



Minutes

**Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, September 20, 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
Jennifer Defoe, Public Relations Coordinator
Lori Gibson, Executive Assistant
Ben Woodard, Assistant Engineering Manager
Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel
Kris Polly, Water Strategies
Ian Lyle, Water Strategies

APPROVAL OF AGENDA: Mr. Freeman confirmed that a revised attachment for Resolution 2016-32, Water Allotment Relegation Requests for 2016, had been distributed.

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

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

Items on the consent agenda were:

1. Travel Request - True Point User Group
2. Vouchers/Warrant Approval

Accounts Payable

Numbers: 73079	through	73087		\$ 15,795.27
73088	through	73158		1,030,099.67
APPKT00231	and	APPKT00236		84,152.08
Total Accounts Payable				1,130,047.02

Payroll

Numbers:	through			\$ -
Direct Deposit		2016-09-06		119,778.67
Total Payroll				119,778.67
Total Disbursements				\$ 1,249,825.69

Voided Checks: AP Checks #73081-73084 were voided due to a printer error.

PUBLIC COMMENTS: None

PRESENTATIONS:

Kris Polly & Ian Lyle, Water Strategies: Mr. Lyle spoke about the value of attending meetings in Washington DC to reiterate YRBWEP messages and highlight KID work to insure that KID customers had access to their water supply. He reported about recent meetings in D.C.

Mr. McShane said up-Basin conservation projects had unintended consequences of reducing KID's water supply, but Chandler electrification was a great project to mitigate the problem.

Mr. Lyle reiterated the value of Mr. McShane, Mr. Defoe, Mr. Freeman and Directors coming to Washington D.C. and said the meetings were open to YRBWEP members or other interested parties.

Mr. Lyle spoke about work in Congress to pass a funding bill or continuing resolution and said funding would be revisited after the election. He noted that much of the USBR's \$100 million for drought mitigation went to California last year.

In response to a question from Director McGuire, Mr. Lyle spoke about communication, building relationships, and outreach to local and regional offices.

Mr. McShane said that consequences of upstream conservation were not really unforeseen, and protections against them were fought for and received in YRBWEP legislation to date. He said KID was now ready to trigger mitigation with Chandler electrification.

Mr. Freeman spoke about Chandler electrification. He said the next steps were getting the engineer's report and helping USBR understand scope and cost of the project. He said this was the least expensive project in the Integrated Plan (IP) and would solve KID's problem.

Director Rathbun commended Mr. Freeman's idea to bring Water Strategies onboard and thanked Mr. Polly and Mr. Lyle for their work.

Mr. Polly said Water Strategies only worked with people they respect, on projects they believed in. Mr. Lyle the progress they made could not have been done without the Board's support.

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

- Balance Sheet as of August 31, 2016 - Final
- Statement of Revenues & Expenditures - Summary - Budget to Actual
- Fund Balance Change through August 31, 2016

Mr. Freeman responded to a question from the Finance Committee regarding the anticipated Realty Reserve fund year-end balance.

Mr. Freeman confirmed to Director McGuire that one year principal and interest were put in reserve when the Red Mountain South LID loan was established. He referred to the Fund Balance Change report page.

Vice President Huffman moved to accept the August 2016 Financial Reports as presented. Director Dennis seconded the motion and it carried unanimously.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Negotiating & Awarding Interactive Voice Response Contract: Mr. Drummond described the bid process for IVR services and reported that five proposals were received. He spoke about the goals for the system. He said staff recommended the board authorize Mr. Freeman to enter into negotiations with Vocantas, which had experience integrating with TruePoint.

Mr. Freeman confirmed that references were checked and noted that discussions indicated that less lines were needed than 24, based on volume and distribution of calls, so staff expected the actual cost would be lower than the bid. He spoke about various abilities of the system, including email and text messaging, and Spanish language service. Call volume and customer service enhancement were discussed.

Mr. Freeman confirmed to Director Dennis that the purchase would be paid from the general fund ending fund balance and spoke about goals for the system.

Mr. Freeman confirmed to Director Rathbun that he wanted the system to be ready before the 2017 water season. He said that the IT department and contractors were involved in considering the security of the system and he was satisfied that it would have more robust security than KID could provide.

In response to a question from Vice President Huffman, discussion ensued regarding how the system could relieve call congestion.

Mr. Drummond confirmed to President McKenzie that PCI compliance would be taken care of by Vocantas. Mr. Freeman reported that the portal would interface with current credit card company and temporary transfer dollars would always reside in Washington State.

In response to a question from Director Dennis, Mr. Freeman said there were US companies that responded, but it did not score as high in the solutions or price.

Vice President Huffman moved to authorize the District Manager to enter into negotiations with Vocantas to create a mutually acceptable IVR services contract for review by the KID Board of Directors. Director Rathbun seconded the motion and it carried unanimously.

Herbicide Purchase: President McKenzie recused himself due to a potential conflict of interest. He left the room.

Mr. McShane spoke about the District's pre-emergent chemical applications and said that moving applications to November would allow more water to be in the ground at application and improve efficacy. He presented the purchase request for additional chemicals and said that an additional purchase would be requested next month.

Director Rathbun moved to approve the herbicide purchase utilizing the existing contract with Helena Chemical Corporation in the amount of \$30,776.91. Director Dennis seconded the motion and all present voted in favor. The motion carried.

Vice President Huffman called a short break at 10:00 a.m.

President McKenzie returned to the room and the meeting resumed in open session at 10:11 a.m.

RESOLUTIONS:

Resolution 2016-32, Water Allotment Relegation Requests for 2016: Mr. Freeman noted that a revised packet for Resolution 2016-32, Water Allotment Relegation Requests for 2016 was distributed at the meeting. He spoke about the elimination of the relegation program and presented the relegation requests.

In response to a question from Director McGuire, Mr. Freeman spoke about possible options for five requesters that were denied because water was available to their parcels.

Director Rathbun moved to approve Resolution 2016-32, removing the irrigation water allotments and assessments from the parcels as listed on Attachment "A" effective January 1, 2017. Vice President Huffman seconded the motion and it carried unanimously.

Resolution 2016-34, Approve Sale of Real Property - Vista Entertainment District to City of Kennewick: Mr. Freeman spoke about closing of the sale and reported the money had been received. He spoke about City of Kennewick's progress toward transfer of the Elliot Lake water system. He reported that the city was committed to using the Vista Entertainment District land for their stated public purpose. Mr. Freeman noted that the Elliot Lake customers would have a new system, at no cost to them and their bills would be cut in half.

On a related topic, Mr. Freeman said staff would meet with City of Richland to prepare for a public meeting with the Department of Health about the Lorayne J water system. He noted that the City of Richland was requiring annexation.

In response to a question from Director McGuire, Mr. Freeman clarified that after the Elliot Lake system was complete, KID had 30 days to transfer \$300,000 from the sale proceeds and \$179,000 of Elliot Lake reserves to City of Kennewick.

Vice President Huffman moved to approve Resolution 2016-34, approving the sale of the above-described parcels in Vista Entertainment District to the City of Kennewick, for a total cash purchase price of two million three hundred eighty five thousand three hundred forty five dollars and sixty cents (\$2,385,345.60). Director Dennis seconded the motion and it carried unanimously.

STAFF REPORTS:

Finance Manager: None

Engineering/Operations Manager: Mr. McShane reported regarding:

- Vegetation management program
- The first recapture well site was abandoned because contractor equipment malfunctioned and a new well was started near Badger Road, with no additional cost at this time.
- WaterSMART lining work progress
- Encroachment removal requests
- Bob Olson Parkway testing was completed and crews were moving to the Cherry Glen area.
- Maintenance activities
- El Niño

In response to a question from Vice President Huffman, Mr. McShane spoke about anticipated phases of the Cherry Creek development.

Land & Water Resources Manager: None

District Manager: Mr. Freeman reported regarding:

- Progress on preparing KID's Finley's properties for long-term leasing.
- NWRA Annual Meeting. Time was scheduled to speak to the Deputy Commissioner about electrification.
- Parking lot paving
- Anticipated water off date. The water off letter to the USBR would be brought to the Board for approval at the next meeting.

WORKSHOP:

Capital Budget: Mr. Freeman noted that a spreadsheet for the Capital Budget workshop was distributed at the meeting. He reported that revenue components were discussed in Finance Committee yesterday. Assumptions included using reserve funds, but if the Board does not want to do so, projects would need to be scaled back.

Mr. McShane spoke about how proposed projects were responsive to the district's mission statement and priorities set in 2010.

Mr. McShane listed funding mechanisms for the work including:

- Red Mountain Interest
- Red Mountain Conservation
- Conservation capital
- WaterSMART grants
- Integrated Plan
- Drought fund
- Realty Reserves
- Operating budgets
- Bonding or other outside financing

Mr. McShane briefly funding sources and the priorities addressed by projects including:

- Canal lining
- Control/automation
- Infrastructure upsizing
- System Improvement Projects
- Recapture and reuse projects
- Master plan development response
- Pump consolidations
- Bonded projects or outside financing, such as Amon Reservoir and Chandler Electrification.

Mr. McShane noted that details were provided in the handout, and briefly reviewed funding sources for planned projects.

Mr. McShane said Engineering Department staff was tasked with re-identifying projects from 2010, with a target of March 2017 to have them estimated out. He said the winter program was strong, but it continuing in summer was extremely challenging. He said hiring temporary versus regular staff was considered. Mr. McShane said the plan was to increase the capital budget commensurate with operating budget.

Mr. Freeman said he anticipated 4.5% increase for planning purposes, but would not propose it if it were not needed. He said Finance Committee discussed creating a new reserve fund for new water supply projects, responsive to public feedback during the drought. Possible water sources were listed including White Bluffs, Lake Roosevelt, Prosser, or Columbia River water rights. He noted that this was looking at a 50-100 year horizon.

Director McGuire spoke about the Finance Committee discussion and said that front loading the fund with \$500,000 would show commitment. He said a policy would clearly define the purpose of the money. He spoke about the importance of starting to save money now. A location that might be good for the Integrated Plan's cold water refugia project was discussed.

Mr. Defoe arrived at the meeting.

Mr. Freeman offered to draft a policy to save money for future Columbia River water projects if the Board so directed. Director McGuire said a rate increase plus the surcharge could appear to be a 7% increase for tiers 3 or 4, so starting low and increasing over time was discussed.

Mr. Freeman spoke briefly about the 2017 budget. Increased expenses included about \$55,000 for health insurance, and a 2% wage increase per union contracts. New revenue was expected from the new account setup fees and delinquency fees. He said the proposed budget would be reviewed by the Finance Committee for completion by late October or early November.

Director Rathbun spoke about feedback from the 2015 town hall meeting on increasing water supply. He said the policy needed a connection to Columbia River water supply efforts.

Vice President Huffman said the policy would allow future boards have money to carry on the current board's work. Director Rathbun said this was a good starting point with potential to look at a combination of a by account and per acreage charge. Discussion continued. Mr. Freeman suggested referring to the Gordon model. Mr. Drummond said he would look into it and get back to the Board. Director Rathbun said he favored a per-acre or blended charge.

President McKenzie input from public meetings indicated support for new water sources, but that was during a drought. He said it was best to take action while memory of the drought was fresh. Mr. Freeman said he would circulate a draft shortly and bring it back to the Board.

Public Relations Update: Ms. Defoe spoke about the importance of transparency and maintaining communication. She thanked the Board for making her position full time. She briefly spoke about topics including:

- Communicating with the public about value of the Integrated Plan and capital projects work
- Meetings with realtors about district programs
- Three media outlets (Telemundo, KEPR and KONA) contacted KID regarding positive public relations projects.
- The Chamber of Commerce offered to put KID messages on their website, newsletter or social media.
- Lower basin communications work
- In-house communication
- Creating a unified brand image

In response to a question from Director McGuire, Ms. Defoe spoke about creating a tutorial video on TruePoint usage and revising other older videos.

Ms. Defoe said KID's centennial anniversary was next year and planning had begun. She said the Benton Historical Museum was revamping their museum and would do a complete display on irrigation and would like to partner with KID. Discussion ensued regarding ideas for a centennial celebration and the Directors expressed interest in holding a centennial event.

EXECUTIVE SESSION: At 11:20 a.m. on behalf of the presiding officer, Mr. Iller announced that the Board would go into executive session for approximately to discuss with legal counsel potential litigation, in the form of legal risks of a proposed action or current practice pursuant to RCW 42.30.110(1)(i)(iii) as it relates to water supply issues, to discuss with legal counsel pending litigation, pursuant to RCW 42.30.110(1) as it relates to the Acquavella case, and to consider the minimum price at which real estate will be offered for sale or lease, pursuant to RCW 42.30.110(1)(c) for an estimated 25 minutes. He said at action in open session was not expected but could follow executive session.

OPEN SESSION: The meeting returned to open session at 11:55 a.m.

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

Attest:

Witness:



David McKenzie, Board President
Approved October 4, 2016



Chuck Freeman, District Manager

Prepared by Doris Rakowski