present voted in favor and the motion carried.

PUBLIC HEARING: None

BOARD REPORTS:

Director McGuire reported on attendance of the National Water Resource Association (NWRA) annual conference. He spoke about discussion of drought measures needed in southwestern states including desalination, reuse, and measurement of salinity. He said a presentation on underground scanning technology was made by XRI corporation, and said they would provide a briefing to the KID Board on December 2nd and then to the Washington State Water Resources Association (WSWRA). Mr. McGuire said there was a possibility of combining with other districts for such services.

Vice President Huffman added that United States Bureau of Reclamation (USBR) Pacific Northwest Regional Director, Lorri Lee, had expressed concern that in five years the USBR would be losing a significant portion of its workforce and there were less incoming engineers.

ACTION ITEMS:

Policy 1.2, Policies and Procedures: Mr. Freeman presented the policy which had been updated to clearly state the appropriate approval level for District and departmental policies, and District and desk procedures.

Director McKenzie moved to approve Policy 1.2, Policies and Procedures, Revision 3. Director Dennis seconded the motion. All present voted in favor and the motion carried.

Set Hearing Date for Red Mountain South LID Confirmation: Mr. Freeman reported that the Red Mountain South Local Improvement District project was near completion and a hearing was needed to set the assessments. He discussed scheduling the hearing and publishing notices. Mr. Freeman requested that the hearing be held at the District office.

Director Dennis moved to approve setting the Hearing Date for the Red Mountain South LID project assessment confirmation at 7:00 p.m., January 8, 2015 at the KID office at 12 W. Kennewick Ave., Kennewick, WA 99336. Director McKenzie seconded the motion. All present voted in favor and the motion carried.

Draft 2015 Budget: Mr. Freeman referred to his annual budget letter and said staff was requesting a 2.5% increase in irrigation operating rates, charges, assessments and the capital improvement program. He said the draft budget presented a realistic picture of expected revenues and expenses. He touched on topics including salaries and benefits and potable systems.

Ms. Storms displayed pages of the draft budget and reviewed highlights from pages including:

- FTEs by Department – Comparative 2007-2015 (Proposed-Without Temps)
- Salary ranges and Positions – with Proposed Changes (Rev 2) Mid-Year 2014 Authorized Positions 2014 and 2015: Ms. Storms said this page would be part of the budget resolution when approved by the Board.
- Summary of Budgeted Revenues/Expenditures for Fiscal Year 2015: Ms. Storms spoke about a one-time expense for purchase of financial software and asked that the \$80,000 be funded from the Realty Reserve to avoid raising rates further. Discussion ensued regarding complying with the provisions of the Realty Reserve policy. Ms. Storms briefly spoke about other reserve fund balances.
- Summary of Fund 0400 Irrigation Expenditures by Department – Comparative 2015 Original to 2014 Revised – For Presentation November 18, 2014

Director McGuire suggested holding an additional Finance Committee next week to allow the budget to come to the first Board meeting in December for approval. Director McKenzie requested that the other committees look at details of the proposed budget. Mr. Freeman recommended emailing the draft budget to directors. Mr. McShane noted there was an Operations and Engineering Committee meeting scheduled for Thursday.

RESOLUTIONS:

Resolution 2014-26, Appointment of Claims Agent: Mr. Freeman presented the housekeeping action to record the identity of the agent and the address where he or she may be reached during the normal business hours with the county auditor.

Director Dennis moved to approve Resolution 2014-26, Appointment of Claims Agent. Director McGuire seconded the motion. All present voted in favor and the motion carried.

Resolution 2014-29, Sole Source - Rubicon: Mr. Freeman reported that, based on discussions with Rubicon representatives, if approved, this order needed to be placed promptly to allow gates to be received in time for installation before next water season. He said this was a sole source purchase because of compatibility with existing District technology and unique features available from Rubicon only.

Mr. McShane displayed a canal system flow chart and reviewed the history and current state of the District's canal measurement systems. He discussed staff proposals for automated controls at monitoring sites and described benefits of remotely controlled gates. He reported that the District already had Rubicon gates which were working well.

Mr. McShane described characteristics of Rubicon gates. He said the failsafe mode for Rubicon gates of their current state was a significant safety benefit. Other beneficial design characteristics included non-submerged operating mechanisms and aluminum construction. He reported that no product in the industry except the Rubicon SlipMeter gate could provide 97.5% accuracy of flow metering. He also noted that these gates could retro-fit into existing structures, avoiding the necessity of archeological and historical reviews with the USBR. The SlipMeter gates would also reduce the number of needed gates, sensors, and controllers.

Mr. McShane asked the board to approve the sole source purchase of five SlipMeter gates and up to ten FlumeGates or SlipGates. He discussed the importance of using gates with consistent parts for future repair, maintenance and upgrading. He confirmed that the total purchase budget was not to exceed \$500,000 for fifteen gates.

In response to a question from Director McGuire, Mr. McShane spoke about programmable logic controllers and SCADA technology. He further reviewed the canal system flow chart and discussed how the proposed gates would address current challenges balancing needed flows and improve emergency response. He went into more detail about system redundancies, and planned locations and functions of the gates.

Mr. McShane recommended that the purchase be funded from the Drought Mitigation fund. He spoke about the benefits of remote monitoring and control of gates to meeting challenges of drought including more rapid response, less staff time and determining appropriate flow at multiple locations to respond to peak demands.

In response to a question from Director Dennis, Mr. McShane spoke about gate installation.

In response to a question from Director McKenzie, discussion ensued policy for refunding the Drought Mitigation fund. Mr. McShane said the payment to Rubicon would be upon receipt of the gates in several months.

Mr. McShane confirmed to Director McGuire that there would be a training program and varied levels of responsibility for employees, as well as a formal preventative maintenance program. He spoke about having a list of standard parts for replacement and repair. He also confirmed that recently purchased Wonderware software would communicate with Rubicon gate software.

In response to a question from Director McGuire, Mr. Freeman said this system would be built consistent with recommendations of the cyber review by the Tieton Group.

In response to questions from Director McGuire, Mr. McShane spoke about hypothetical gate failure and manual control options, responding to daily water orders, and canal capacity.

Director McGuire spoke in opposition of fully funding the purchase from the drought mitigation fund as the gates had operational purposes. He expressed concern spending from the drought mitigation fund would limit response options when droughts occurred. He recommended no more than 20% be paid from the drought mitigation fund with the rest from general operations.

Mr. Freeman spoke about the creation of internal special purpose fund and said this was a drought mitigation project.

Mr. McShane noted that many drought relief water sources were either ineffective or no longer. He said remaining response options included fallowing or drilling emergency wells. He said the reservoir was still important for drought management. Mr. McShane said that, while the gates would be helpful to regular operations, the District could survive without them for regular operations, but the gates were critical for functioning in the case of drought. He spoke further about savings of staff time changing gates to respond to drought conditions.

Discussion continued regarding the source of funding.

Vice President Huffman spoke about the importance of preparing for droughts in advance.

Mr. McShane confirmed that there were benefits to the District outside of drought management, but said this was an appropriate drought mitigation expense.

Mr. Freeman said this use was consistent with the drought mitigation policy.

Director McKenzie said he didn't like using up reserves, agreed that this was one of the purposes for which the reserve was created. He said he didn't think the district was ready for a larger rate increase, if there were no other funding source.

Director Dennis spoke in favor of funding the project from the drought mitigation fund.

Discussion continued. Mr. McShane thanked the board for engaging in thoughtful debate regarding funding sources.

Director McGuire moved to approve funding the purchase and installation of up to 15 Automated Control and Metering gates in an amount not to exceed \$500,000 from the Drought Mitigation Fund. Director McKenzie seconded the motion. Directors McKenzie, Huffman and Dennis voted in favor. Director McGuire voted no. The motion carried.

Director Dennis moved to approve Resolution 2014-29, Authorization to Waive Competitive Bidding and Award a Contract to Purchase Rubicon Automated Control and Metering Gates pursuant to RCW 87.03.435(3)(c). Director McGuire seconded the motion. All present voted in favor and the motion carried.

Vice President Huffman called a short break at 11:04 a.m.
The meeting resumed in open session at 11:13 a.m.

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- Foreclosure letters was being sent to about 90 property owners. Only one property still on list from 2010 and additional notices were being made, including in Spanish.
- Preparations were underway for the Red Mountain South LID hearing and the final cost number were expected to be known weeks before the hearing date.
- Ms. Storms contacted TruePoint regarding additional functionalities needed before water on next year, including access ability for title companies and water users.
- Staff was almost ready to begin negotiations with software companies.

Director McGuire commended staff for reducing the number of accounts in arrears, limiting necessary foreclosures, and implementing the helping hands program.

Engineering/Operations Manager: Mr. McShane reported:

- The USBR reviewed the turbine with a repaired crack and determined it did not need to be replaced this year. Mr. McShane said he would inspect it as well.
- Vegetation management applications were completed for water off.
- Capital projects were ongoing.
- Director Dennis would tour the Red Mountain South LID site tomorrow.

At Vice President Huffman's request, Mr. McShane spoke phases of work for canal lining.

Mr. McShane reported that a grader slid down hill and tipped last week. No injuries occurred. Supervisor Kingsley Berg's review concluded that the operator responded appropriately. Damage to the equipment and needed repairs were being evaluated. Another grader had been rented from the state contract and was on site. A GPS unit would be installed on that grader. Mr. McShane credited operator training from Mr. Berg with the good outcome from this incident.

Planning Manager: Mr. Defoe reported:

- NWRA conference participants indicated that federal rules such as the Waters of the U.S. were unlikely to be overturned.
- Mr. Defoe attended a workshop on the Food Safety Modernization Act. The modified rules were not substantially changed, but would primarily impact farmers, not irrigation districts. Additional comments by the District were being considered.
- The Integrated Plan would primarily benefit fish and water supply for upstream prorateable districts. Staff would meet with the USBR and the Department of Ecology to discuss impacts on KID.

District Manager: Mr. Freeman reported:

- KID's meeting with Deputy Commissioner Lowell and Regional Manager Lorrie Lee at the NWRA conference precipitated the December 1st meeting regarding the Integrated Plan. The District has learned the Integrated Plan would harm KID and mitigation was needed. The District would pull support for the plan if the issues were not addressed. Mr. Freeman expected to receive a copy of the model soon. He noted that return flows (KID's water supply) had not been modeled.
- The Board would be asked to set the interest rate for the Red Mountain South LID. The Piper Jaffray memo on the subject was in draft form, but needed to be released to show supportive data for the interest rate. Mr. Iller noted that while Piper Jaffray would want to finalize the report, it was available as a public record as it had been discussed in a public forum. Mr. Freeman said little change was expected from the draft to the final report. He reported that an interest rate of 6.35%, with the administrative fee, was planned.
- Mr. Freeman would be out of the office Thursday and Friday.
- Some Water Off Seasonal Employees had been hired and there was a need for a total of fifteen, so the advertisement would run again.
- Staff would ask the Department of Ecology for a one year extension on the lining grant.
- At the NWRA meeting it was reported that 50% of USBR staff would be eligible for retirement in five years. Training new employees was slowing USBR contract review work.

WORKSHOP: None

EXECUTIVE SESSION: At 11:41 a.m., on behalf of the presiding officer, Mr. Iller announced that the Board would go into executive session for an estimated 10 minutes, to discuss with legal counsel potential litigation in the form of legal risks of a proposed action or current practice pursuant to RCW 42.30.110(1)(i)(iii) regarding water rights. He said action could follow the executive session.

At 11:53 a.m., the meeting returned to open session.

Director McKenzie moved to adjourn the meeting at 11:53 a.m. and Director Dennis seconded the motion. All present voted in favor and the motion carried.

Attest:



Gene Huffman, Board Vice President
Approved December 2, 2014

Witness:



Chuck Freeman, District Manager

Prepared by Doris Rakowski