



Minutes

**Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, April 5, 2016, 9:00 a.m.**

President McKenzie called the meeting to order at 9:00 a.m. and Mr. Freeman called roll.

Directors Present:

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

Staff Present:

Chuck Freeman, District Manager
Kipp Drummond, District Treasurer
Jason McShane, Engineering/Operations Manager
Seth Defoe, Land and Water Resources Manager
Darin Arbogast, Project Manager
Lori Gibson, Executive Assistant
Alex Romero, Staff Engineer
Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel
Chad Stuart, U. S. Bureau of Reclamation Yakima Field Office Manager

APPROVAL OF AGENDA: Mr. Freeman noted that revised information on the Southridge Master Plan and Olympia Estates had been distributed.

Director Rathbun moved to approve the agenda. Vice President Huffman seconded the motion and it carried unanimously.

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, December 1, 2015
2. Minutes, KID Board Meeting, December 14, 2015
3. Letter of Support for City of Richland Duportail Bridge Project
4. Preliminary Plat 16-01 Sage Crest Phase 5
5. Short Plat 2015-012 Hutchinson
6. Short Plat 2015-006 Szendre - Wet
7. Short Plat 15-08 Conner - Wet
8. Short Plat 16-02 Jean Street - Wet
9. Final Plat - Clearwater Creek Phase 2 - Dry
10. Vouchers/Warrant Approval

Accounts Payable

Numbers: 72093	through	72154	\$	863,857.56
72155	through	72200		77,010.91
72207	through	72207		300.00
APPKT00074	through	APPKT00074		72,602.38
Total Accounts Payable				1,013,770.85

Payroll

Numbers:	33371 through	33379	\$	9,690.32
Direct Deposit		3/21/2016		<u>95,644.12</u>
Total Payroll				<u>105,334.44</u>
Total Disbursements			\$	<u>1,119,105.29</u>

Voided Checks: AP checks #72088-72092 were voided 3/9/16 due to a printer error. AP checks #72123-72124 were voided 3/10/16 due to a printer error. AP check #72148 was voided 3/21/16 after being lost in the mail, issued replacement check #72201. AP checks #72202-72206 were voided 3/23/16 because we paid by credit card instead.

PUBLIC COMMENTS:

A guest thanked the Board for having water available eight to ten days earlier than usual.

PRESENTATIONS:

Chad Stuart, U. S. Bureau of Reclamation Yakima Field Office Manager: Mr. Freeman introduced Mr. Stuart.

Mr. Stuart spoke about improving water delivery to KID and capture crests of supply which were missed last year because adjustments were required and the USBR did not provide 24 hour service. He said automation of the headgates and powerhouse was being considered and reported that the USBR should be able to automate one pump this year with material on hand. He would attend a meeting to plan automation of the headgate today, and once it was underway, KID would be brought into the conversation.

Mr. Stuart reported when a contract fell through, repair work on Pump 2 was moved to calendar year 2017 and the cost estimate went from about \$145,000 to \$220,000.

Mr. Stuart reported that the USBR's Solicitors Office was working on a memo addressing flow issues for conservation water. It would be reviewed internally, working with the Department of Ecology, then sent to KID.

Mr. Stuart told Director McGuire he would follow up on why the pump repair cost estimate had increased so radically.

President McKenzie said the flow control automation was a step forward. He said KID's canal automation helped greatly in last year's drought.

Mr. Stuart confirmed to Director Rathbun that Prosser Dam was a fixed structure and the meeting today would be to discuss the possibility of automating the diversion at the headgate.

Mr. Stuart told Mr. McShane that they would look at modifying the Prosser Dam fish ladders.

Vice President Huffman asked how the USBR would make up the difference and not harm KID when upstream conservation reduced KID's return flows. Mr. Stuart said USBR's solicitors were addressing definitions of harming, water rights and entitlement. He said the USBR recognized there was less water available. He assured Vice President Huffman that the USBR would continue to actively communicate with KID about options such as electrification, re-regulation pumps and providing manpower and assistance.

Director McGuire questioned if Mr. Stuart's office understood how KID worked, because the suggestion of water meters and re-regulation reservoirs in a recent letter from Dawn Wiedmeier would not address reduced supply. Mr. McShane reported that a meeting had been offered and accepted, and would be scheduled, probably in May. Mr. Stuart confirmed to Director McGuire that USBR understood that only KID spoke for KID, not former employees.

President McKenzie thanked Mr. Stuart for coming to the Board meeting. Mr. Stuart offered to address issues of interest to KID at future meetings.

Mr. Freeman confirmed that an invitation would be sent to Mr. Stuart, Ms. Wiedmeier, Lorri Lee, and staff to meet at KID to learn more about how the District operated and dispel some myths about the urban water users. He said that mitigation of the "unintended consequence of conservation" was necessary. He said KID would work with the USBR to address KID's unique challenges and look for solutions that would protect the river, water supply and water users.

Financial Reports for January 2016: Mr. Drummond distributed copies of the financial reports. He asked for feedback on report format. He spoke about scheduling financial reports and said that reconciliations, accounts payable, payroll and other accounting functions were timely. Mr. Drummond said he was consulting the State Auditor's office on how to report certain things between fiscal years in cash accounting, and would have a phone meeting this week.

Mr. Drummond reviewed highlights of pages including:

- Balance Sheet as of January 31, 2016
- Balance Sheet - Comparative
- Statement of Revenues & Expenditures - Budget to Actual
- Statement of Revenues & Expenditures - Comparative
- Grant & Matching Funds Schedule
- Red Mountain Revenue to Expenditures
- Fund Balance Change through January 31, 2016
- Cash Investment Report by Investment Maturity Date as of January 2016

Mr. Drummond and Mr. McShane spoke about how the new Incode project accounting software could be used to more efficiently track projects such as the Southridge Master Plan. Switching to automated reports from Incode was discussed further.

In response to a question from President McKenzie, Mr. Freeman and Mr. Stuart spoke about the timing of the USBR estimate, billing and adjustment cycle. Discussion ensued. Mr. Stuart noted that this was an early estimate for the 2017 bill.

Director McGuire moved to accept the January 2016 financial reports as presented. Director Rathbun seconded the motion and it carried unanimously.

Public Hearing: None

Board Reports: None

ACTION ITEMS:

Administration Building Change Orders: Mr. McShane briefly reviewed the use of three contracts to construct the building and presented the change orders offered for approval. He said change order 16 would be the last expected change order.

Mr. Freeman spoke about the error in the connecting the water line. He said that he was in communication with the City of Kennewick about correcting their error, connecting to the correct pipe and refunding money spent to address the error.

Director Rathbun moved to approve Change Orders 10, 14, and 15 for Administration Building Contract 3, as set out in the attachment, and authorize Charles Freeman to execute the associated Change Orders. Vice President Huffman seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2016-11, Voluntary Mitigation Agreement – Olympia Estates: Mr. McShane reported that the hearing examiner neglected to specify KID's applicable conditions on the plat, despite KID's testimony and the developer's agent saying they had no issue with the conditions. KID contacted the City Attorney about how to avoid this error in the future and filed a LUPA (Land Use Petition Act) appeal. KID and the developer came to an agreement, which would go to the hearing examiner for inclusion as a condition of the pre-plat.

Mr. McShane noted that a revised Voluntary Mitigation Agreement (VMA) was distributed at the meeting and summarized major terms of the agreement.

Mr. McShane confirmed to Director Rathbun that the VMA was similar to a previous agreement with this developer, and included a per lot contribution, with a lump sum at the end of the lot process and a deed of trust equal to the amount owed filed on lots not in the first phase.

At Director McGuire's request, Mr. McShane spoke about the District's communication with parties to the agreement and the LUPA appeal.

Mr. Freeman said the appeal was scheduled for court action on the 15th and could be cancelled if the agreement was signed. Mr. Freeman said cost to the District for the appeal was about \$5,000. He spoke further about pursuing an agreement on process with the City.

Vice President Huffman moved to approve Resolution 2016-11, Approving Olympia Estates Voluntary Mitigation Agreement with Lien Provisions. Director Rathbun seconded the motion and it carried unanimously.

Resolution 2016-12, Voluntary Mitigation Agreement – The Boulevard Townhomes: Mr. McShane spoke about The Boulevard Townhomes project. He summarized major terms of the VMA and described how the development would connect to existing infrastructure.

Mr. McShane confirmed to Director Rathbun that pump station capacity and the piping were adequate to serve the area, but an improvement south to the 1.8 Rehab was being considered.

Mr. McShane confirmed to Director McGuire that the area would be recalibrated after the roads were established and after buildings were in place, pursuant to KID Policy.

Director Rathbun moved to approve Resolution 2016-12, Approving The Boulevard Townhomes Voluntary Mitigation Agreement. Vice President Huffman seconded the motion and it carried unanimously.

Action on Final Plat - The Boulevard Townhomes Phases 1 & 2: Mr. McShane asked the Board to approve the plat conditioned on the developer meeting KID's conditions of approval.

In response to a question from Director McGuire, Mr. McShane reported that law was changed to give the Board discretion in foreclosure, preventing a situation where the District would end up owning green strips. Mr. McShane spoke about KID's policy on methods of assessing common land in townhome and condominium developments.

Director Rathbun moved to approve the final plat for The Boulevard Townhomes Phases 1 & 2. Director McGuire seconded the motion and it carried unanimously.

Resolution 2016-13, Adopting Policy 2.3, Travel Authorization & Reimbursement, Rev. 6: Mr. Drummond spoke about a change to the travel policy to eliminate the need for a separate checking account for travel advances. He reported that he researched the issue and contacted the local office of the state auditor about the change.

Mr. Drummond confirmed to Vice President Huffman that this was the only change in the policy.

In response to a question from President McKenzie, Mr. Drummond said some entities chose to use separate accounts but it was not a statutory requirement.

Director Dennis moved to approve Resolution 2016-13, Revising Policy 2.3, Travel Authorization and Reimbursement. Director Rathbun seconded the motion and it carried unanimously.

Resolution 2016-14, Southridge Master Plan: Mr. Freeman spoke about timeline for KID's plan for the Southridge area. He said Red Mountain South LID served as a model for the plan.

Mr. McShane displayed pages of the Master Plan and reviewed contents including:

- Introduction and background information
- Existing irrigation facilities
- Irrigable acreage of the Southridge Study area
- Water demands
- Design standards (approved by KID Board in 2012)
- Two regional alternatives for fully pressurized irrigation systems using a demand basis by pressure zones. Option B included a small equalizing reservoir, allowing reduced pump and pipe size, but adding cost of creating and maintaining a reservoir and associated filtration. Option A did not have the equalizing reservoir.
- Recommended alternative - Option A with some modification, including reducing the Sage Crest pump station size and eliminating a booster station by upsizing the Bob Olson Parkway pipeline.
- Implementation including construction and capital outlay scheduling

Mr. Freeman said engineers' cost estimates were the equivalent of going out to bid, but said the District intended to do work in house. Mr. McShane spoke about challenges to allocating costs to the lots yet to be built in the Southridge area. He said part of KID's share would be reduced by doing some of the work internally at a lower cost than contracted work.

Mr. McShane described the recommended Equivalent Irrigation Unit (EIU) collection methodology. Service connection size and material were discussed. Mr. Freeman said Steve DiJulio of Foster Pepper reviewed the plan. The benefits of the methodology for the District and the development community were discussed. Mr. McShane described point of collection and recording.

Mr. McShane said the system was designed to serve up to 4,315 parcels. Discussion followed.

Mr. McShane said legal risks of a proposed action concerning of terms of future negotiations could be discussed with the attorney in executive session.

Mr. McShane said construction costs including sales tax were estimated at \$8.6 million and total cost was estimated at \$12,061,495 with 4.5% financing. Mr. Drummond spoke about the recommendation to tie the interest rate to an index due to the duration of the project. Interest rate setting and adjustment over the 20 to 30 year time frame was discussed.

Mr. Freeman spoke about future steps regarding recovering costs of Amon reservoir and possible abandonment of the AP Lateral.

Mr. Freeman briefly reviewed the revised resolution which was provided at the meeting.

Mr. McShane spoke about project scheduling. He said advertisement for ductile iron pipeline bids would follow and construction would take about eight weeks.

Mr. McShane confirmed to President McKenzie that additional costs for staff resources, overtime and some rental equipment were included in the cost estimate. In response to questions from Director McGuire, Mr. McShane spoke about training for KID staff from vendors.

Mr. Freeman said Mr. Defoe recommended the approval of the resolution be conditioned on the environmental review process (SEPA) receiving clearance. Mr. McShane spoke about soil depth. Mr. McShane said Mr. Defoe reviewed the SEPA analysis and made a determination of non-significance, and KID was waiting to see if any comments were made on the determination.

Director McGuire moved to approve Resolution 2016-14, that establishes the Southridge Benefit area and conditioned on environmental review process (SEPA) receiving clearance, and other matters properly related thereto. Director Rathbun seconded the motion and it carried unanimously.

President McKenzie spoke about the importance of forward thinking about the District and thanked Mr. Stuart for attending the meeting.

President McKenzie called a short break at 11:09 a.m.
The meeting resumed in open session at 11:16 a.m.

STAFF REPORTS:

Finance Manager: Mr. Drummond distributed sample billing statements. He spoke about preparation of assessment statements and reviewed the example format. Mr. McShane spoke about 2015 excess water charges.

Engineering/Operations Manager: Mr. McShane reported:

- System start up was underway. Pumping stations start-up order was recorded in TruePoint to be easily replicated in future years. He spoke about training of new staff.
- Weed control, including removal of tumbleweed, was a challenge due last year's drought.
- Level sensors for the Red Mountain fish screen airburst systems were lost due to water in a control box that was not fully sealed. It was a latent defect or warranty item, which KID repaired but would work out with contractor.

At Director McGuire's request, Mr. McShane spoke about Badger West water orders and said those water masters would be contacted today. He reported that water orders were available for that area as of today, but none were received yet.

Water quality and sediment loads were discussed.

Land & Water Resources Manager Mr. Defoe reported:

- The preliminary Total Water Supply Available (TWSA) forecast came in strong last month. March was wet and temperatures were in the normal range. Reservoirs were about 130% of average and snow pack recently peaked. The next TWSA forecast would be provided at the next River Ops meeting Thursday.
- The interactive water on map was being refined and a water status map was being implemented this year.

Upcoming meetings:

- River Operations - Thursday, April 7th
- System Operation Advisory Committee (SOAC) - Wednesday, April 6th
- National Water Resource Association (NWRA) Federal Water Issues Conference - Vice President Huffman and Mr. Defoe would attend in Washington D.C. next week.
- Washington State Water Resource Association (WSWRA) - Wednesday, April 20th

District Manager Mr. Freeman spoke about:

- A conference call was scheduled with Water Strategies April 6th. Discussion ensued regarding correspondence with the USBR.
- Mr. Freeman would be on vacation next week.
- The District was fully staffed and was using of temporary placement agencies for recruiting.

Workshop: None

Discussion ensued regarding topics to be discussed in executive session.

At Director Rathbun's request, Mr. McShane gave an update on his recent trip to Washington D.C. He spoke about status of legislation on the Senate energy bill and a House companion bill. He listed some of the people with whom he met.

EXECUTIVE SESSION: At 11:42 a.m., Mr. Iller announced on behalf of the presiding officer that the Board would go into executive session to review the performance of a public employee, pursuant to RCW 42.30.110(g) for an estimated ten minutes, ending at about noon. Mr. Iller said action was not anticipated but was possible following executive session.

Executive session was extended by 10 minutes at 11:59 a.m.
The meeting returned to open session at 12:10 p.m.

President McKenzie instructed the Secretary Manager and Treasurer to provide updated comparative management salary ranges in this and related industries. Director Rathbun said the survey could be expanded beyond irrigation districts. President McKenzie said that it should be presented to Finance Committee first when completed.

There being no further action, President McKenzie called for a motion to adjourn.

Director Dennis moved to adjourn the meeting at 12:12 p.m. Director Rathbun seconded the motion and it carried unanimously.

Attest:

Witness:



David McKenzie, Board President
Approved May 17, 2016



Chuck Freeman, District Manager

Prepared by Doris Rakowski