



## Minutes

**Meeting of the KID Board of Directors  
Carl W. Petersen Board Room  
Tuesday, October 18, 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  
Patrick McGuire

**Directors Absent:** Kirk Rathbun

**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

**APPROVAL OF AGENDA:** President McKenzie noted that Director Rathbun was out of town and called for a motion to excuse the absence. Vice President Huffman moved to excuse Director Rathbun's absence. Director Dennis seconded the motion. All present voted in favor and the motion carried.

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, September 6, 2016
2. GIS Analyst/Developer Job Description Update
3. Final Plat - Clearwater Creek Phase 3 - Dry
4. Short Plat 16-04 Jean Street, COK - Wet
5. Pre-Plat 1604 The Parks Ph. 1 & 2 - Wet
6. Vouchers/Warrant Approval

**Accounts Payable**

Numbers: 73238	through	73244	\$	10,098.55
				68,466.00
<b>Total Accounts Payable</b>				78,564.55

**Payroll**

Numbers: 33445	through	33445	\$	1,438.64
Direct Deposit		2016-10-05		96,185.52
<b>Total Payroll</b>				97,624.16

**Total Disbursements** \$ 176,188.71

**Voided Checks:**

AP Check #73006 was voided due to not being needed (did not file with county).

**PUBLIC COMMENTS:** None

**PRESENTATIONS:**

**Financial Report for September 2016:** Mr. Drummond presented highlights of report pages including:

- Balance Sheet as of September 30, 2016 - Final
- Statement of Revenues & Expenditures - Summary - Budget to Actual

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

**PUBLIC HEARING:** None

**BOARD REPORTS:** None

**ACTION ITEMS:** None

**RESOLUTIONS**

**Resolution 2016-40, Terms for Use of Realty Reserves Funds for Southridge:** Mr. Freeman presented the proposed resolution to set the financial terms for previously approved Southridge Transmission Piping Phase 1. He offered a modified recommended motion for approval of proposed Resolution 2016-40.

In response to a question from Director McGuire, modification of interest rates over time and the ability to change the level of the surcharge were discussed.

In response to a question from President McKenzie, Mr. McShane said time value of money was considered, rather than interest rates. Mr. McShane said cash flow could be diagrammed annually. Mr. Freeman confirmed it would be included on the annual Fee Resolution.

Director McGuire said he would be satisfied if the surcharge were reviewed annually and adjusted if necessary.

**Vice President Huffman moved to approve Resolution 2016-40, to allow the Realty Fund to lend up to \$2,250,000 to the Capital Fund to cover the expenses of the Southridge Transmission Piping Phase 1 and set the term of 30 years at 4% interest per annum and the interest rate to be reviewed annually with the fee schedule. Director Dennis seconded the motion. All present voted in favor and the motion carried.**

**Staff Reports**

**Finance Manager:** Mr. Drummond reported regarding:

- 2015 audit
- Budget preparation
- TruePoint User Group Conference - October 24<sup>th</sup> to 26<sup>th</sup>

**Engineering/Operations Manager:** Mr. McShane reported regarding:

- Water flow reduction, pump station shut downs and draining system preparatory for baseline testing and winter shut down
- Winter vegetation control and other winter maintenance work
- Work with media (KEPR Action News, KNDU, KVEW) on winterization message
- Meeting with Red Mountain growers to review the 2016 season and system functionality

- Preparation for lining work at Badger East
- Bob Olson Parkway and Hildebrand Road projects
- Integrated Plan tour for Washington DC visitors last week

**Land & Water Resources Manager:** Mr. Defoe reported on topics discussed at the October River Operations meeting including:

- Precipitation, water storage and flow reports. In response to a question from Director McGuire, questions about conserved water use in drought years discussed briefly.
- New forecast and probability of La Nina conditions
- Expectation of higher winter flows at reservoirs this year

Mr. Defoe also reported regarding:

- KID's interests in Amon Wasteway issues discussed at a City of Richland public meeting regarding an update of their comprehensive plan
- Representation of KID on committee trying to address controversy regarding Rachel Road extension from Steptoe to Leslie controversy. Biological assessment document to be released this month, public open house planned in December, and recommendation on alignment and mitigation to be presented to the Richland City Council in April. Discussion ensued regarding KID review of a draft environmental opinion and communication of KID positions with Department of Ecology and City of Richland Planning Committee representatives.
- LUPA Appeal of language in Canyon Creek pre-plat extension about wetland buffers for Amon Wasteway.

**District Manager:** Mr. Freeman reported regarding:

- Water Off meeting on October 31<sup>st</sup>. Office to remain open during meeting for last day of 2016 collections. Information sessions would be provided to staff on changes to benefits.
- Washington State Water Resources Association (WSWRA) meeting - October 19<sup>th</sup> in Sunnyside
- Presentations to be given on starting a public affairs program with little or no budget at the National Water Resource Association (NWRA) annual conference and Water Strategies Operators Workshop
- Article on cold water refugia in Water Strategies magazine highlighting the Yakama Nation, Mr. Defoe, and others
- Badger Coulee Recapture well progress
- Update on status of claims by homeowners impacted and displaced by flood

Director McGuire requested Mr. Defoe include number of calls to Realty and which properties were of interest in his staff reports.

President McKenzie called a short break at 9:47 a.m. and the meeting resumed in open session at 9:57 a.m.

#### **WORKSHOP:**

**2017 Budget:** Mr. Freeman noted that materials were distributed at the meeting including a revised budget including changes since Friday afternoon. He highlighted selected line items and topics including:

Revenue:

- Elliot Lake Debt Service

- Lorayne J Potable Operations
- Irrigation Operations Revenues
- Ending collection for USBR loan repayment as sufficient money was reserved for that purpose
- Proposed Policy 2.42 New Water Infrastructure and Supply Fund, including funding options and appropriate uses. Discussion ensued.
- New account set up fee
- Delinquency fee

Mr. Freeman summarized that revenues were anticipated to be \$9.7 million for 2017.

Expenditures:

- Non-Departmental Irrigation Operations Expenditures, including building depreciation, property and casualty insurance, and debt principal payments to USBR
- Administrative Department Expenditures, including salaries and wages, legal services, public education, travel and meetings
- Finance Department Expenditures, including salaries, wages and benefits
- Engineering Department Expenditures, including salaries, wages and benefits, travel and training
- Operations Department Expenditures, including electricity, chemicals, and waste management
- Land & Water Resources Department, including staffing, travel and meetings, and enterprise communications, IT equipment, software and support budget for entire district.
- Realty Department Expenditures, including staffing level.
- Board Expenditures, including reduction to Board training and governance, legal services, and travel and meetings.
- Department 21 - Drought expenditures

Mr. Freeman summarized that expenditures were \$9.150 million, transfers to reserves were \$550,972; and projected Irrigation Fund ending balance was \$19,436.

Reserves:

- Equipment Replacement Reserve
- Emergency Mitigation Reserve
- Drought Mitigation Reserve
- Realty Reserve
- Capital Irrigation Infrastructure Fund
- Red Mountain LID
- Conservation Capital Fund. Discussion ensued regarding an expected annexation and service request for Southridge area.
- Misc. Capital Work - Non-Irrigation

Mr. Freeman said total labor cost was about 68% of budget.

Mr. Freeman asked the Board to indicate if they wanted staff to move forward with proposed Policy 2.42. Discussion ensued. Director Dennis spoke about constituents' difficulties with rate increases and Director McGuire spoke in favor of planning for future generations. The inadvisability of keeping rates artificially lower than needs, necessitating larger future increases was discussed. President McKenzie noted that the proposed policy was in response to customer feedback at a public meeting during the drought.

Mr. Freeman confirmed to President McKenzie that no action was needed, and asked which option was preferred. Discussion continued regarding percent increase needed and which costs had increased. Mr. Iller noted that the assessment roll should give indication of the worst case, and said rates could be lowered later but increases would be problematic.

Discussion continued regarding discriminating between obligations and elective expenditures.

Board gave direction to staff to proceed with Director McGuire's suggestion of \$4.54 per acre and \$2.50 per account charges.

Mr. Freeman confirmed to Director McGuire that the District was paying travel expenses for Mr. McShane and Ms. Defoe to speak at the NWRA meeting.

Mr. McShane distributed "Analysis Options for Paving Machine" and presented purchase options for a Leeboy 8500. He spoke about cost savings possible if KID crew did paving rather than a contractor, and compared rental and purchase costs. Mr. McShane said the preferred option could extend the purchase over three years with no interest. Discussion ensued.

Mr. McShane confirmed to Director Dennis that the warranty period was the same for each option.

At Mr. Drummond's suggestion, Mr. McShane spoke about savings from KID crew paving.

In response to a question from Director McGuire's, Mr. McShane spoke about expected volume of paving and temporary paving patches.

Mr. McShane confirmed to Director Dennis that the District owned a trailer for transportation.

President McKenzie and Mr. McShane spoke about how paving has been contracted out and expected cost to obtain asphalt.

Mr. McShane said that for \$7,000 savings over the expected cost of the machine in May, the District would need to join a purchasing coop and make the purchase today.

At Director McGuire's request, Mr. McShane spoke about expected piping jobs in 2017 and 2018. He noted that paving season started in March at the earliest.

Mr. McShane said the equipment purchase would be paid from the capital improvement fund as offset cost for currently budgeted projects.

Mr. Freeman cautioned against doing paving for other agencies.

Vice President Huffman and Mr. McShane spoke about saving for replacement equipment, and benefits of in house paving. The preferred purchasing option was further discussed.

**Director Dennis moved to accept option 3 on the paving machine (Leeboy) 8500. Vice President Huffman seconded the motion and it carried unanimously.**

Mr. McShane distributed "Analysis Options for BobCat T750 T4" and spoke about use of the machine to keeping roadways clean. He spoke about bucket capacity, how the sweeper could operate, some attachment options and rental costs.

Mr. McShane spoke about BobCat's deal for the equipment. He confirmed to Director McGuire that while the paver would be a sole source purchase, this equipment purchase would have to go out to bid. Mr. Freeman said it would be brought to a later meeting.

**EXECUTIVE SESSION:** At 11:52 a.m., Mr. Iller announced on behalf of the presiding officer that the Board would go into executive session 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) for approximately 20 minutes ending at about 12:15 as relates to water issues and possible water acquisition. Mr. Iller said that action could follow in open session but was not expected.

At the request of Director McGuire, Mr. Iller announced an additional executive session item to discuss with legal counsel potential litigation in the form of litigation that has been specifically pursuant to RCW 42.30.110(1)(i)(i) regarding homes damaged by the Highland Feeder flood. He increased the estimated length of the executive session to 25 minutes.

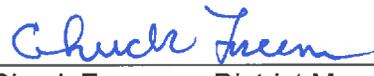
**OPEN SESSION:** The meeting returned to open session at 12:19 a.m.

**Vice President Huffman moved to adjourn the meeting. Director Dennis seconded the motion. All present voted in favor and the motion carried.**

Attest:

Witness:

  
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David McKenzie, 2016 Board President  
Approved January 3, 2017

  
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Chuck Freeman, District Manager