



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, October 20, 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
 Gene Huffman, Director

Staff Present:

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

Other Persons Present:

Brian Iller, Legal Counsel

APPROVAL OF AGENDA: President Rathbun announced that there was a revised agenda with two additional items. Director Dennis moved to approve the revised agenda. Director Huffman seconded the motion and it carried unanimously.

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, October 6, 2015
2. Approve Pre-Plat Alteration 15-04 - Highland Townhomes
3. Confirm Revised Job Descriptions
4. Vouchers/Warrant Approval

Accounts Payable

Numbers: 70946	through	70974	\$	46,944.82
				65,720.99

Total Accounts Payable 112,665.81

Payroll

Numbers:	33198 through	33205	\$	7,806.35
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Direct Deposit	10/5/2015	93,688.71
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Total Payroll 101,495.06

Total Disbursements \$ 214,160.87

Voided Checks: None

PUBLIC COMMENTS (Matters other than Lorayne J Budget):

Betty Thorpe, 8933 W Bonnie Ct., Kennewick, said she was told at her Home Owners Association (HOA) meeting that their irrigation water came from a source other than the Yakima River and should not have been rationed.

Mr. McShane said PSA 105 was served from the Gage Project with return flow water from operational spills, originally from the Yakima River, and was correctly restricted and would be restricted in future droughts. He offered to contact the HOA to correct the misunderstanding.

PRESENTATIONS:

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

- Balance Sheet as of August 31, 2015
- Statement of Revenue & Expenditures – Budget to Actual – Comparative
- Fund Balance Change through August 31, 2015

In response to a question from President Rathbun, Ms. Storms spoke about collections of the second half of the yearly assessments.

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

PUBLIC HEARING:

Lorayne J Budget Discussion: Mr. Freeman said the Lorayne J potable water system had 118 service connections and was operated under a green permit level, meaning there was no system issue related to viability or source water quality. The monthly rate, since 2007, of \$34.50 included potable and irrigation water.

Mr. Freeman spoke about capital needs including rehabilitation of the well used during peak summer months, which was not able to keep up with demand, replacement of old distribution valves, and installation of new water meters in response to the State's efficiency rule for billing by consumption. Improvements were estimated at \$475,000.

Mr. Freeman said current reserves were almost \$185,000.00 and that staff recommended a \$22.00 per month rate increase to service the debt needed for system improvements. Funding options included public financing or a loan from Realty Reserves.

Mr. Freeman said that, alternately, the KID general fund could be used to install a separate irrigation distribution system, for which allocations could be granted and parcels assessed similarly to all other irrigated parcels in the District. This option could reduce need for the well rehabilitation. Estimated cost to construct a new irrigation distribution system was \$400,000.

Mr. Freeman reported that written comments were received from Dan Martini, Jim Losey, Marie Steinmetz, Ken and Maria Wobig, and Ann Hostetler, which would be entered into the record.

At Director McGuire's request, Mr. Freeman spoke about the state's requirement that, at any time, there was enough money in the bank to replace the most expensive component of the potable system. He noted that Lorayne J rate payers and general District rate payers did not subsidize each other. He spoke about compliance with water quality and source monitoring. Mr. Freeman said the State recommended all entities go to billing by consumption to encourage conservation.

Mr. Freeman confirmed to President Rathbun that \$475,000 was enough to do the projects and maintain reserves at a level to be able to replace the largest component of the system.

In response to a question from President Rathbun, Mr. McShane spoke about the size and operation of the wells, and the costly emergency intertie with the City of Richland. He confirmed that, at times when the wells could not meet demand, the system had to be run manually. He said extreme draw down of tanks brought concerns of cross-contamination from back-siphoning.

Mr. Freeman confirmed to President Rathbun that City of Richland would only consider taking over the potable system if a separate system were installed for irrigation water. He said Badger Mountain Irrigation District might be interested, though he had not discussed it with their new manager. Mr. Freeman it could be arranged to keep Lorayne J on City of Richland water if Lorayne J users were willing to pay the City's rates at 125%.

In response to a question from Director McGuire, Mr. Freeman said the Department of Health had requirements for back siphon devices. Mr. McShane confirmed that pressure vacuum valves were the minimum requirement and were already installed.

Vice President McKenzie, Mr. Freeman spoke about the estimated timeframes for completion of the three projects. Ms. Storms spoke about debt service.

Mr. Freeman said no action setting rates was requested and that rates would be brought to the Board of Equalization in December.

Director McGuire asked for cost estimates for splitting the systems and other options. Mr. Freeman said this was at the feasibility level and that 30% design would take some time with other projects underway.

In response to questions from President Rathbun, Mr. McShane spoke about how new irrigation connections were done in past projects and options to verify there were no cross connections.

Mr. Freeman confirmed to Director McGuire that no night meeting was scheduled at this time.

Director Huffman spoke about cost of potable City water for un-annexed areas. Mr. Freeman said annexation was a city issue in which KID should not become involved.

President Rathbun opened the public hearing process for the Lorayne J Budget discussion.

Dan Martini, 3001 Bruce Lee Lane, noted that he had sent a letter with questions. He asked what payment lots in Meadow Parks Estates were making for irrigation water from Lorayne J's system.

Mr. McShane said Meadow Park Estates (PSA 178) was served from a different well with separate pipelines from the Lorayne J's wells which were having a problem meeting demand, though its pump was in the same well house. Mr. McShane said he understood that Lorayne J owned two primary wells and an emergency use well, and the fourth wells was owned by KID and used to supply irrigation water to Meadow Parks Estate. Discussion followed.

Mr. Martini said the well was split off due to high nitrate levels and said he was concerned that fracturing would get high nitrate water into the potable well. Mr. Freeman said rehabilitation would be only on the deeper wells.

Mr. Martini requested an evening meeting when a plan was determined.

Mr. Martini asked if valve replacement could be staggered over a few years to reduce the rate increase. He asked if the \$22 per month increase would go down after the first year when all was paid for. Mr. Freeman said the cost was spread over twenty years, not one year.

Mr. Martini asked if LID 501 was closed out and said rates did not go down after it was done in 2003. Mr. Freeman confirmed that LID 501 was closed and Ms. Storms said Lorayne J had been no additional LID payment since 2010. Discussion ensued regarding how LID payments were assessed. Mr. Martini said the cost of building a new water tank had been covered by the LID's reserves so rates did not increase.

Mr. McShane spoke about the State Department of Health requirement to maintain funds adequate to replace most expensive element of the system and the newer requirement for a five-year capital improvement plan. He spoke about KID use of LIDs to fund improvement and acquire infrastructure. He said that since KID already owns the Lorayne J system, a rate increase was being discussed to pay for the improvements over 20 years, rather than another LID. He said that a 5 year payback would necessitate a much larger rate increase. Regarding past rates, Mr. McShane said staff out have to go back and recreate the record to figure out previous rate change or how the LID was charged.

Mr. Martini said more detailed information about needed improvements and costs was needed in a memo for an evening meeting for the Lorayne J members.

Mr. Martini asked if Mr. McShane would check whether Meadow Park Estates was getting water from Lorayne J. Mr. McShane said KID acquired the Lorayne J potable infrastructure through LID 501, but he would have to look into ownership of the high nitrite well.

Mr. Freeman and Mr. McShane confirmed that LID 501 was paid off and gone, and Mr. Martini asked why he was not notified that it was paid off and there was no lien on the property. Discussion ensued. Mr. Martini read from a letter from KID dated April 3, 2003 regarding paying about \$192,000 from the LID reserves to replace a tank. Discussion continued.

In response to a question from Director McGuire, Mr. McShane said any notice that the LID was paid off would have happened in 2003. Mr. McGuire said the issue needed to be researched.

David Hannah, 3006 Bruce Lee Lane, reiterated the request for an evening meeting. He said he was also under the impression Lorayne J was providing water to Meadow Park Estates and said if that was so, maybe Lorayne J should charge them 125%.

Director McGuire recommended KID staff set an evening meeting for Lorayne J members. President Rathbun said that was in order.

Richard Bartlett, 111 Travis Lane, said his property bordered the pumps. He said he was happy with the association with KID and wished he kept records as well as Mr. Martini and Mr. Hannah. He noted that their area was able to have water when others did not. He said KID kept them informed and that he would like answer to the questions brought up today.

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

President Rathbun called a short break at 10:02 a.m. and open session resumed at 10:10 a.m.

BOARD REPORTS: None

ACTION ITEMS:

Appointment of Auditing Officer: Ms. Storms introduced Jenny Willis the new Senior Accountant. She recommended Ms. Willis be appointed Auditing Officer.

She spoke briefly about duties of the Auditing officer and Jaime Britton's temporary duties for the District.

Director Huffman moved to appoint Jenny Willis as Auditing Officer. Vice President McKenzie seconded the motion and it carried unanimously.

Administrative Building Change Orders: Mr. McShane referred to a spreadsheet distributed at the meeting and said change orders would be brought to the board on a monthly basis. He briefly highlighted some of the completed change orders for the Administration Building project.

Discussion ensued regarding grouping line items on change orders by immediacy of changes.

Director Huffman moved to approve the change orders summarized in the attachment and authorize Charles Freeman to sign the associated change orders. Director Dennis seconded the motion and it carried unanimously.

Travel Requests: Mr. Freeman presented a request for Mr. Defoe and Mr. McShane to travel to Washington D.C. with the Yakima Basin Implementation Committee when the Implementation Plan was presented to Congress.

In response to a question from President Rathbun, Mr. Freeman spoke about members of the Implementation Committee. He confirmed to Director McGuire that this would be the second time the Implementation Committee went to Washington D.C., but the first time KID was invited.

Mr. Freeman confirmed to Director McGuire that travel and meetings were a budget line item.

Director Huffman moved to approve the travel request for the Land and Water Resources Manager and the Engineering/Operations Manager to travel to Washington DC in November 2015. Director Dennis seconded the motion and it carried unanimously.

Call Special Meeting: Mr. Freeman requested a special meeting be held on October 27th at 8:30 a.m. to discuss the 2016 budget in advance of presenting the Assessment Roll to the Board on November 3rd and consider a budget resolution.

Director Dennis moved to hold a special meeting of the Board on October 27th at 8:30 a.m. regarding the 2016 budget. Director Huffman seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2015-28, Relegations: Ms. Rosenbaum spoke about the irrigation water allocation relegation program. She presented the list of parcels for which the owners met all of the requirements of the annual relegation program and asked to have their irrigation water allotment removed. She reported that 33 parcels, totaling 12.15 acres, were processed for relegation this year. Ms. Rosenbaum noted that the list was updated from the one provided in the Board meeting packet, which erroneously included six associated properties for which the USBR had to be paid in full.

In response to questions from Director McGuire, Ms. Rosenbaum revenue would be lost from the 33 parcels, but the water would be available put to beneficial use on other parcels. She agreed to email the total revenue lost from these parcels. She noted that the water would be assigned to people on waiting lists for future allotments.

In response to a question from President Rathbun, Mr. McShane said the number of unassigned acres changed frequently due to new subdivisions and spoke briefly about segregation and recalibration. He said unassigned acres were kept as close to zero as possible.

Vice President McKenzie moved to approve Resolution 2015-28, Removing the Irrigation Water Allotments and assessments from the parcels as listed on Attachment "A" effective January 1, 2016. Director Huffman seconded the motion and it carried unanimously.

Resolution 2015-33, Petty Cash & Change Funds Authorized and Policy 2.33, Petty Cash & Change Funds, Rev. 2: On behalf of Customer Accounts Supervisor, Dana Hernandez, Ms. Storms presented the request to add an additional change funds drawer for the newest Customer Service Specialist. She noted that the Board was asked to approve a Resolution to authorize the changed number of drawers, and to revise Policy 2.33.

Director Dennis moved to approve Resolution 2015-33, Petty Cash & Change Funds Authorized, and to approve Policy 2.33, Petty Cash & Change Funds, Revision 2. Vice President McKenzie seconded the motion and it carried unanimously.

STAFF REPORTS:

Finance: Ms. Storms reported that one house would go up for foreclosure sale next month.

In response to a question from Director McGuire, Ms. Storms said authorized signatures did not need to be updated at this time, but would need to be when Ms. Storms left KID.

Engineering/Operations: Mr. McShane reported:

- Management had been working on challenges with new Senate Bill.
- Off season maintenance and construction work was starting. 1,800 feet of Division 4 canal would have lining completed. Existing lining would be inspected and have damage repaired.

Land & Water Resources: Mr. Defoe reported:

- NOAA's three-month forecast for November through January predicted a strong El Nino pattern; with a 60% chance it would be warmer than average and with less precipitation.

Director McGuire asked if Roza Irrigation District's plan to float a pump would impact KID. Mr. Defoe said staff would be engage in the full review of the plan. Mr. Freeman said it was more likely to affect senior water right holders. Director McGuire asked staff to track if Integrated Plan money would be used for a project to benefit only one district. Mr. McShane noted that if the water went to consumptive use, it would not create return flows that would benefit KID.

Executive: Mr. Freeman reported:

- Recruiting for District Treasurer was continuing.

WORKSHOP: None

EXECUTIVE SESSION: At 10:47 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 45 minutes to discuss with legal counsel potential litigation, in the form of legal risks of a proposed action or current practice as authorized under RCW 42.30.110(1)(i)(iii). He said action was possible after executive session but was not expected.

Discussion ensued regarding the type of discussion allowed by RCW 42.30.110(1)(i)(iii).

Executive session was extended for 20 minutes at 11:30 a.m. and for 5 minutes at 11:50 a.m. The meeting returned to open session at 11:55 a.m.

OPEN SESSION:

Director Huffman moved to adjourn the meeting at 11:55 a.m. and Director Dennis seconded the motion. The motion carried unanimously.

Attest:

Witness:


Kirk Rathbun, Board President
Approved November 17, 2015


Chuck Freeman, District Manager

Prepared by Doris Rakowski

Doris Rakowski

From: dan [REDACTED]
Sent: Monday, October 12, 2015 12:25 PM
To: Doris Rakowski
Cc: Dave Hannah
Subject: Phone call this morning

Follow Up Flag: Follow up
Flag Status: Completed

Doris,

Thank you for promptly returning my phone call this morning. This message will highlight some of the items we discussed, and the issues I (and other homeowners) would like to have answered.

1. Why was this meeting scheduled for 9 AM Tuesday morning, instead of at 6 or 7 PM as all of the other homeowner meetings have previously been scheduled? This will definitely affect the number of homeowners who will be able to attend this meeting due to work and school schedules.
2. What is the current status of LID 501 that was in place in April 2003 which contained the funding of \$192,000 in reserves used to cover the cost of the water tank replacement without any increase in payments by any of the lot owners? That LID was supposed to be paid off in 10 years (2013) but I have not received any information that it was closed out. I would like to see a year by year financial breakdown of that LID from its inception to its closure – or the current balance on that account.
3. How much are the 66 Meadow Park Estates lot owners bi-monthly payments being made to the KID for use of the high nitrates Irrigation water being used from one of our wells? They all get Richland potable water, but use our Lorayne J. Ranch Well for irrigation. Does that irrigation water supply involve the use of our water pumping system? The 12 northernmost lots in that area have to use a separate installed well and pump for their irrigation supply.
4. Your letter dated October 7th stated: "It is anticipated that there will be an increase in the potable water rates in order to support debt for major capital improvements such as well rehabilitation, valve replacement and water meter installation for each property served. The increase could be as high as \$22.00 per month." That raises the following questions:
 - a. What major improvements are currently planned and what is the cost associated with those improvements?
 - b. What well rehabilitation projects are planned and what is the cost of those projects?
 - c. Why are you going to replace each property owners valves and water meters? Doesn't each lot owner already have a valve and meter currently installed? And if the answer is NO, why not? If you are planning on replacing all of the valves and meters, what is driving that decision and why not do it staggered over a 6 or 10 year period instead of doing all 118 lots in one year period?
 - d. The \$22.00 per month increase is a 61% jump in our current water costs which is not justified by the simple statements contained in your letter. What is the financial justification for that large of a monthly increase?

Looking forward to the answers to my issues and concerns. Thanks

Dan Martini
3001 Bruce Lee Lane
[REDACTED]

Doris Rakowski

From: Jim Losey [REDACTED]
Sent: Friday, October 16, 2015 2:44 PM
To: Doris Rakowski
Subject: Re: Lorayne J Comments and Questions

Follow Up Flag: Follow up
Flag Status: Completed

Yes looks good, Thank you. Also let the board of directors know that I cannot afford to take time from work during the week in the morning. Maybe they can do an evening time where people can attend.

On Friday, October 16, 2015 2:28 PM, Doris Rakowski <DRakowski@kid.org> wrote:

Mr. Losey,

Before I send this to management, have I correctly characterized your questions and comments?

Jim Losey will not be able to attend the meeting, but would like his questions and comments addressed by phone [REDACTED] or if unable to reach by email [REDACTED].

1. Please explain what the well rehabilitation entails.
2. Why do the water meters need to be changed out for each property?
3. Will water pressure be improved? Water pressure is very poor except when connected to the City of Richland water. If the bill will increase, he would like to have better water pressure.

Thank you,

Doris Rakowski
Executive Assistant
Kennewick Irrigation District
12 W Kennewick Avenue
Kennewick, WA 99336
509-586-9111 ext. 155
FAX 509-460-5478

Doris Rakowski

From: [REDACTED]
Sent: Sunday, October 18, 2015 12:01 PM
To: Doris Rakowski
Subject: Lorraine J Water Board

Follow Up Flag: Follow up
Flag Status: Completed

Doris Rakowski and Charles Freeman,

Unfortunately I will not be able to attend the meeting on Oct. 20th. I understand that is just natural that all utilities must go up every year. But living on a fixed income and given the fact that social security will not have a cost adjustment this year, a \$22.00 month increase, places a hardship on many people. If the increase could maintained at \$10-12 it would be much easier to handle.

Thank you for allowing for my input.

Marie A. Steinmetz

Doris Rakowski

From: [REDACTED]
Sent: Monday, October 19, 2015 1:43 PM
To: Doris Rakowski
Subject: 2016 rates

Follow Up Flag: Follow up
Flag Status: Completed

Hello Doris: All the homes on the well system already have water meters ? A rate increase in April 2011 was for the new well reservoir, so a rate of \$22.00 is for WHAT? I can see a new rate of \$5.00 a month might be in order. My wife and I have been in our home for 15 years, not one inch of pipe or a water meter was replaced.

Ken & Maria Wobig
3021 Lorayne J. Blvd.

[REDACTED]

Doris Rakowski

From: Ann Hostetler [REDACTED]
Sent: Monday, October 19, 2015 3:47 PM
To: Doris Rakowski
Subject: Proposed rate hike for Lorayne J Water system

Follow Up Flag: Follow up
Flag Status: Completed

Thank you for the opportunity to comment on the proposed rate increase for the Lorayne J water system.

I have been a long time resident of Lorayne J (32 years) and have seen the neighborhood lots fill with new homes and lived thru the transition of the well system to KID as well as paid for the LID for well improvements over the years.

First and foremost is my concern with the quality of the water. I would like to see a detailed budget of what improvements to the system are planned and what is the cost benefit to the residents. We have been told time and time again that the rust colored deposits due to "flushing the system" were safe and of no concern. Will the budgeted well rehabilitation address this problem? It may not be dangerous to consume, but I know that it coats the pipes, water heaters, water softeners, toilets and irrigation pipes causing damage and replacement more often than should be necessary. How about the nitrate levels-- I know there was a problem in the past years? Will this be addressed by the proposed equipment improvements?

I would like to know how many lots were not metered. As one of the original homes built, I know I have a water meter, so I am surprised that all homes build subsequently did not have meters installed when built. Do you plan on changing the billing to a metered rate? Why is this cost of equipment to be charged as part of a monthly increase when it is s a one time cost? Shouldn't the builder have installed the meter or KID installed the meter when the home was first constructed or the water system was accessed?

The KID barely maintains the property surrounding the well and has **not** maintained the easement property in years. During this year of drought, the weeds were a particular concern with fences nearby. Would we see better management of the property with the additional charge?

Currently we pay \$66 every 2 months, year round. The proposed increase of \$22/month (\$44/2 months) is a 66% increase ! This seems excessive and for substantial capital equipment improvements, why is a LID not considered? There was a LID in 1993 to cover the cost of the new well system and for that we all paid extra (I believe it was \$99/2 months) until it was paid off. At that time charge was then dropped back to the nominal level.

The bottom line is this - I would like to know what the increase cost is "buying" the residents-- having water meters is no benefit and well rehabilitation is a capital improvement that improves the asset value for the KID, thus improving the chance of selling the asset at a higher rate. Neither of these points benefit residents. If these improvements make our water safer, and provide a higher quality of service, perhaps a slow increase in cost can be absorbed. But I think the proposed rate increase is excessive.

I look forward to more information from KID about their plans, timetable and benefits to the homeowners.

Thank you again for the opportunity to respond.

Ann Hostetler
133 Travis Lane