



Minutes

Special Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, October 27, 2015, 8:30 a.m.

President Rathbun called the meeting to order at 8:30 a.m. 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
Seth Defoe, Land & Water Resources Manager
Jason McShane, Engineering/Operations Manager
Doris Rakowski, Executive Assistant

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

PRESENTATIONS

Draft 2016 Budget: Meeting materials were distributed.

Mr. Freeman briefly reviewed the material presented in his budget letter to the Board, including revenue assumptions, expenditure assumptions, reserve funds balances, realty department model, and potable systems outlook.

Discussion ensued regarding the staffing reduction over the past year.

Director McGuire noted that the drought fund started at \$500,000 per year. Ms. Storms said about \$260,000 were spent from the fund in 2015.

In response to a question from Director McGuire, Mr. Freeman spoke about the possibility of a grant for recovering water. He said the USBR had agreed it was an allowable project, and the District could apply for a grant if there were a drought next year.

In response to a question from Director McGuire, Mr. Storms spoke about the purpose and management of the carryover fund.

Discussion ensued regarding how much expense Realty reimbursed to each department and totals were read from the meeting materials.

Ms. Storms highlighted items included in the Capital Project Funds, Operating Reserve Funds and Non-Operating Restricted Reserves on the spreadsheet titled Summary of Revised Budgeted Revenues/Expenditures for Fiscal Year 2016.

Ms. Storms confirmed to Director McGuire that she anticipated interest from the Red Mountain guaranteed fund would go to Realty, rather than stay in the guaranteed fund which would be maintained at the required level.

In response to a question from Director McGuire, discussion ensued regarding Realty money for the new Administration Building. Realty Reserve policy requirements were discussed. Ms. Storms said that, to date, money had been expensed as a capital expense, and a loan had not been established.

In response to a question from Vice President McKenzie, Ms. Storms spoke about tracking of the Red Mountain LID receivables and loan management. Discussion ensued regarding interest income and sources for financing of capital projects.

Mr. Freeman distributed a spreadsheet titled Salary Ranges and Positions-Proposed for 2016 Budget. Ms. Storms spoke about the scope of the original salary survey and noted that an annual adjustment was made to the ranges based on the percentage negotiated by the union annually. Discussion ensued regarding Board established salary ranges and staff management of employees' pay levels.

In response to a question from Director Huffman, estimation of fuels costs for 2016 was discussed.

Discussion ensued regarding how the COLA increase was determined and whether it could or should be negotiated to tie it to Social Security COLA increases instead of the current method utilizing the federal cost index. Mr. Freeman said as attrition occurred, serious consideration was given to whether positions could be left unfilled.

Mr. Freeman spoke about the Board's investments in efficiencies, including staff being under one roof and power savings from taking seven pump stations off line with the Cherry Creek pump consolidation.

It was noted that weed control cost was reduced thanks to canal lining and better management practices and focus was shifting to control of terrestrial weeds.

Mr. Freeman confirmed that the recommended 2.5% rate increase was to be uniform for all tiers and the capital charge. Discussion followed. Mr. Freeman said the budget was being considered today to facilitate the preparation of the Assessment Roll, which would be presented to the Board at the next meeting, then considered at the Board of Equalization.

In response to a question from Director McGuire, Mr. Freeman spoke about tracking of large items and managing the budget.

In response to a question from President Rathbun, Mr. Freeman said that if there were adequate water next season there would be a \$23,000 savings for code enforcement.

Ms. Storms noted that, with the 2016 2.5% increase, there would have been a 1.4% per year average increase over 6 years. She said staff determined it would take a 2.5 to 3% increase in assessments just to cover contracted wages and benefits, so other cost cuts had helped keep average increases down to 1.4%. Director Dennis advocated detail in the information provided to the public about the needed increase, including the dollar amount of the increase for the various tiers.

Director McGuire expressed concern that the increase was not enough in view of the large projects planned and said additional funds would be needed in the future. He referred to the special meeting at which the attendees expressed a willingness to pay more to pursue a better more consistent water supply, such as through litigation of the Columbia River water right. Discussion followed.

President Rathbun spoke about increased labor costs during drought conditions and the need to shore up the water supply. He cautioned against scaling back so much that the District started to go backwards fiscally.

Director Huffman said he hoped planned capital projects would provide savings in the long run.

Director McGuire said the District needed dollars to come in to be ahead of needs. Mr. Freeman noted that the District was no longer dependent on Realty funds for operating expenses. He spoke briefly about reserves, and differences between cities and irrigation districts. It was noted that the majority of attendees at the August 13th special meeting would be willing to pay \$20 for legal fees to pursue the Columbia River water right.

Director Dennis suggested that exempt employees could decline a pay raise for a year.

Ms. Storms displayed the Balance Sheet-Comparative for the periods ending June 30, 2015 and December 31, 2010 and discussed where savings had occurred and how the Board had built restricted reserves in that time.

RESOLUTIONS

Resolution 2015-34, 2016 Budget: At the request of President Rathbun, Mr. Storms indicated where the numbers on the resolutions were taken from the budget spreadsheet. She indicated which spreadsheets would be included with the resolution.

President Rathbun said he was in favor of the budget and said he was appreciative of the work done by management to control costs.

Director Huffman moved to approve Resolution 2015-34, 2016 Budget Adoption, with \$17,207,321 in expenditures. Vice President McKenzie seconded the motion and it carried unanimously.

Director Huffman moved to adjourn the meeting at 10:15 a.m. and Director Dennis seconded the motion. The motion carried unanimously.

Attest:

Witness:



Kirk Rathbun, Board President
Approved December 1, 2015



Chuck Freeman, District Manager

Prepared by Doris Rakowski