



Minutes

Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, July 19, 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
Dean Dennis, Director
Patrick McGuire, Director

Absent: Kirk Rathbun, Director

Staff Present:

Chuck Freeman, District Manager
Kipp Drummond, District Treasurer
Jason McShane, Engineering/Operations Manager
Seth Defoe, Land & Water Resources Manager
Doris Rakowski, Executive Assistant

Other Persons Present: Brian Iller, KID Legal Counsel

Mr. Freeman reported that Director Rathbun was absent because monsoon weather conditions delayed his flight from Arizona. Vice President Huffman moved to excuse Director Rathbun's absence. Director Dennis seconded the motion. All present voted in favor and the motion carried.

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

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

On the consent agenda were:

1. Minutes, KID Board Meeting, July 5, 2016
2. Professional Services Contract PS2011-02 Amendment No. 13
3. Short Plat 2016-009 Rowdy Barry
4. Binding Site Plan 16-04 Knutzen
5. Vouchers/Warrant Approval

Accounts Payable

Numbers: 72768	through	72826	\$ 129,755.70
APPKT00179	and	APPKT00184	<u>76,076.14</u>
Total Accounts Payable			<u>205,831.84</u>

Payroll

Numbers: 33436	through	33440	\$ 6,300.24
Direct Deposit		7/5/2016	102,102.44
Direct Deposit		7/6/2016	<u>433.36</u>
Total Payroll			<u>108,836.04</u>
Total Disbursements			<u>\$ 314,667.88</u>

Voided Checks: None

PUBLIC COMMENTS: None

PRESENTATIONS:

Financial Report for June 2016: Mr. Drummond presented highlights of pages including:

- Statement of Revenues & Expenditures - Budget to Actual
- Statement of Revenues & Expenditures - Comparative
- Fund Balance Change through June 30, 2016

Vice President Huffman moved to accept the June 2016 Financial Reports as presented. Director Dennis seconded the motion. All present voted in favor and the motion carried.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS: None

RESOLUTIONS: None

STAFF REPORTS:

Finance Manager: Mr. Drummond reported:

- The Board created a new salary range for the District Manager (May 17th) and (on June 21st) after a performance review, raised his pay level to the bottom of the new range. The amount of \$143,500 in the motion did not match the \$143,805 bottom of the new range. Staff made the correction and President McKenzie initialed the changed form.
- References were being checked from IVR (interactive voice response) system users regarding integration with TruePoint and enhanced functionality. Staff would go ahead with programming and license purchases needed to implement phone number recognition and automatic opening of account screens using the current system. Automation should speed provision of information to customers and free Customer Service Specialists for other tasks.

Director McGuire said the KID website agricultural water order form did not automatically email acknowledgements and he was not emailed in response to requests in the note field. Mr. Freeman said a software update removed the automatic email reply function and the IT contractor was not at fault. Mr. Freeman said the webpage gave a successful submittal message and customers could be emailed upon request.

Director McGuire said automated emails were added a few years ago at customer request and asked if we had decided to stop because of cost. Mr. Freeman said it was not a decision, just the result of the upgrade. He offered to research and bring back what it would cost to generate an automatic email, but said demand for that was low. Mr. Freeman offered to meet with Director McGuire and Customer Accounts Supervisor Dana Hernandez.

Meeting format and the purpose of the executive session were discussed.

Geoffrey Hughes, Vice President, Special Projects, of the Aquilini Investment Group said the pertinent issue now was the lower parcels, but all parcels were affected by water quality, pressure and volume. Mr. Freeman said everyone had water quality issues because it was a direct pump off the Yakima River, but the District was working to treat it.

Mr. Hughes said meeting attendees came from Italy and Vancouver B.C. to tell the Board about their challenges. He said the temporary booster pump on the main line responded to the

immediate need, but it was important to continue. He reported that as of Saturday, there was pressure to the 16 parcels, but not quality, and the volume varied.

President McKenzie said the Board needed to consult legal counsel and receive advice, and then discuss with Mr. Hughes and his associates how to move forward.

Engineering/Operations Manager: Mr. McShane reported:

- City of Kennewick would award a contract for Bob Olsen Parkway work tonight. Most KID work should be done before they began work, but everything east of Sherman would be coordinated with the City's contractor. Most of the 36" pipe was installed and pressure testing would be next week. Several lateral pipelines were installed at future intersections and that work would continue in coordination with the new City contractor.
- An Endothall treatment was applied last week, so die off would occur over the next few weeks. There was less growth than in past years.
- Chlorine slug treatments at Red Mountain were done as needed; about once per week.
- Pre-watering and canal grading, preparatory for winter capital lining of the last 1,800 feet of Division IV would begin by the end of August, followed by the Badger East Canal. Lining bids would be in the paper and material orders would happen soon.
- System operations were going well. A couple main line repairs were done yesterday. Landscape and asphalt repairs were underway.

Land & Water Resources Manager: Mr. Defoe reported:

- The U. S. Bureau of Reclamation (USBR) raised the estimated 2016 supply for junior water rights from 86% to 90% at the July 7th River Ops meeting. Mr. Defoe displayed the usbr.gov Yakima River 5 Reservoirs page and spoke about storage levels. He displayed the noaa.gov (National Oceanic and Atmospheric Administration) Yakima WA 2016 chart spoke about temperatures over the first half of the year.
- Mr. Defoe displayed a chart from ykfp.org (Yakama/Klickitat Fisheries Project) and spoke about SOAC (Systems Operation Advisory Committee) directed use of stored water for fish flow in early July. He said that summer pulse flows were experimental and determining their usefulness was problematic as data was lacking to compare results to natural conditions. In response to a question from Director McGuire, Mr. Defoe said there were no guidelines for summer pulses. Discussion ensued regarding supervision of SOAC. Director McGuire suggested the Yakima Basin Joint Board be asked to request the USBR get an outside professional plan developed.
- KID filed an appeal disputing a City of Richland decision on three year extension of a pre-plat for Canyon Creek subdivision on the east bank of the Amon Wasteway. Approval conditions included a wetlands study for Amon Wasteway and implementing recommended buffers in consultation with experts from Washington Fish & Wildlife and other agencies, but did not mention it was an artificial feature for irrigation drainage. There are legal protections against buffers on irrigation facilities. Amon Wasteway is not a creek or wetland to be regulated.
- The winning bid for a long-term lease for Klickitat PUD Columbia River water was \$350 per acre foot per year. The capitalized cost was quite high compared to others.

Upcoming meetings:

- Washington State Water Resources Association (WSWRA) - July 20, 2016
- Columbia-Snake River Irrigators Association (CSRIA) - Combined August/September meeting date was yet to be announced
- Yakima Basin Joint Board (YBJB) - July 29, 2016

- KDRPP (Kachess Drought Relief Pumping Plant) Listening Session at Cle Elum Ranger District by the USBR targeted to Lake Kachess cabin owners - July 30, 2016

District Manager: Mr. Freeman reported:

- He would take new information packet brochure/welcome packets to a presentation to Century 21 Realtors on August 10th. He distributed samples.
- He recommended purchasing the IRV Spanish language version for about \$7,800 and an annual fee of \$1,800.
- The Aquilini Group had been meeting with engineering for a couple months about water not being evenly applied across their lower parcels south of SR 224. A temporary pump was placed and started Saturday. KID staff and the Aquilini Group were working on a permanent solution.
- Staff met with vendors about a chlorine injection system at the Red Mountain pump intake. The 810 reservoir would be manually chlorinated today. The Aquilini Group should run as much water as possible to the southern parcels to push the chlorine to the filters and drip system impacted by the water quality. When the Red Mountain system was designed, KID thought Amiad filters would address the issue, but did not know algae would pass through the filters and colonize. Worms were also in the system. KID invested resources address Red Mountain growers' concerns and would continue to work with them. A permanent pump and KID's relationship with the Aquilini Group which purchased 670 acres from the District would be discussed today.
- No additional water was available to allot at this time, despite continued demand. The Board may consider a second phase at Red Mountain in the future.
- Alan Busacca would do a soil analysis for the KID's 319 acres in Finley, with the goal of auctioning long term leases in the fall. The property would be served off Division 4.
- A conference call with the USBR about the new lining grant would take place this week.

Mr. Drummond confirmed that one Department of Ecology grant was funded and the District was waiting for the second. The Department of Ecology was unhappy about expense for a sunshade bought for the Farmers Market booth used to talk to people about the drought last year, so that \$170 expense was removed from the \$54,000 grant.

WORKSHOP: None

EXECUTIVE SESSION: At 9:45 a.m., Mr. Iller announced on behalf of the presiding officer that the Board would go into executive session for an estimated 20 minutes to discuss with legal counsel potential litigation, in the form of legal risks of a proposed action or current practice regarding Red Mountain, pursuant to RCW 42.30.110(1)(i)(iii) and to discuss pending litigation with legal counsel regarding Acquavella litigation, pursuant to RCW 42.30.110(1). Mr. Iller said action could follow executive session, which could be extended if more time were needed.

OPEN SESSION: The meeting resumed in open session at 10:07 a.m.

Mr. Iller suggested amending the agenda to include action on the pump and compromise regarding the Red Mountain system. Director McGuire so moved. Vice President Huffman seconded the motion. All present voted in favor and the motion carried.

ACTION ITEMS:

Red Mountain In-line Booster Pump: Mr. Freeman said the Red Mountain system was designed with the static pressure as low as 25 psi in some areas, but growers in the southeast part of the service area had pressure loss and areas where water did not reach across crop

blocks, which threatened crop loss. An in line booster pump would give adequate pressure and volume to serve all crop blocks.

Mr. Freeman reported that the Aquilini Group approached KID about a cost split agreement. A temporary pump had been on since Saturday, allowing time for a permanent pump to ship. Other than the power drop, pump motor controls and SCADA connection, KID would supply installation labor and parts. The \$50,000 cost estimate included staff time and parts. Mr. Freeman said staff recommended participation at 50% of project cost, and that new charges for the pump's electricity and O&M (operations and maintenance) be spread over the whole 1,785 acre Red Mountain group, similarly to anticipated chlorination costs.

In response to a question from President McKenzie, Geoffrey Hughes (Vice President, Special Projects, Aquilini Investment Group) introduced Casey Jensen of Valley Pipe Co. Mr. Hughes said the pump solved the pressure issue but not quality or volume. A sustainable solution was needed but the booster pump got water to the young plants. He said that Mr. Jensen could not design a system in the lower section that was sustainable for farming with the preexisting volume, quality and pressure.

Mr. Jensen said the booster pump provided needed pressure and he thought it would eventually lead to the volume needed. They were using about 2.7 gallons per minute per acre and had not reached 3.5 gallons per minute per acre demand. He said quality was a problem and this morning there were rocks in the line.

Mr. McShane said the line had been vacuolated out before everything was reinstalled after a limited break in the line.

Mr. Freeman spoke about when the Aquilini Group failed to call for a locate and ripped up lines, resulting in debris in the 810 reservoir. Mr. McShane said he hoped the increased pressure would flush the line. Mr. Freeman said numerous sections of new mainline pipe along Sunset Road were destroyed when land was prepared for the vineyard. He reported debris and chunks of purple pipe were removed from the 810 reservoir when it was cleaned about 60 days ago.

Mr. Hughes said he was not aware of the incident. He described locations of the current planting and the planting over a year ago when the pipes were broken. Mr. Hughes said the 370 acres planted this spring were experiencing immediate losses of 9% to 10%, which was higher than industry-wide acceptable loss for new plantings of 2% to 3%. Mr. Hughes said the property was marketed for growing grapes, and having bought the property from KID, they had a reasonable expectation of a permanent water supply from KID for growing grapes.

Mr. Hughes said Mr. Aquilini had a different understanding about the system when he met with Mr. McShane and suggested a deal to pay for half of the booster pump. He said he thought all the water was from the reservoir, but now understood pressure was from the pump at the river and simultaneously pressurized to all their 670 acres, those of other owners, and to the reservoir. He said water could not get through the mud and any filter.

Mr. Hughes said KID staff investigated low pressure and found one of the teams neglected to open a check valve. He said booster pumps were rented and it wasn't known the gate valve was partially closed until Saturday.

Mr. Hughes said he could not understand why the system was not shocked or injected to kill growth in system and was told it was because they were busy installing the booster pump. Mr.

Hughes said they did not think they should have to pay for booster pump and that they should be able to get water and water all 670 acres of grapes.

Mr. Iller noted they were not buying water, but were paying their share of the delivery system.

Mr. Freeman said he did not want an adversarial relationship with the Aquilini Group. He noted that Shaw designed 500 foot runs, and the Aquilini runs were 1,300 foot. Mr. Freeman said KID did not think they did anything wrong, but was taking the long view. He said to address the issue, split the cost and move forward, a release was needed. Mr. Freeman said the Aquilini system design was flawed.

Mr. Hughes said Mr. Jensen disagreed and Mr. Freeman noted that Mr. Jensen didn't design Aquilini's system but designed Shaw's system with 500 foot runs. Mr. Hughes said it was not an issue because as soon as they got pressure, they had about eight pounds of pressure at the end of each line.

Mr. McShane spoke about his qualifications and the mutual desire for a solution. He agreed with Mr. Hughes that the discussion was about pressure, quality and volume of water. He said pressure and volume of water were interrelated in any water system. He said water quality was an issue with any surface water sources. Mr. McShane said KID never guaranteed water quality to be exactly what anybody would need and all 23,000 KID customers had their own filtering system on their own side of the line.

Mr. McShane said the Aquilini systems were designed with the wrong pressures coming in to them because the design team used one pressure system wide. He said that in the 670 acres, every set and elevation was a little bit different.

Regarding water quality, Mr. McShane clarified that, in addition to treating three weeks ago, KID had been continuously treating the system with chlorine. He said the issue was not time, but having systems functionally in place so a chlorine treatment would make a difference down in that quadrant. He said if the water was off, a chlorine treatment at the tank would not affect the south east area because no water was going there.

In response to Mr. Hughes's report of mud outside all the filters system wide over the past two and a half weeks, Mr. McShane said there would continue to be some particulates on the screens, which were there to protect the drip systems. Mr. McShane said water quality from surface water was variable based on what the river provided.

Mr. Hughes said the 100 micron filter was filtering out what it should, but stuff was growing in the reservoir and working its way down through the system.

Mr. McShane reported that he visually inspected the reservoirs and there was not growth in them. He said the water quality issues were in the 24-inch pipeline up to the reservoirs.

Mr. Hughes disagreed that the Aquilini system was not adequately designed and noted that MonteScarlatto had 1,800 foot lines.

Mr. McShane said he had been working with the Aquilini design team for three weeks and Andreas told him they designed the system at 52 psi incoming pressure, system wide. Mr. Hughes said Mr. Aquilini's offer to KID to pay for half was made without all the facts.

Michele Valori, of Aquilini Investment Group/Golden Eagle, said the Golden Eagle bought KID's land for nine million dollars and the irrigation system for \$650 per acre for 25 years. He said KID should fix this situation because it was a service company and because the deal totaled twenty million dollars and the solution would be only fifty thousand dollars. He noted that about 400 acres were planted at this time and 100 more acres may be planted next year.

Mr. Valori said the water could not pass through the filter at a pressure of 10 psi, but the booster pump fixed the situation. He spoke about variable water volume from 2,000 to 7,000 gallons.

Mr. Valori spoke about water quality and said problems might be corrected by cleaning the pipe because of microorganisms and working on a potential filter station at the pump in the river.

Mr. Valori said problems were normal with new systems and should be corrected when found with testing. He spoke about time spent meeting about the situation and restated his opinion that because of acreage and the value of the land deal compared to the cost of the solution, it was no big deal for KID to pay to correct the problem.

Director McGuire asked whether Aquilini would release all liability if KID paid for the booster pump. Discussion ensued amongst the guests.

Mr. Hughes noted that it was a legal question and said they would have to consult their lawyers to answer. He asked for clarification of the liability.

Mr. Iller said they were claiming plant loss and implying threats for things which KID did not think they were responsible, and demanding KID spend public money to which all other ratepayers in the District had equal claim. He said to spend the money legally, it could not be gift of public funds; KID must have consideration from Aquilini, in this case a release of claims in exchange for KID spending the money for the benefit of Aquilini.

Discussion ensued regarding which owners would benefit. Mr. Iller restated that the Board could not gift public funds and asked the guests to have their attorney call him.

Mr. Iller clarified that what the guest considered the correct pressure was not the pressure for which the system designed in consultation with all owners; an error was made in using 50 psi instead of 25 psi. He said KID wanted to do what was right and move forward but it could not legally give away money without getting something for it.

Mr. Hughes questioned the idea of gifting money in view of the land sale revenue and Mr. Iller said that was legally irrelevant.

Alberto Camacho, the Aquilini Investment Group/Golden Eagle Vineyard Manager, said pressure before the filter was from 16 to 25 psi and showed data to Mr. McShane.

Mr. Iller asked to have the attorneys contact him as soon as possible.

Mr. Valori spoke about their assessments and said, as a service company, KID should fix it. He said the booster pump would solve the pressure and volume problems and asked if KID wanted to fix it.

Director McGuire said KID wanted to help, but the attorneys needed to talk to work out legal problems with potential gift of public money.

Mr. Iller said KID was not “service company”; it was a public irrigation district, which was a quasi-municipal corporation. When assessments were paid to KID, they became public money. KID and its Board were subject to all rules for public money that apply in Washington State and special rules for irrigation districts.

Mr. Freeman said the temporary pump would remain and Mr. McShane said the permanent pump would be ordered later in the week when the design was done.

In response to questions from Director McGuire, Mr. McShane said the permanent pump would be designed to solve potential problems for other groups further down the line and that the pressures designed into the irrigation systems on the Aquilini, Shaw and Mackey properties would be the line pressure provided.

Mr. McShane confirmed to Mr. Freeman that he had not heard about pressure problems from Shaw or Mackey. Mr. Jensen said he heard from them and that they got 40 psi but dropped to 18 psi and held steady. He said when he designed their property he was told the map they received showed up to 80 psi coming in, so they put a 57 pound regulator on the line, but pressure had not gotten close to that level.

Mr. McShane confirmed that, when the next customer developed their property, they will be given pressure based off of the booster pump service.

In response to a question from Director McGuire, Mr. McShane said the original Red Mountain system was designed at 3.5 gallons per minute per acre system wide, continuous. He noted that the booster pump applied additional pressure, not additional flow, though, subsequently, there was additional flow because the drip systems were able to take more water than at low pressure. He said the system was designed for 3.5 gallons per minute per acre. Mr. Jensen said actual flow was about 2.7 gallons per minute per acre and Mr. McShane said he thought it sometimes peaked at the higher amount.

Mr. Valori clarified that they rotated 60 acres every three hours. He said the booster pump was a good and cheap solution because more pressure and volume helped to flush the line.

In response to a question from Director McGuire, Mr. McShane said individual irrigation systems have mechanisms for flushing the ends of the lines designed into them, but timing of flushing was being refined based on use. Mr. Jensen agreed and said they had to do so frequently now. Discussion continued regarding impact of the booster pump on line flushing/.

Mr. Freeman said in other areas water users knew pressure up front and put a pump on the farm. He said expected a pump would have been included in the design here had he followed the 25 psi static. Mr. Jensen said Shaw’s map from RH2 showed pressures which were not static. Mr. McShane said he had not seen the Shaw’s map.

Mr. Freeman said the motion before the Board was conditional and would give attorneys time to meet. He said the temporary pump would remain in operation while work continued on a permanent fix.

Mr. Iller said the Board could take action but until language of the release was acceptable to the attorney it would not be binding. He said the Board could condition the motion on the release language and agreement to split the pump cost.

Director McGuire spoke in favor of KID paying the full cost, contingent on the appropriate release of all claims. He asked what would make everyone whole. Vice President Huffman said it might be worth it to pay full cost to resolve the issue quickly. Discussion continued.

Director McGuire said he disagreed with moving to “approve the in line booster pump with KID 100% participation and direct staff to create a new surcharge for the assessment year of 2017 on condition of full and complete release of KID with no admission of liability on terms acceptable to KID’s attorney.” He said normal O&M should be used instead of a new surcharge. Other Board members concurred. Director McGuire clarified that he had only read a draft motion, not so moved.

Director McGuire moved to approve the in line booster pump with KID 100% financial participation of the cost of the project contingent on a full and complete release of KID with no admission of liability on terms acceptable to the KID’s attorney.

Director McGuire explained that KID would pay the cost of building, designing and installing the pump, that operation and maintenance would go into the normal O&M of Red Mountain Service Area, and that the District wanted a full and complete release of liability from the Aquilini/Golden Eagle group.

Director Dennis seconded the motion. All present voted in favor and the motion carried.

Mr. Valori spoke about resolution of the problems with pressure, volume and water quality.

Director McGuire noted that the action would resolve pressure and volume, but work was continuing on addressing water quality with a program to flush pipes. Mr. Freeman and Mr. McShane said KID would coordinate with Mr. Camacho to flush the lines.

Mr. Valori said volume need was impacted by the density of plants more than plant age, and density impacted quality of the grapes. Water management varied depending on the goals of quality or quantity from the vineyard.

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

Vice President Huffman moved to adjourn the meeting at 11:04 a.m. Director Dennis seconded the motion. All present voted in favor and the motion carried.

Attest:

Witness:



David McKenzie, Board President
Approved August 16, 2016



Chuck Freeman, District Manager

Prepared by Doris Rakowski