



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, August 4, 2015, 9:00 a.m.

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

Directors Present:

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

Staff Present:

Chuck Freeman, District Manager
 Colleen Storms, District Treasurer
 Ben Woodard, Assistant Engineering Manager
 Seth Defoe, Land and Water Resources Manager
 Jaime Britton, Senior Accountant
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel

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

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

Items on the consent agenda were:

1. Short Plat 2015-007 Petermann - Wet
2. Vouchers/Warrant Approval

Accounts Payable

Numbers:	70498	through	70524	\$	214,958.94
	70525	through	70572		143,013.87
	ACH (07/15)	through	ACH (07/15)		42,595.92
	ACH (07/15)	through	ACH (07/15)		69,681.41
	ACH (07/15)	through	ACH (07/15)		1,712.86
Total Accounts Payable					471,963.00

Payroll

Numbers:	33126	through	33134	\$	9,003.82
	33135	through	33163		22,019.59
Direct Deposit			7/20/2015		99,204.66
Total Payroll					130,228.07
Total Disbursements					\$ 602,191.07

Voided Checks: Ck# 70502; duplicate payment

PUBLIC COMMENTS (Matters other than Elliot Lake Budget): None

PRESENTATIONS:

Financial Reports for June 2015: Ms. Storms displayed the April 2015 financial reports and reviewed highlights of pages including:

- Balance Sheet as of June 30, 2015 – Comparative
- Statement of Revenue & Expenditures – Budget to Actual – Summary
- Grant and Matching Funds Schedule
- Fund Balance Change through June 30, 2015

In response to questions from Director McGuire, Ms. Storms confirmed that non-potable assessments were used for operations, maintenance, safety and improvements of the District as a whole, and that Red Mountain lands sold last year were acquired in the 1940s through foreclosure. She said Elliot Lake and Lorayne J monies were accounted for in separate funds; potable system money was not used to fund irrigation shortfalls or vice versa. She said the State required potable rates to be set to recover what was needed to maintain their systems.

In response to a question from Vice President McKenzie, Ms. Storms spoke about the purpose of the drought expense account and said drought expenses would be taken from reserves following Board approval at a later date.

Ms. Storms clarified to President Rathbun that the State Department of Health regulated capital requirements in potable systems because capital problems could become health problems.

Discussion ensued regarding estimated drought expenses, and management and replenishment of the Drought Mitigation Fund. Mr. Freeman said he anticipated a 2015 budget amendment for the drought, and that the 2016 Budget would include a drought department and capital projects related to drought mitigation such as more control gates.

Ms. Storms noted that realty reserves were addressed in the 1940s contract with the U.S. Bureau of Reclamation, which made clear that those funds did not have to be factored into building the federal system.

Ms. Storms confirmed to Director McGuire that, by policy, \$75,000 of carry over balances went to the Drought Mitigation Fund every year.

Director McGuire moved to accept the June 2015 KID Financial Statements. Director Huffman seconded the motion and it carried unanimously.

PUBLIC HEARING:

Elliot Lake Budget Discussion: Mr. Freeman reported that, though the Board selected August 4, 2015 as a hearing date for both Elliot Lake and Lorayne J Potable Water Systems regarding rate changes, staff recommended holding those discussions separately due to differing capital improvement needs and levels of immediacy for the two systems.

Mr. Freeman said the District had a small system capital plan for the potable system as part of holding a green operating permit from the Washington Department of Health (DOH). He said that the condition of Elliot Lake potable water distribution system was at or past its useful life and action was needed soon. The 48 rate payers were currently paying \$60.00 per month for potable water and the irrigation water system was separate.

Mr. Freeman reported that, after years of discussions, the City of Kennewick and District were very near agreeing to the terms of consolidating the Elliot Lake potable system into the city system in conjunction with the Vista Entertainment real estate purchase. He said the City recently received a \$30,000 planning design grant from the DOH Office of Drinking Water.

In September, the City would apply for a 50% recoverable capital needs grant for the infrastructure upgrade. KID's small system management plan estimated needs at \$600,000 to \$700,000, but the City estimated needs at \$850,000 to \$1 million. He noted that KID would do the work internally, while the City would put the work out to bid.

Ms. Storms displayed the "Elliot Lake Potable Project-Financial History & Projected 2016 Rate" spreadsheet, and briefly reviewed elements including rates and revenue, and operating expenses, including payments to the City of Kennewick for water through the intertie since 2007 and utility excise tax. She said the proposed rate increase would cover 20-year debt service for \$500,000, which assumed some of the reserves were used towards the repairs and work was done by KID, not contracted. At the request of Mr. Freeman, Ms. Storms spoke about an invoice for \$59,000 from City of Kennewick.

Mr. Freeman said it would be good public policy for the city to absorb the system. He noted that seven parcels were in the county, but the City submitted paperwork to include them in their urban growth boundary, and annexation would follow. He said the only way for the Elliot Lake residents to avoid a monthly rate of \$101 was for the City to consolidate their system.

Mr. Freeman reported that a tentative agreement on Elliot Lake and Vista Entertainment property would go before the City Council and the KID Board, which would include acquisition of Elliot Lake upon award of a grant and conditions for buy back of Vista Entertainment property if Elliot Lake were not acquired.

In response to a question from President Rathbun, Ms. Storms spoke further about the Utility Excise Tax, with which the State of Washington gets excise tax as a percentage of gross potable water revenues from governments that provide water.

Ms. Storms said the DOH gave consolidation bonus in consideration of awarding their partially forgivable loan grants. Mr. Freeman said the District received a letter from the DOH three years ago and had met with them in person to encourage City to take over Elliot Lake. No action to

Ms. Storms said no action setting rates would be taken at this time and that rates would be available for the Board of Equalization. Mr. Freeman confirmed that the Board of Equalization was yearly, in December. Discussion ensued regarding meeting times.

Mr. Freeman said that the written comments from Leon and Lorie Bennett would be entered into the record and would be treated as public record request.

President Rathbun opened the public hearing process for the Elliot Lake Budget discussion.

Robert Ingraham declined to comment and deferred to Leon Bennett.

Leon Bennett thanked Mr. Freeman for answering most of his concerns about City of Kennewick involvement and said he hoped it came to fruition. He added that discussions of City of Kennewick consolidation had been going on prior to Mr. Freeman's tenure, and that he appreciated his candor. The intertie to City water occurred one day about seven years ago, with no explanation, but it solved pressure problems. Mr. Bennett said things happening to the water system with no explanation had led to some distrust, but he appreciated what was being done for them. He said \$101 per month untenable and he didn't know if the City could stand the political heat of them paying \$101 per month right next to the second largest fresh water river in the United States.

Mike Kirby reported that he spoke with Cary Roe, who made it seem like City of Kennewick wanted to take over the system with the Vista Entertainment purchase, including take over the \$160,000 reserve and the 50% forgivable loan. Mr. Kirby disagreed that the system was beyond useful life. He said he thought the increase was to increase reserves to bring it up to City standards for system takeover.

Mr. Freeman spoke about Elliot Lake's small system management report and discussions with the City. He noted that the private developer used different materials and methods than the District would have. Mr. Freeman said he advocated not giving the city a train wreck. He said fire hydrants would be part of the improvements and it would be good for residents, but to make it affordable the City needed to take it over. He said the City had been a good partner since takeover of the system was coupled to Vista Entertainment property.

There being no further comments, President Rathbun closed the hearing.

BOARD REPORTS: None

ACTION ITEMS:

Set Date for Board of Directors Special Meeting: Mr. Freeman recommended the Board call a special meeting using a town hall format to share information on the drought with the public, gather input from customers on elements of the District's drought response and talk about Policy 8.3, Drought Plan in a public forum. He said experts from WSU agreed to attend to discuss watering needs of crops and lawns. Mr. Freeman said staff reserved space for about 300 people at the Kennewick Red Lion, located at 1101 N. Columbia Center Blvd, for the proposed meeting at 6:30 p.m. on Thursday, August 13th, 2015.

Cost for the meeting, estimated at \$1,000 for the meeting space and \$2,000 for public relations, would be paid from the Drought Reserve Fund Estimated.

Mr. Iller suggested the meeting be noticed as starting at 6:30 p.m. and going until adjourned or continued rather than specifying an end time. He recommended the Board request and enforce that people not be repetitive. He encouraged submission of written comments.

Vice President McKenzie moved to hold a special meeting of the Board of Directors on Thursday, August 13, 2015, from 6:30 p.m. until adjourned or continued at the Kennewick Red Lion. Director Huffman seconded the motion and it carried unanimously.

Drought Grant Applications: Mr. Freeman reported two additional drought relief applications were submitted to Washington Department of Ecology.

He briefly described the work being done which could be partially funded by the Water Movers grant, which sought a 50% match of \$82,234.00 (\$41,117.00), and the work being done on wells in the Badger Coulee area which could be partially funded by the Recapture & Reuse grant, which requested up to 50% \$372,347.00 (\$186,173.50). He said funds would come from the Drought Mitigation Fund to get the project started.

If Board did not confirm the applications could be withdrawn.

Mr. Freeman reported that the grant application for purchase of water from Badger Mountain Irrigation District (BMID) had been denied. He said the BMID could not give KID their inchoate water which was not perfected without following lands.

Ms. Storms noted that the estimate for the Water Movers grand had been revised from \$82,234.00 to \$90,608.06 (\$45,304.03).

In response to a question from President Rathbun, Mr. Defoe spoke further about the reasons the BMID water was not available. Discussion ensued.

In response to a question from Vice President McKenzie, Mr. Defoe said the District would only need the water from recapture and reuse wells in a drought. Mr. Freeman said water would compound in non-drought years, to be used in drought years. Discussion continued about use of the wells, possible yield and the need to not impair any existing ground water wells. It would be possible to mitigate domestic exempt wells, though larger agricultural wells would probably be safe.

The volume of available storage in several ponds was discussed.

Director Dennis moved to confirm the submittal of both Drought Relief applications for consideration to the WA Dept. Ecology. Director Huffman seconded the motion and it carried unanimously.

Pre-Approval of Rock Purchase for Division 4 Canal Roads: Mr. Woodard spoke about restoration of approximately nine miles of Division 4 canal roads disturbed in construction associated with the WaterSMART Grant activities. To expedite the project timeline, he asked for Board approval in advance of the Wednesday, August 5th bid opening for the rock purchase. He said cost was estimated to come in at about \$10.00 per ton, or a total cost of \$180,000.

Mr. Woodard confirmed to Vice President McKenzie that KID crews would spread the gravel and complete the restoration work.

Discussion ensued regarding potential additional costs of drive time if the winning bidder were farther from project. Local sources for rock were discussed. Mr. Woodard reported that Benton County's rock was not available. He spoke about locations of several private rock pits.

Vice President McKenzie moved to approve Charles Freeman, District Manager, to enter into a contract with the lowest bidder for the purchase of approximately 18,000 tons of crushed surfacing not to exceed \$180,000 plus tax. Director Dennis seconded the motion and it carried unanimously.

RESOLUTIONS: None

STAFF REPORTS:

Finance: Ms. Storms reported:

- Tyler financial software would be implemented by end of year. A new time-clock program was ordered which would provide managers more access and work better with the new semi-monthly payroll periods. Staff was having bi-weekly phone meetings on progress and was asking that a written implementation schedule be provided this week.
- Senior Accountant, Jaime Britton, was leaving the District and would be missed. Ms. Storms said Ms. Britton had revolutionized standards for the District's financial reporting and would be an asset to any organization.
- Customer service working well with the drought and cooperation was being received from customers. Engineering and Customer Service worked together well this season.

Engineering/Operations: Mr. Woodard confirmed to President Rathbun that another weed treatment would be needed.

Land & Water Resources: Mr. Defoe reported:

- The monthly River Operations meeting was held yesterday and pro-rationing rose to 47%.
- The cooling trend was good news to the District which was reliant on return flows.

At the request of Mr. Freeman, Mr. Defoe spoke about winter flows set for spawning and rearing needs of salmon, but also time for refilling reservoirs. Mr. Freeman said winter flows taken from storage could impact next year's supply.

At the request of Director McGuire, Mr. Defoe spoke about how target flows impacted the KID.

Mr. Defoe spoke briefly about the Integrated Plan's K-drip storage project at Lake Kachess.

Executive: Mr. Freeman reported:

- As of this morning, 659 drought violations had been issued, but no shut offs, as most people complied after one warning. Nighttime violations were the most challenging.
- Water Transfer Work Group. Trying to pick up mis-diverted water from USBR into KID's canal. USBR had been more responsive. KID staff reminded the USBR frequently that KID has a standing order for every molecule of water over the target flow.

Mr. Freeman displayed a graph of Kennewick Canal and spoke about the result of not running overtime on weekend to clean the weed rack. He said it led to waste and spilling of water. He reported that KID had offered to pay the bill for their additional overtime. He said he let Representative Newhouse's office know the USBR was not running overtime for this purpose. He noted that the USBR installed alarms on the weed rack.

Mr. Freeman confirmed Director McGuire that the flow rate today 191 cfs and typical flow in a non-drought year was 290 cfs.

WORKSHOP: None

EXECUTIVE SESSION: At 10:40 a.m., on behalf of the presiding officer, Mr. Iller announced that following a ten minute break the Board would go into executive session for an estimated 30 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).

Extended for 30 minutes at 11:20 a.m. and the meeting returned to open session at 11:52 a.m.

Director Dennis moved to adjourn the meeting at 11:53 a.m. and Vice President McKenzie seconded the motion. The motion carried unanimously.

Attest:



Kirk Rathbun, Board President
Approved September 1, 2015

Witness:



Chuck Freeman, District Manager

Prepared by Doris Rakowski

August 3, 2015

Leon and Lorie Bennett

4310 S. Kingwood St, Kennewick

To the KID Board of Directors concerning the Elliot Lake potable water system, in regard to your letter to residents dated July 28, 2015:

We are residents of the Elliot Lake area, and have lived at this address since 2001.

1. Our current water rate is \$60 a month, which includes both potable and irrigation water. The rate is not seasonally adjusted, in that we pay the same amount during the fall and winter months when we receive no irrigation water. As you consider a rate increase, keep in mind that we already pay a very high price for water.
2. For several years now we have been receiving potable water from the City of Kennewick, also with no rate reduction from KID, even though the city water is provided at a cheaper rate than what our old pump/well system provided. We have never been told how much the City charges KID for the water, how much savings has accumulated to KID from that, or why any savings could not have been used toward upgrading our potable water system.

The houses served by our water system are divided between those in the city limits of Kennewick, and outside the city boundary. This fact was pointed out to the city during the annexation hearings, but was ignored by the City Manager. All the houses connected to our system should have been in the annexation, since all had a common potable water system and are now receiving City of Kennewick water. My understanding is that a new annexation proposal is planned to correct this rather stupid situation.

3. For this reason, any decisions on your part to upgrade our water system should be delayed until all the houses served are within the city limit. In addition, the City should be involved with any decision making process you use to change our water rate for infrastructure work.

4. According to a recent article in the Tri-City Herald, on which I unfortunately didn't note the date, but headlined "Kennewick agrees to work with KID on land purchase" and subtitled "City to also take on potable water system that serves Elliot Lake neighborhood", apparently a "deal" has been reached between KID and the city of Kennewick regarding the city taking over our water system in return for KID land at the old Vista Field. At what stage is that agreement, and how will it affect us? Will the City be in charge of our infrastructure upgrade, or KID? If the City, why is KID considering a rate hike to cover the construction? The above mentioned article says that "the system would be brought up to city standards before the transfer, with KID using some of the land sale revenue for upgrading the water system". True?
5. A few years ago, KID was actively looking for grant money to help defray some of the cost of our infrastructure upgrade situation. What happened to those grant requests? Have any more requests been made, or even considered?
6. Could you provide an accounting of the money in our potable water LID account, listing income and payments, before any rate decision is reached?
7. Before any decisions are made regarding our water system and/or rates, I urge you to hold another public meeting at a time when everyone can attend, in the evening or on a weekend day, and not just at a time for your convenience.

Thanks for your consideration of our input.

Leon Bennett

509.378.9395

Lorraine Bennett

509.531.2745