



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, April 21, 2015, 9:00 a.m.

President Rathbun called the meeting to order at 9:02 a.m. and Mr. Freeman called roll.

Directors Present:

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

Staff Present:

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

Other Persons Present:

Brian Iller, Legal Counsel
 David Child, Biologist, DC Consulting LLC
 Ian Courter, Biologist, Mt. Hood Environmental, and Preferred Partner, Cramer Fish Sciences

APPROVAL OF AGENDA: President Rathbun removed Resolution 2015-09 Red Mountain South LID Debt Issuance from the agenda, and said that there was potential action on the New Administrative Building Request for Qualifications, to be taken in open session after the executive session, if last minute information was available by the end of meeting.

Director Huffman moved to approve the modified agenda. Vice President McKenzie seconded the motion and it carried unanimously.

CONSENT AGENDA: Director Dennis moved to approve the consent agenda. Director Huffman seconded the motion and it carried unanimously.

Items on the consent agenda were:

1. Minutes, KID Board Meeting, March 17, 2015
2. Minutes, KID Board Meeting, April 7, 2015
3. Final Plat – Highland Townhomes Phase 2
4. Vouchers/Warrant Approval

Accounts Payable

Numbers:	70001 through	70028	\$	114,584.50
	70029 through	70072		74,244.45
	70073 through	70092		102,456.85

Total Accounts Payable

291,285.80

Payroll

Numbers:	33067 through	33076	\$	11,529.23
	33077 through	33085		8,421.52

Direct Deposit	4/2/2015			91,444.49
	4/16/2015			91,363.20

Total Payroll

202,758.44

Total Disbursements

\$ 494,044.24

Voided Checks: None

PUBLIC COMMENTS:

Mr. McShane announced that customers from the Oakhills neighborhood were present to address the Board regarding bringing water to their area which was currently served through a private line area (PLA). He said Policy 2.41 KID Surcharges for Construction Improvements, to be considered later in the meeting, would help address this issue.

Mr. McShane read emails in support of the project from Gordon and Angelia Smith, 191604 E Game Farm Road and from Jerry and Kay Brewer. (Appended to minutes)

Danielle Muzatko, 189704 E Game Farm Road, spoke in favor of considering bringing water to their land. She said Jan Currans was present and would like to move forward. She said Patty Burkes and Mike Labeaf were also in favor of the project.

Greg Deweese, 37111 S Coyote Cross, said the project scope should be only for improvements and not include the 40-year old concrete lateral along Game Farm Road, which he said should come from KID O&M funds. Other than that, Mr. Deweese said, he was in favor of the project.

Mr. McShane confirmed to Director McGuire that the project was not planned to be funded as an LID, but under the proposed new surcharge policy. He said staff recommended that costs be spread over 450 acres which would be benefited by the new transmission system when they connected to it.

Janet Kerns, 191708 E Game Farm Road, spoke in favor of the project.

John Ganley, 2343 S Garfield, spoke about his water being off due to problems in a private line area (PLA). He said a manager told him K.I.D. could do nothing about breaks in private lines. Mr. Ganley asked if the District had enforcement powers or could bypass the break. He said the private line break was impacting a lot of people on the east side of Garfield from about 20th.

Mr. McShane said Mr. Ganley's situation was a consistent problem with PLAs, and was why the Board had reviewed policy on the conversion of PLAs and why the surcharge policy was being considered. He said over 4,000 customers in urban areas faced the same challenges. He said K.I.D. was not authorized to install a bypass on infrastructure not owned by the District.

Mr. Freeman said he would try to provide addresses in the PLA to help neighbors work together.

John Trumbo, City of Kennewick Councilman, 3501 S Garfield Place, said he lived in a PLA and was aware solving problems in PLAs was up to the homeowners. Mr. Trumbo said he agreed with allowing a simple majority of homeowners to petition, but was not in favor of the second option of letting the Board to determine it was in the best interest of the District. He said it would allow K.I.D. to convert as many PLAs as possible for efficiency, without input or consent of owners. He asked to Board to not pass the policy with that second option.

Mr. Freeman spoke briefly about public safety issues from having private lines under City streets. He noted that the City had similar tools at its disposal, including councilmanic bonds which were recently passed with no vote of the people. He noted that pursuant to LID statutes, the Board could initiate LIDs. Mr. Freeman said the policy was prepared by Foster Pepper.

Director McGuire asked Mr. Freeman about how cities and their councils can do improvements without a vote by people, and whether Councilman Trumbo was correct that this was an inappropriate process. Mr. Freeman said that was one councilman's opinion.

Discussion ensued regarding risk of damage or injury caused by a faulty private line system. Mr. Freeman noted that, historically, the Tri-City Herald critiqued the District without mentioning when areas were PLAs where state law prohibited the District from expending public resources.

Mr. McShane disagreed that the Board would make a decision in a vacuum. He spoke about representative government, where elected officials, such as K.I.D.'s five-member elected Board of Directors, represented the public. He said it was not unique to irrigation districts and was done all over the country.

PRESENTATIONS:

West Fork Amon Wasteway Study: Mr. Defoe spoke about historic interest in knowing if the Amon Wasteway or its West Fork had suitable habitat for salmon. He reported that main Amon Wasteway study was completed in 2009 and the West Fork Amon Wasteway (Badger Drain) study was completed in March 2015. Mr. Defoe introduced David Child and Ian Courter, Consulting Biologists who completed the study for the Yakima River Basin Coalition.

Mr. Child presented his work on the report on Suitability of the West Fork Amon Wasteway for Salmonids. He spoke about topics including:

- Goals and objectives of the study
- Review of available information and literature
- Amon Wasteway Water temperature
- Field Data Collection including habitat surveys, electro-fishing, temperature logging, flow monitoring and water quality sampling
- Flow information. Mr. Child noted Dr. Smith's 2005 findings that there was very little natural flow in the east or west fork of Amon Wasteway without irrigation induced runoff.

Mr. Courter presented his work quantifying the carrying capacity of the West Fork for juvenile salmonids. He spoke about limiting factors for salmonid habitat suitability including:

- Temperature conditions (Salmon are cold water fish)
- Substrate type (fines, cobble and boulder)
- Composition of habitat types (pool, riffle and glide)

Mr. Courter reported that, in the electrofishing testing of their model, six fish were found in Amon Wasteway reach A and less than one in B or C. He said there were from 1% to 29% less fish than in lower Amon, and less than one percent of what was found in Taneum Creek, a traditional Salmon producing stream. He said the results validated the model estimation.

Mr. Courter said the study concluded that the West Fork Amon Wasteway failed as salmonid habitat conditions due to temperature, type of substrate and lack of riffle.

In response to questions from Director McGuire, Mr. Freeman said the study was done to show that limited state resources should not be used in drains. He said the wasteway's water came from Badger Canyon applied irrigation return flows, which the District could recapture and use.

In response to a question from Director McGuire, Mr. Child spoke about why section C was coolest. He said it had the most applied irrigation percolated through the ground and a large population of Gambusia (mosquito fish), probably planted by mosquito control district.

Mr. Child replied to a meeting attendee, that he worked for the Yakima Basin Joint Board, a consortium of six irrigation interests, and that the report was prepared for the Yakima River Basin coalition, which was a larger group of 14 irrigation interests.

Mr. Iller said the report was responsive to 20 to 30 years claims made about salmon in the Yakima Basin. He said \$2-3 million had been spent over years to protect human use of water.

Mr. Defoe spoke about past belief that Amon Wasteway was a stream and efforts made to have fish passage to the Wasteway. He said the District was asked to support fish passage, but there was not good scientific information on whether that was a good idea. He said these two studies gave a full picture of the perennial flows in the Wasteway.

President Rathbun called a short break at 10:07 a.m.
The meeting resumed in open session at 10:13 a.m.

Financial Reports for January & February 2015: Ms. Storms provided reports for January and February. She spoke briefly about an accounting change made following training from the State Auditor's office which instructed districts to no longer follow the Cities BARS manual instructions on cash basis open period accruals.

Ms. Storms presented the February data. Pages reviewed included:

- Balance Sheet – Final as of February 28, 2015
- Statement of Revenues & Expenditures - Comparative
- Fund Balance Change through Feb. 28, 2015

Director Huffman thanked Ms. Storms for providing clear, up-to-date financial reports to the Board. Ms. Storms credited Jaime Britton for her work.

Current interest rates were discussed. Director McGuire spoke about finding internal investments for District funds in order to maximize interest income.

Ms. Storms confirmed to President Rathbun that the District used cash basis accounting.

Discussion ensued regarding hypothetical appraisal valuing of District assets.

Director McGuire moved to accept the January and February financial reports as presented. Director Huffman seconded the motion and it carried unanimously.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Award Water Resource Management Study: Mr. Freeman spoke about the request for proposals (RFP) for services including risk assessment of canal integrity of up to 40 miles of earthen and concrete canal, analysis of spill and seepage influence of ground water in several areas within the District starting initially with the Badger Canyon area, and the development of an implementation plan addressing project water recapture and reuse. He reported that six firms attended the mandatory pre-award tour and two firms had submitted proposals.

Mr. Freeman said a detailed budget and project timeline would be developed along with a more detailed scope of work. He said project costs are expected to exceed the initial placeholder estimate of \$75,000, and that the proposed motion was not to exceed \$150,000. He said the project would be paid from Carry Forward funds.

At the request of Director McGuire, Mr. Freeman spoke about the purpose of the study, including recapture of seepage as a shock absorber for droughts. Director McGuire spoke about leakage from Badger Canyon canals and applied irrigation.

In response to a question from President Rathbun, Mr. Freeman said a variation of the electromagnetic technology presented to the Board at a previous meeting would be used. Discussion ensued regarding FAA regulations.

Mr. Freeman said that both Shannon Wilson and RH2 Engineering were very good firms which had done work for the District in the past, but the selection team found that RH2 had a better understanding of the District's needs for this project. Discussion ensued regarding how the project would be directed.

Director McGuire spoke briefly about aquifer storage and recovery possibilities.

Director Huffman moved to authorize the District Manager to enter into negotiations with RH2 Engineering for the Water Resource Management Study, in an amount not to exceed \$150,000. Vice President McKenzie seconded the motion and it carried unanimously.

Approve Policy 2.41 KID Surcharges for Construction Improvements: Mr. McShane reported that K.I.D. had most often used local improvement districts (LID) to finance system improvements, but had been looking for a better way to serve private line area customers.

Mr. McShane displayed a map and used Oakhills as an example of an area that could benefit from financing with surcharges, due to the need for improvements to the transmission system for a larger area, as well as the Oakhills distribution system. He spoke about how use of surcharges could allow costs of improving a distribution system to be allocated equitably to users who connect to that distribution system, and costs of improving transmission systems to be allocated equitably to the larger group of users connected to it.

Mr. McShane compared traditional LID financing to the surcharge method, in which people would not be charged until they connected their properties. He said surcharges offered more options for pay off methods as well.

Mr. McShane said surcharges were new to the District, but not unique to irrigation districts, as Board initiated action in the public interest was a normal form of representative government. He reiterated that payment would only occur once connections were made, so the District should be cautious about bringing connections where there was low interest in connecting to the system.

Discussion ensued regarding the level of support for the Oakhills project. Mr. McShane spoke about proposed 33.8 lateral improvements and a future lateral turnout. Contracting construction was discussed.

Tracking and assigning project costs over the years as properties were connected was discussed. In response to a question from Director McGuire, Mr. McShane said he thought the Board may need to decide to decommission old private systems at some time in the future, but he did not think it was necessary in the Oakhills case.

Ms. Muzatko spoke about conservation and preventing water loss, through use of piping instead of open ponds and canals.

Vice President McKenzie said he would like input from property owners before decisions were made under this policy. Mr. McShane spoke about procedural options and suggested use of mailers or informational meetings. Discussion ensued.

Ms. Storms confirmed to Vice President McKenzie that, after speaking with counsel, the decision was made to equalize surcharges in the manner of other charges, though a distinction in the law meant it might not be required.

Mr. Freeman said staff would be constrained, as each project would require Board action. He spoke about possible actions under the policy and recommended establishment of a reserve fund for this type of project.

In response to a question from President Rathbun, Ms. Storms said title reports show existence of a KID assessment, but did not enumerate charges. Discussion continued. Ability to initiate research on projects rather than waiting for petitions, importance of public input, and the option for people not to connect were discussed.

Problems in PLAs were discussed. Ms. Muzatko and another meeting attendee spoke about their experiences and encouraged the Board to step in and help people in these situations.

Mr. Iller spoke of how private line areas came to be created. He said the Board had to consider legal obligations to other rate payers as well as this group. He said LIDs were an option.

President Rathbun said he understood concern that the Board not impose something undesired by the parties involved, but disagreed that the provision would lead to that. He said he was inclined to support the policy after some time in committee.

Mr. McShane spoke further about the order of building and charging for transmission and distribution system. He confirmed that surcharges would be applied only when properties connected. Discussion continued about payment methods.

Mr. McShane spoke about recommendations for the Oakhills system.

Metering, drought and excess water charges were discussed.

Director Huffman moved to approve Policy 2.41, K.I.D. Surcharges for System Improvements. Vice President McKenzie seconded the motion and it carried unanimously.

President Rathbun called a short break at 11:42 a.m.
The meeting resumed in open session at 11:48 a.m.

RESOLUTIONS: None

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- Call volume was high. Ms. Storms said Dana Hernandez provided good, timely answers to the questions from her staff. Discussion ensued regarding Director McGuire's irrigation start up experience and communication between Operations and Customer Service.
- Director McGuire reported that he had been using the portal for daily water, water orders and water on and off. He said it worked on both Apple and Android.

- Less than ten properties remain on the foreclosure list and a lot of Helping Hands requests have been processed.

Engineering/Operations Manager: Mr. McShane reported:

- All but five Rubicon gates have been installed and are being commissioned this week.
- Crews were catching up with those service orders which were keeping systems off line.
- Algae blooms were starting, primarily in the main canal. A difficult year for vegetation control was expected due to hotter temperatures and lower water levels.
- The Cherry Creek project was underway.

Planning Manager: Mr. Defoe reported that the U.S. Bureau of Reclamation (USBR) officially announced the system was on storage control since April 15th and rationing was at 54%.

Mr. Defoe displayed slides and reviewed concerns about conservation water management. He spoke about 2015 in-stream flows at Prosser, in view of Title XII requirements for YRBWEP BCP Conservation, and Section 1208(d) which specifically addressed KID's water supply. He said the plan was that the conserved water, which in a normal year would be used for fish would be available to K.I.D. He said the water, in theory, was in storage at SOAC, and details of how to use it were being worked out. He spoke about electrification options which would allow drive water to remain in the river.

Mr. Defoe said the amount of conserved "shapeable" water that would have been available to KID in a prorated year would be used for KID's diversion, not for fish. He noted that there were other interests which were not happy with this.

Mr. Defoe noted that flow levels at Prosser could be watched on the USBR Hydromet website.

Ensuring that, in the event of electrification of Chandler, the cost of power was paid for by USBR, and that gravity pumps could continue to be used in full water years were discussed.

District Manager: Mr. Freeman reported that Mr. Iller's team met with and the USBR's team. He reported that the USBR decided to contract the modeling which K.I.D. requested.

WORKSHOP: None

Mr. Freeman confirmed to President Rathbun that action was anticipated in open session after executive session to consider approval of an architectural firm for professional services for the new administrative building and for a potential approval of a real estate sale.

EXECUTIVE SESSION: At 12:30 p.m., Mr. Iller announced on behalf of the presiding officer that, following a short break, the Board would go into executive session to consider the minimum price at which real estate will be offered for sale or lease, pursuant to RCW 42.30.110(c) and to discuss with legal counsel pending litigation (Acquavella) as authorized under RCW 42.30.110(1)(i) for approximately fifteen minutes.

At 12:45 p.m., the meeting returned to open session.

ACTION ITEMS:

Award Professional Architectural Services for new Administration Building: Mr. Freeman reported six submittals were received in response to the Request for Qualifications (RFQ). He said the RFQ was weighted and that the committee members individually reviewed and scored

the firms. The clear winner of the committee's ratings was SOLARC. He recommended that the Board award a contract to them and have them begin work immediately to keep on the needed schedule.

Discussion ensued. Mr. Freeman clarified that, if he was unable to negotiate a contract with the first choice, negotiations would take place with the next firm in line. He spoke about scope of the services to be provided, and the processes for purchasing the building and contracting for various parts of the project. Ms. Storms noted that for professional services, the most qualified firm is selected, and price negotiated.

Director McGuire moved to approve the District Manager to award a contract to SOLARC and negotiate of a contract for design and construction management of the administrative building. Director Dennis seconded the motion and it carried unanimously.

Authorizing the Sale of Vista Field, Phase IV, KID #1041:

Ms. Rosenbaum presented an offer to purchase approximately 2.25 acres in Phase IV of Vista Field, received from SIRJMR, Inc. doing business as Treasure Valley Coffee of Columbia Basin. She spoke briefly about their plans for the site. She said the total sales price was \$568,458.00 at \$5.80 per square foot, with closing anticipated on or before September 18, 2015.

Mr. Freeman complimented Ms. Rosenbaum on introducing the potential buyer to this particular site. Discussion ensued regarding the choice of the lot, Treasure Valley Coffee's proposed plans and other District-owned lots in the area.

Ms. Rosenbaum confirmed to Director McGuire that this would be a cash sale with no broker.

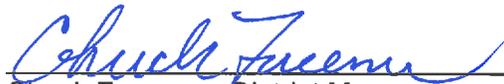
Director Huffman moved to approve the sale of 2.25 acres of KID #1041, Phase IV of Vista Field, in the amount of \$568,458.00 to SIRJMR, Inc., and authorize the Board President and Secretary Manager to sign the Purchase and Sale Agreement this date. Director Dennis seconded the motion and it carried unanimously.

Director Dennis moved to adjourn the meeting at 1:03 p.m. and Director Huffman seconded the motion. The motion carried unanimously.

Attest:

Witness:


Kirk Rathbun, Board President
Approved May 19, 2015


Chuck Freeman, District Manager

Prepared by Doris Rakowski

Jason McShane

From: Angelia Smith [REDACTED]
Sent: Saturday, April 18, 2015 6:04 PM
To: Alex Romero
Cc: Jason McShane
Subject: RE: Kennewick Irrigation District: D4 33.8 Lateral Improvements

Alex / Jason

After the meeting on Thursday, I wanted (as we agreed) for you to present this letter to the Directors for their consideration.

We have live in our home for two years, and have suffered two frustrating summers with the current irrigation system in place that is unpredictable, unreliable, and is driven by farming needs not geared for our homeowners. Neighbors with more history may be reluctant to switch to the system you have designed. It is my belief that once the KID project is in place and homeowners can see the benefits of reliable irrigation on demand, you will probably have a high percentage of participants.

My wife and I are firmly behind this proposal, and understand the costs involved and will participate fully. We would even offer (to show our interest) that we would pay the entire amount for our property in advance (est. around \$10,000). We relocated to this property based on irrigated pastures and would like that dream to become a reality.

Please consider this our written support for this project, and we are hopeful that the Board can share our vision that the participation level will probably reach 100% over time. With the Tri-Cities currently following the national trend, homeowners are changing homes on an average every seven years. Given that one of our neighbors has lived across from us for two years just put their home on the market, I feel that the value added will direct property owners to eventually asked to be included in the proposed system.

We appreciate all the communication, engineering, and efforts that KID staff have invested in bringing this project forward. The lining of the canal was massive undertaking, and it appears to be in the final stages.

Thanking you in advance for your consideration of our desires.

Gordon & Angelia Smith
191604 E. Game Farm Rd
Kennewick

Danielle Muzatko

From: "Kay Brewer" <[REDACTED]>
Date: Monday, April 20, 2015 1:29 PM
To: "Danielle Muzatko" <[REDACTED]>
Subject: Re: Thought you would want to know

We have to be in idaho until late tomorrow. We weren't thinking... Maybe should give you a proxy.
"We would like kid to move ahead on the project."

Jerry & Kay Brewer
Sent from my iPhone