



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, May 5, 2015, 9:00 a.m.

President Rathbun called the meeting to order at 9:01 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
 Jason McShane, Engineering/Operations Manager
 Seth Defoe, Planning Manager
 Ben Woodard, Assistant Engineering Manager
 Robert Blain, Asst Operations/Maintenance Manager
 Lynda Rosenbaum, Real Property Manager
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel
 Gary Scrimsher, Implementation Committee member

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

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

Items on the consent agenda were:

1. Confirm New Job Description and Wage
2. Vouchers/Warrant Approval

Accounts Payable

Numbers:	70093	through	70118	\$	276,805.14
	70119	through	70119		876.45

Total Accounts Payable

277,681.59

Payroll

Numbers: through
 through

Direct Deposit

Total Payroll

-

Total Disbursements

\$ 277,681.59

Voided Checks: Ck# 69966; Duplicate payment

PUBLIC COMMENTS: Marcus Muzatko, 189704 E. Game Farm Road, reported that five people in the Oakhills area were ready to sign a financial commitment for the Oakhills project, which would be presented today.

PRESENTATIONS: None

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Employee Handbook Revisions: Mr. Freeman reported that the Employee Handbook updates had been reviewed by the pre-litigation department of the District's insurance carrier. He briefly highlighted some of the changes regarding the alcohol and drug-free workplace, use of smokeless nicotine products in KID vehicles, practices regarding labor and industries claims, and the education benefit.

Mr. Freeman confirmed to President Rathbun that new handbooks would be given to employees and the union. He noted that after the handbook was reviewed with employees, signed acknowledgements would be put in the personnel files.

Director Huffman moved to approve the revised Employee Handbook. Director Dennis seconded the motion and it carried unanimously.

SOLARC Contract Approval for Design and Construction Management of New Administrative Building: Mr. Freeman reviewed the Board's approval of contracting with SOLARC. He said scope of work, budget and project timeline had been provided to the Board and noted that the total was not to exceed \$444,185.00.

In response to questions from the Board, Mr. Freeman briefly reviewed the scope of the contractor's responsibility and the preliminary schedule. He noted that the due diligence period for Meier Architecture • Engineering ended and closing of the sale of the current District administrative building was expected to occur on May 15, 2015. Discussion ensued regarding building design and expandability.

Vice President McKenzie moved to approve the contract between K.I.D. and SOLARC Engineering and Energy + Architectural Consulting. Director Huffman seconded the motion and it carried unanimously.

Authorize Award of Contract 2015-12: Mr. Woodard distributed Division IV 33.8 Lateral Master Plan, Division IV 33.8 Lateral Improvements Phase 1 (budget implications) and recommended motions. Mr. McShane spoke about the passage of Policy 2.42 Surcharges at the previous meeting.

Mr. McShane briefly reviewed the Division IV 33.8 Lateral Master Plan including project background, master plan for the service area transmission system, and cost estimate for the transmission system. He said the project was designed to be done in multiple phases.

Mr. McShane clarified to Vice President McKenzie that the transmission system would be adequate to serve the identified 426 acres. He added that with the phased plan, additional construction, shown on the plan, would be needed to serve some of those areas. That additional work would require future Board approval. He confirmed to President Rathbun that need for a pond was not anticipated.

Director McGuire asked about how cost would be recovered if some parties did not join the system for many years. Mr. McShane said that costs would not be incurred until there was assurance of adequate participation for those sections of the project. He spoke briefly about

flexibility for the Board to set appropriate surcharges to cover project costs. Discussion ensued regarding carrying costs, reimbursement options and phased installation. Mr. McShane noted that decisions about future phases would need to take into account whether it made sense to the district based on commitment of property owners to the project.

Communicating with participants about possible changes in the surcharge, due to changes in costs, was discussed. Mr. McShane said four of 14 property owners in the distribution area planned to be constructed first signed commitments and a fifth was scheduled to come in and do so. Ms. Muzatko commented that there were three vacant lots and two lots for sale.

President Rathbun spoke in favor of the project.

Mr. Muzatko added that three additional property owners were interested, but did not think the project could be done this year. Mr. McShane spoke about the proposal was to construct the transmission system in three phases. He said the project could start in about three weeks.

Mr. McShane spoke about construction and costs of the distribution systems in multiple phase construction.

In response to a question from President Rathbun, Mr. McShane spoke about management of the four larger parcels as a PSA. He said they would have the ability to be on demand but would be asked to order water as if they were not because of the large demand on the system. Discussion followed.

In response to a question from Director Huffman, Mr. McShane spoke about easements.

Communication with area property owners was discussed.

In response to a question from Director McGuire, Mr. McShane spoke about funding from the Realty Reserve Fund and the approval requirements for use of those funds. Mr. McShane said the difference between written commitments and the anticipated costs was \$90,000, which represented the risk level of this financing mechanism. Mr. Freeman said finance committee could discuss other financing methods such as credit or bonding.

Director Dennis moved to approve the Division IV 33.8 Lateral Master Plan. Director Huffman seconded the motion and it carried unanimously.

Director Huffman moved to authorize the District Manager to award Contract 2015-12 Division IV 33.8 Lateral Improvements Phase 1 to the lowest responsible bidder, in an amount not to exceed \$130,000, and further moved that the funds for this improvement come from the Realty Reserve Fund.

Director McGuire raised the issue of requirement to set an interest rate for monies borrowed from the Realty Reserve Fund. Discussion ensued regarding the method of reimbursement of funds borrowed from the fund.

Director McGuire seconded and the motion carried unanimously.

RESOLUTIONS:

Resolution 2015-09 Red Mountain LID Debt Issuance: Mr. Freeman said the District determined an LID (local improvement district) fund was needed to receive payments of LID

assessments from Red Mountain LID 192, make payments to the KID Red Mountain LID Capital Development Account per the Department of Ecology agreement, and make payments on an installment note which the Realty Reserves Fund would make to the LID. Interest collected on the LID would be paid to KID based on the installment note, at the rate of 6.1% per annum. Installment note proceeds would be used to pay off the construction interfund loans and other costs of construction and financing the Red Mountain improvement.

Mr. Freeman said collections on the installment note had been anticipated in the 2015 budget, but new Red Mountain LID Capital Development Account receipts and expenditures would be included in a future budget revision. He spoke briefly about the revenue stream to the District from the loan, and distribution of the money taken in from assessments.

Director Huffman moved to adopt Resolution 2015-09 relating to LID No. 192; creating an LID fund to receive payments of assessments and for payment on LID obligations to the Department of Ecology and to KID, and fixing the amount, form, date, interest rate and maturity of the LID District No. 192 Installment Note; and providing for the purchase of such note by KID from funds on deposit in the Realty Reserves Fund, and fixing the interest rate on the Installment Note. Vice President McKenzie seconded the motion and it carried unanimously.

At 10:14 a.m. a short break was called.
The meeting resumed in open session at 10: a.m.

STAFF REPORTS:

Finance Manager: Mr. Freeman reported that Ms. Storms and Ms. Britton were attending training on the new Tyler general ledger software.

Engineering/Operations Manager: Mr. McShane reported:

- The Red Mountain system was being tested and warranty issues were being worked through with contractors. Mr. McShane spoke further about challenges with the filters.
- The District system was gully on line and crews were working though maintenance tickets.
- Aquatic weed control started this week, as algae growth in the canals started early this year.
- Engineering staff was working on start up issues, planning off-season capital work, and modeling predictions for the upcoming drought.
- The May 2nd events at hardware stores went well, though traffic was lower than last year.
- The last four Rubicon gates arrived and would be installed tomorrow. Staff was working with Rubicon technicians on getting the gates to report to the SCADA system.

Director Dennis applauded the crews who mowed and cleaned up the area near Creekstone.

At Director Huffman's request, Mr. McShane spoke further about algae growth in the canal.

Ms. Rosenbaum introduced Galen Ohmart and Mike Wireman-Nothwang from SOLARC.

Mr. Gary Scrimsher, Implementation Committee member, asked about plans to address the drought and was referred to the drought information page on the website.

Planning Manager: Mr. Defoe reported:

- At the U.S. Bureau of Reclamation River Operations meeting, the reduction to 47% supply for proratable districts was announced. Mr. Defoe reviewed graphs from a meeting handout and spoke about current water supply conditions. Discussion ensued.

- A commercial was made requesting people water two days a week for 30 minutes per station. A second commercial was filmed about what is paid for by assessments.
- The first Implementation Committee meeting was planned.

District Manager: None:

WORKSHOP: None

EXECUTIVE SESSION: At 10:50 a.m., President Rathbun announced that the Board would go into executive session to discuss with legal counsel pending litigation (Acquavella) as authorized under RCW 42.30.110(1)(i) for approximately 45 minutes. Mr. Iller said that action was possible, but not anticipated in open session after the executive session.

At 12:03 p.m., the meeting returned to open session.

Director Huffman moved to adjourn the meeting at 12:03 p.m. and Director Dennis 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