



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, August 18, 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
 Dean Dennis, Director

Staff Present:

Chuck Freeman, District Manager
 Jason McShane, Engineering & Operations Manager
 Colleen Storms, District Treasurer
 Seth Defoe, Land and Water Resources Manager
 Lynda Rosenbaum, Real Property Manager
 Doris Rakowski, Executive Assistant

Absent: Gene Huffman, Director

Other Persons Present: Brian Iller, Legal Counsel

APPROVAL OF AGENDA: Director Dennis moved to approve the agenda. Vice President McKenzie seconded the motion. All present voted in favor and the motion carried.

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

Items on the consent agenda were:

1. Short Plat 2015-007 Petermann - Wet
2. Vouchers/Warrant Approval
3. Approving Binding Site Plan 15-05, Vista Field, Phase IV, KID #1041
4. Binding Site Plan KID – Dry
5. Final Plat 15-03 Southridge Phase 3
6. Final Plat 15-04 Sage Crest Phase 4
7. Vouchers/Warrant Approval

Accounts Payable

Numbers:	70573	through	70602	\$	732,980.83
	70603	through	70650		293,708.83
	ACH (07/15)	through	ACH (07/15)		27,350.18
	ACH (07/15)	through	ACH (07/15)		980.41
	ACH (07/15)	through	ACH (07/15)		660.00
	ACH (07/15)	through	ACH (07/15)		2,380.86
	ACH (07/15)	through	ACH (07/15)		7,955.95
	ACH (08/15)	through	ACH (08/15)		73,518.60
	ACH (08/15)	through	ACH (08/15)		288.39
					1,139,824.05
Total Accounts Payable					1,139,824.05

Payroll

Numbers:	33164 through	33171	\$	9,318.37
Direct Deposit		8/5/2015		<u>103,247.33</u>
Total Payroll				<u>112,565.70</u>
Total Disbursements			\$	<u>1,252,389.75</u>

Voided Check: Ck# 70651; Used for Tyler Incode setup

PUBLIC COMMENTS: None

PRESENTATIONS: None

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

JUB Contract for 30% Design and Cost Estimate for Amon Reservoir: Mr. McShane presented the Amon Reservoir, proposed to capture operational spills for reuse. He spoke about planning and timing considerations, including property acquisition and working with the City's plans in the area. He said the project was a budget line item on the Capital Improvement Plan.

In response to a question from Vice President McKenzie, Mr. McShane spoke about service to the Southridge area and benefits of the proposed reservoir to the future Southridge and Clodfelter pumping stations. He said the reservoir would be 200 to 300 acre feet and he recommended maximizing storage. He spoke about drought and storage needs.

In response to a question from President Rathbun, Mr. McShane spoke further about the design process for the project.

Vice President McKenzie moved to approve Professional Service Contract 2015-06 with JUB Engineers Inc., for the 30% Design and Cost Estimate for the Amon Reservoir. Director Dennis seconded the motion. All present voted in favor and the motion carried.

RESOLUTIONS:

Resolution 2015-19 Deny Local Improvement District (LID) Petition-Sidibe: Mr. McShane spoke briefly about the LID petition received from Aissata Sidibe, and staff's recommendation that the petition be dismissed, in light of other projects to which the District was committed.

President Rathbun reported that he had spoken with Ms. Sidibe and said his opinion was that this was a developer function and outside the scope for an LID. Mr. McShane confirmed to President Rathbun that Ms. Sidibe had been notified of the staff recommendation.

Director Dennis moved to approve Resolution 2015-19, Dismissal of the Sidibe LID Petition. Vice President McKenzie seconded the motion. All present voted in favor and the motion carried.

STAFF REPORTS:

Finance Manager: Ms. Storms reported:

- The one remaining foreclosure property for the three-year delinquencies had a lien holder and staff hoped the District would not have to complete foreclosure. Mr. Iller would start the process for writing warning letters for the next year group.
- The first capital LID payment for Red Mountain South LID loan was billed out with a full amortization schedule.
- The Finance Department sorted their archives and turned over 105 boxes for destruction. Crews started to move retained archives to the Ely site.
- Staff was on time with data submittal for the setup of the financial software.
- Courtesy reminders for second half of assessments were usually sent in early September and delinquency notices for late first half of assessments had already been mailed.

Engineering/Operations Manager: Mr. McShane reported:

- Canal flow reductions were expected in 29 hours, based on current Parker measurements.
- The Vegetation Control crew was aggressively fighting weed growth and did not expect to need for a second Endothall treatment. Because there was less pond weed for algae to grow on in lined canal sections, the biggest algae challenge was at the end of Division 4.
- A rock purchase was awarded to Central Washington Asphalt and the type of rock was expected to be good for gravel roads due to the clay content.
- Final installation of pumps for the drought response agreement with Columbia Irrigation District (CID) was underway. Mr. McShane spoke about the agreement and said the CID Board wanted to help in any way they could without impacting their customers.
- All irrigation water deliveries were being met at the reduced level expected.

President Rathbun said he received compliments from attendees at the evening public meeting on Mr. McShane's ability to communicate in a way non-engineers could understand.

Mr. McShane reported that he had spoken with two individuals who proposed alternate watering schedules, but those schedules could not accommodate the necessary refilling of storage. Mr. McShane said he was appreciative of Dr. Peter speaking at the meeting.

In response to a question from President Rathbun about the rock contract, Mr. McShane and Ms. Storms confirmed that delivery times could not be taken into consideration in for federal contracts. Mr. McShane spoke about the limited options for rock sources in Tri-Cities.

Land & Water Resources Manager: Mr. Defoe reported:

- Staff received the K-Drip value engineering report, which contained some savings options. Mr. Defoe would report further later. He confirmed to Director McGuire that there was no guarantee the Kennewick Irrigation District (KID) could receive water from the project, though staff had requested that delivery to KID be modeled. Discussion ensued.
- Senate bill 1694, an add-on to the Yakima River Basin Water Enhancement Project II legislation (YRBWEP II), was not fast tracked and would be considered in September. KID staff spoke with Senator Cantwell's local staff about KID's concern that residents of the District may be negatively impacted by the legislation.
- Staff planned to give a tour to the three new members of the Implementation Committee.
- Upcoming meetings:
 - Washington State Water Resources Association (WSWRA) - August 26th
 - Columbia Snake River Irrigators Association (CSRIA) - August 27th
 - Yakima Basin Joint Board (YBJB) - August 28th

District Manager: Mr. Freeman reported:

- Jim Trull arranged for KID to meet with Mark Limbaugh (representing YBJB) on Aug. 26th.

- Kris Polly (representing KID) would arrive August 31st.
- Mr. Polly interviewed Mr. Freeman for Water Strategies' September issue, and was surprised to learn KID paid USBR overtime to deliver water left in the river. KID thought it was covered under the contract, but USBR lacked staff or resources to cut slugs of water into our canal. For 14-16 hours at a time the USBR let water flow past KID's diversion. KID had paid once for what the USBR called "abnormal operation conditions." Mr. Freeman authorized USBR to bill KID overtime each time the river was 200 cfs or below and they saw a slug of water. The bill would arrive next year. Each event was roughly \$1,000.
- The pre-bid meeting for the third construction contract for the new Administration building was held yesterday. The due date was moved from Monday to Wednesday. A special meeting would be needed Thursday to award the bid and keep on schedule.
- The August 13th special meeting went well and the August 17th Tri-City Herald Thumbs Up editorial was appreciated.

Jason Nickerson was present and at Mr. Freeman's request, Mr. Iller responded to his email.

Mr. Iller reported that Mr. Nickerson had service issues this and last year, and wanted to forfeit his irrigation rights and leave the District without a legal battle. Mr. Iller said there was a process, starting in RCW 87.03.650, whereby property owners could petition to be released from the District and the Board would decide whether to let the petitioners out. He spoke about why it was unusual for this to occur and said the Board must consider the affect on the District as a whole, not just the individual's circumstances.

Mr. Iller said District customers paid for expenses of the organization to deliver water, not for water. He spoke about the District's formation and elections which bound the irrigable lands with water allotments to stay in the District and continue to pay operations and maintenance of the District. He said this was a gravity system using hydro-pumps to pump the water under the Yakima River at Prosser up into the KID main canal.

Mr. Iller said if Mr. Nickerson were let out, the property would not have a water right, and whether that affected sale of the property depend on the buyer. Another way out would be to sell the property and purchase property outside the District. Some districts were less expensive, as they had less expensive systems.

President Rathbun spoke about the District's history and said if it were being constructed with today's technology it would probably be built in a different manner from a different diversion.

Mr. Iller said the District's gravity-based system had no pumping costs, but pumping that volume of water would cost millions of dollars. A Columbia River pumping station, in addition to the challenge of federal permitting and filling the hole (replacing water taken from the Columbia), would have ongoing operational pump costs.

WORKSHOP: None

EXECUTIVE SESSION: At 10:00 a.m., on behalf of the presiding officer, Mr. Iller announced the Board would go into executive session for an estimated one hour, following a short break, 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 potential litigation, in the form of legal risks of a proposed action or current practice related to drought policies, water right issues and a personnel contract issue pursuant to RCW 42.30.110(1)(i)(iii). He said action in open session could follow executive session.

Executive session was extended for 30 minutes at 11:05 a.m. Following a short break at 11:35 a.m., the meeting returned to open session at 11:41 a.m.

ACTION ITEMS:

Modification of existing employment contract: Mr. Freeman reviewed proposed modifications to Senior Accountant Jaime Britton's employment contract. He reported that Ms. Britton would be moving, and staff proposed allowing her to work on an interim basis for up to 40 hours per week maximum until a replacement was found to assume the duties of Senior Accountant. He said a District laptop with a VPN connection would be provided. The current employment contract would end August 28th and this agreement would start August 29th.

In response to a question from President Rathbun, Ms. Storms said the agreement could be terminated with no severance provision by either party with a two week notice.

Discussion ensued regarding security of working remotely with a VPN. Ms. Storms said no data would be stored on the laptop and Ms. Britton would only print things which were public records.

Vice President McKenzie moved to approve entering into an agreement with Jaime Britton to be employed on an at-will basis as the Interim Senior Accountant, part-time, working remotely under the supervision of the Treasurer and District Manager. Director Dennis seconded the motion. All present voted in favor and the motion carried.

Real Property Sale: Mr. Freeman reported that KID had been working with the City of Kennewick for years on transfer of Elliot Lake Potable Water System and had recently coupled the City's offer to purchase KID's Vista Entertainment properties with transfer of the Elliot Lake Potable Water System. He spoke about the small system for which the City had been providing water for about seven years.

He briefly reviewed term and conditions three agreements, drafted by KID attorney Fran Forgette and City of Kennewick attorney Lisa Beaton: an Interlocal agreement, the Vista Entertainment property sale agreement and Transfer of Ownership of Elliot Lake Potable Water System agreement. He said the agreements would achieve District goals of good public policy, by the transfer of the potable system, and of the sale of surplus property. He noted that the Vista Entertainment agreement had a buyback provision in favor of the District if the City could not obtain funding from the Department of Health for the Elliot Lake Potable System.

In response to questions from Director McGuire, Mr. Freeman spoke about consequences of variance in the amount if the Elliot Lake reserves. Director McGuire spoke in opposition of the agreements on the basis of the appraised value of the Vista Entertainment property and the history of the City's willingness to transfer the Elliot Lake Potable Water System.

Mr. Freeman confirmed to Vice President McKenzie that KID would continue to collect assessments over the closing period and the reserve balance could change. He said the 2016 budget would include a rate increase, because capital needs had to be addressed, regardless of whether transfer occurred. Reserve balances were discussed.

In response to a question from President Rathbun, Ms. Rosenbaum said recent property sales in the Vista Field area were of 1 to 1.25 acre lots, for about \$4 per square foot three years ago and up to \$5.50 about one year ago. She said a sale was in progress for \$7.50 per square foot.

Director McGuire said the property could be sold as small parcels. Discussion ensued about considerations when larger parcels are purchased, such as utilities, access easements, streets, sidewalks. Mr. Iller spoke about a case ruling which found KID was not allowed to engage in development activities.

Vice President McKenzie spoke in favor of the agreements on the basis of the value eliminating the burdens and liabilities of the potable water system. He said the City would benefit through involvement in local development and getting a group of City residents on the City's system.

Director McGuire said KID would have to carry the risk of the water system for years until the City was willing to close. He said the City had ways to back out of the deal and KID did not.

President Rathbun spoke in favor of the agreements because KID would eventually get out of the potable water system. He acknowledged some concern about price and value of land, but said leveraging demand was offset by public policy considerations. He said the size of the parcel justified a discount and that benefits to the City of Kennewick would also benefit District customers. He said he thought the price was fair with all factors taken into consideration.

Director McGuire agreed that KID should divest of potable water systems. He recommended that KID upgrade the system then turn it over to the City, and that the Vista Entertainment property be marketed separately. Estimated cost for KID to do the upgrade was discussed. President Rathbun spoke about costs of connection and restoration.

Director Dennis said Director McGuire made excellent points, and that, despite President Rathbun's experience, he found it difficult to recommend a motion at this time.

President Rathbun said he thought it would be difficult to get the City to take the Elliot Lake system if the District walked away from including the Vista Entertainment property in the deal.

Vice President McKenzie spoke about his support for divesting the District of potable water systems and said he would entertain making the motion to approve the agreements. Director Dennis said he preferred the motion be tabled for one more meeting. Mr. Freeman said the City of Kennewick would consider the agreements at the council meeting tonight.

Director McGuire moved to approve the Interlocal Cooperation Agreement for the transfer of the Elliot Lake Private Water System; the Vista Field Parcels Real Estate Purchase and Sales Agreement with Earnest Money Provision including Potential Buy-Back Right in Favor of KID; and the Transfer of Elliot Lake Private Water System and Related Assets. Vice President McKenzie seconded the motion. All present voted in favor and the motion carried.

Director Dennis moved to adjourn the meeting at 12:16 p.m. Vice President McKenzie seconded the motion. All present voted in favor and the motion carried.

Attest:



Kirk Rathbun, Board President
Approved September 15, 2015

Witness:



Chuck Freeman, District Manager

Prepared by Doris Rakowski