



Minutes

**Meeting of the KID Board of Directors
Carl W. Petersen Board Room
Tuesday, December 6, 2016, 9:00 a.m.**

President McKenzie called the meeting to order at 9:02 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
Seth Defoe, Land and Water Resources Manager
Ben Woodard, Assistant Engineering Manager
Lori Gibson, Executive Assistant
Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, Legal Counsel

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

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, November 1, 2016
2. Minutes, KID Board Special Meeting, November 21, 2016
3. Travel Authorizations - National Water Resources Association 2017 Leadership Forum
4. Preliminary Plat - The Meadows at Southridge - Wet
5. Preliminary Plat - 10th Meadows - Wet
6. Binding Site Plan - Chavallo - Dry
7. Vouchers/Warrant Approval

Accounts Payable

Numbers: 73340	through	73344		\$ 104,132.34	
73345	through	73437		244,989.30	
73438	through	73539		794,192.05	
APPKT00277	through	APPKT00283		71,353.38	
APPKT00291				71,276.34	
Total Accounts Payable					1,285,943.41

Payroll

Numbers: 33446	through	33456		\$ 6,980.27	
33457	through	33460		2,930.70	
Direct Deposit		2016-11-04		103,563.34	
Direct Deposit		2016-11-21		112,584.10	
Total Payroll					226,058.41
Total Disbursements					\$ 1,512,001.82

Voided Checks:

AP check #73406 was voided due to Board Member not attending conference;
AP check #73448 was voided due to receiving a revised invoice.

PUBLIC COMMENTS:

Selena Perry, 7603 W 13th Ave., said she and her husband had received a low settlement offer from the insurance company. She said contractors had been unwilling to warranty their work due to the un-repaired foundation. Ms. Perry said she was still in the same position as when she came to the board on October 4th.

Ms. Perry reported that two weeks ago, the insurance company said schedules were not coordinating for a meeting including KID, so she and her husband met two insurance company representatives at a restaurant. She said they would not meet with the insurance company alone again, but wanted meetings to be on the record with KID representatives present.

Ms. Perry said the settlement offer was \$203,000, which was between the insurance company's appraised value and the Perry's market value. Ms. Perry said it would be most efficient to tear down the old house and rebuild, but the insurance company seemed to want to pay them off and sell the lot. She thought that would benefit the insurance company but not them. She spoke about her research with a contractor about what it would take to rebuild.

Ms. Perry said she wanted the market value of \$230,000. She said \$230,000 less \$56,000 for the value of the land plus \$16,000 for the driveway and retaining wall, \$25,000 for demolition of the house and a \$15,000 replacement was still \$230,000. She also asked that a \$700 difference in rent be paid through June. Discussion ensued. She offered copies of their response to the settlement offer. Mr. Freeman confirmed he had received the email.

Ms. Perry spoke about the impact of the event and waiting for resolution.

Mr. Iller said the District was doing its best to cooperate and be supportive. He said a difficulty of being an insured party was that the District did not have the legal authority to control what the insurance company did in settlement. Ms. Perry said the District might be able to influence the insurance company.

President McKenzie said, based on the emails he had seen, it looked like activity was happening. He said staff was working with the City on engineering for the septic. He said KID would do their best to keep Ms. Perry informed of what was happening.

Ms. Perry said if the insurance company would not match their number, they would have to seek alternative means. She said the insurance company offered \$198,000 at the restaurant and \$202,000 the following week. She confirmed that she asked for \$230,000 plus \$5,400 for rent and gas and noted that she would be fronting money for fees, permits and leveling the site.

Discussion ensued regarding sewer, and the drain field and septic tank, and what was included in the estimate. Mr. Freeman reported that bringing the sewer to them did not pencil out.

Ms. Perry said they were willing to meet, but not at a restaurant. She said she hoped KID would ask the insurance company for answers.

PRESENTATIONS:

Finance Reports for October 2016: Mr. Drummond presented highlights of pages including:

- Balance Sheet - Comparative
- Statement of Revenues & Expenditures - Summary - Budget to Actual
- Statement of Revenues & Expenditures - Comparative
- Fund Balance Change through October 31, 2016

In response to a question from Director Dennis, Mr. Drummond spoke further about a proposed transfer from carry forward to the operating budget to end the year with a positive fund balance.

At Director Dennis's request, Mr. Drummond spoke about potential impacts of interest rate changes.

In response to a question from Director Rathbun, Mr. Drummond said that with cash basis accounting, value of an asset like the pipeline down Bob Olson Parkway would be tracked, but not in the same way as with accrual accounting. He noted there were savings from having done the work in house. Director Rathbun spoke about the importance of knowing what assets were in the street to keep a handle on unfunded liabilities from things reaching end of life. Mr. Drummond said it was a useful exercise to consider age of infrastructure and cost of replacement. Discussion ensued. Mr. Freeman said preliminary work was done for the rate study on the canal and hydro-pumps. President McKenzie said it might be time to produce a balance sheet to show things that were not in the financial reports.

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

Short Plat Process: Mr. Woodard reported that the short plat process was discussed by the Operations and Engineering Committee in November. He said time needed to process short plat requests could be shortened. He briefly described the short plat review and approval process. He said once an application was received, the board could approve it conditioned on meeting the standard conditions, and it would be up to the applicant to meet the conditions. The Board President would be asked to sign the short plat once conditions were met.

President McKenzie said speeding the process would be positive for the community, as meeting with agencies could be a frustration.

Mr. Woodard said approved short plats would be reported to Board in staff reports.

In response to a question from Director Rathbun, Mr. Woodard described differences between short and long plats. He said long plats went to a hearing examiner in the City of Kennewick's case, and staff wanted the Board to see the KID's conditions.

Vice President Huffman and Director Dennis expressed approval of the concept.

PUBLIC HEARING:

Board of Equalization: Mr. Freeman reported that the 2016 Roll of Rates, Charges and Assessments was presented to the Board November 1, 2016, and was available for inspection since that time. He said the District gave published legal notice of the board of equalization in the Tri-City Herald on November 6th and 13th.

Mr. Freeman said the Board would open the meeting to comments from the public to hear and determine any objection to the 2017 Roll of Rates and Charges and Assessments, and that staff

would provide any information the Board needed to respond to the objections. He said any changes to the 2017 Roll of Rates and Charges and Assessments would be noted in the preparation of the resolution Setting Assessments at the first Board meeting in January.

Mr. Freeman reported that no one had come in to inspect the book or ask about it.

Mr. Freeman confirmed to Director McGuire that the purpose of the board of equalization was for individuals to object if they thought their parcel was not being treated fairly.

Vice President Huffman moved to open the Board of Equalization. Director Rathbun seconded the motion and it carried unanimously.

There being no one present who wished to speak, Director McGuire asked to keep open the board of equalization open until the end of the meeting. The meeting continued.

BOARD REPORTS:

Directors Rathbun and Dennis reported they had attended a Washington State Water Resources Association (WSWRA) meeting. Director Dennis also attended a National Water Resource Association (NWRA) meeting.

ACTION ITEMS:

Policy 2.42, New Water Fund: Mr. Freeman recalled that rate payers at the special meeting on the drought overwhelmingly favored pursuing additional water supplies. He said that since sufficient money had been collected to retire the USBR (U. S. Bureau of Reclamation) loan without additional charges to rate payers, staff recommended creating a new water fund at this time.

Mr. Freeman said staff proposed to the Finance Committee that the District create the fund and begin building the reserve by charging each account a flat \$2.50 per year and \$4.54 per acre. He reviewed the proposed policy and the limited uses of the collected funds. He estimated approximately \$150,241 would be generated the first year, which was a small amount in comparison to the tens of millions of dollars needed to bring water from the Columbia River.

Director McGuire noted that not all large holders were agricultural. He listed City of Kennewick, the school district, churches and cemeteries.

The relation of amounts previously assessed for old and new land USBR loan charges to the proposed fund charges was discussed, as were accounting issues for the duration of the USBR loan payoff period.

In response to a question from Vice President Huffman, Mr. Freeman said an explanation of the changes would be sent by e-blast in April.

Director Rathbun moved to approve Policy 2.42. Vice President Huffman seconded the motion and it carried unanimously.

Chandler Electrification Report: Mr. Freeman reported that JUB's engineering report had been received and distributed to the Board. Mr. Defoe reviewed the report.

Mr. Defoe referred to a handout sheet and briefly spoke about the early phases of YRBWEP (Yakima River Basin Water Enhancement Project) and YRBWEP II. He noted that when KID

came online, it was not taking water from TWSA (total water supply available) but further downstream at Prosser and would benefit from return flows. At that time, ample water ran through systems and returned to the river, as did water from canals seeping and applied irrigation.

Mr. Defoe said YRBWEP II recognized that conservation would impact KID's water supply and the idea of electrifying Chandler was floated. It takes one and a half buckets of water to drive Chandler hydro-pumps to put one bucket of water in KID's canal, which was great when there was a lot of water in the river, but not when flow was low. Mr. Defoe said reduction of KID's water supply from conservation was proved through flow data and modeling.

Mr. Defoe spoke about target flows at Parker and Prosser, relative to water supply for KID. He said we have found conservation and how USBR operates the system reduce that greatly.

Mr. Defoe spoke about funds for Chandler electrification, authorized by Section 1208. He noted that SOAC (System Operation Advisory Committee) members were interested in leaving the drive water in the river to enhance instream flows between Parker and Prosser.

Mr. Defoe read statutory language: "The Secretary shall insure that the irrigation water supply for the Kennewick Irrigation District shall not be effected by conservation, electrification or water exchange, or subordination pursuant to this title and any reduction in its irrigation water supply resulting from conservation measures adopted or implemented by other entities pursuant to this title shall be replaced by water developed through subordination, electrification or water exchange, or a combination thereof." He emphasized that one method to mitigate the reduction of supply was electrification of Chandler.

Mr. Defoe spoke briefly about a 2007 pump exchange and partial pump exchange study. The cost was for this would have been from \$100-\$150 million dollars. He said the 2015 drought showed that electrifying the pumps was needed.

Mr. Freeman spoke briefly about previous work done regarding Chandler Electrification, which was idled prior to publication of a draft EIS (environmental impact statement).

Mr. Freeman presented the highlights of the December 5, 2016 Technical Memorandum from J-U-B Engineers, titled "Chandler Power and Pumping Plant Electrification." He briefly described existing pumping plant conditions and needed modifications for the preferred design concept. He also spoke about alternative design options.

Mr. Freeman displayed a map and showed locations of design elements such as the bypass at the head works and the proposed new pump station. He said there would be a need to bore under the freeway.

Mr. Freeman reviewed the cost estimates for the three concept options and noted that the lower the cost, the greater USBR's involvement in the project. He said option 2 included the USBR doing a NEPA Draft EIS with the District's assistance and giving the District permission to cut into a 60-year-old facility.

Mr. Freeman said he told Dawn Wiedmeier and Chad Stuart at USBR that the Board would be presented the report, and Mr. Stuart said he thought about \$21 million remained in the 1994 legislation. Mr. Freeman said the total had been reduced from that number, but was still about two thirds of what was needed to build the project. He spoke about project design and noted that there was a contingency of 20%.

Mr. Freeman reported that Ms. Wiedmeier was concerned about the cost of electricity, but the electric pumps would only be used in times of drought and legislation specified that the USBR would pay the electric bill. He said he considered this a mitigation payment for up-basin conservation that harmed KID's water supply.

Mr. Freeman said he told Ms. Wiedmeier that metering and conservation are not the answer, and that, with 20,000 acre feet needed, injecting the aquifer would be insufficient and incur greater expense.

In response to a question from Director McGuire, Mr. Defoe said Pacific Northwest Regional Director Lorri Lee was receptive to the electrification project at the meeting in San Diego. Discussion ensued regarding communication. Mr. Freeman said he let the local USBR know he was ready to issue a RFQ (request for qualification) for final design to construction. He spoke about the importance of work locally with the USBR and the Tribe. He said benefit to the tribe was having more water in the river in drought times.

Whether WSWRA was supportive of the project was discussed. Mr. Freeman reiterated that this would be mitigation for demonstrated harm to KID's water supply, not an IP project.

Mr. Defoe spoke about Ms. Lee's concern about USBR paying for power, but said that was not relevant as it was directed by congress as a mitigation payment. Insuring the bill was paid by the USBR was discussed.

Mr. Freeman spoke against continuing to study other options which were more expensive and less effective. He briefly outlined steps forward. Discussion continued regarding funding.

Mr. Freeman confirmed that KID would comment on the IP pool raise project EIS due to concerns about potential failure to refill the reservoir.

How often the electric pumps would run was discussed. Volume of water used to drive pumps and potential additional volume in the river under different circumstances were discussed. Mr. Defoe said the in-stream benefit and mitigation of KID's water supply would be overall and not necessarily happen at the same time.

Director McGuire moved to accept the Chandler Power and Pumping Plant Electrification Technical Memorandum of December 5, 2016. Vice President Huffman seconded the motion and it carried unanimously.

President McKenzie called a short break at 10:42 a.m.
The meeting resumed in open session at 10:52 a.m.

RESOLUTIONS:

Resolution 2016-44, 2017 Budget, Salary Ranges and Authorized Positions: The draft budget, resolution and charts were distributed. Mr. Freeman said there were no major changes since it was last presented to the Board.

The total budget was \$16,874,494, which included a 3.5% rate increase, a new account charge, and a delinquency charge increase. It included Elliot Lake having only an LID (local improvement district) payment. Mr. Freeman said the salary and positions section included 58 employees and additions were not anticipated for 2017.

Mr. Drummond said he would confirm the compensation of Directors as set by statute.

Director Rathbun moved to accept Resolution 2016-44. Vice President Huffman seconded the motion and it carried unanimously.

Resolution 2016-45, Sole Source Purchase - SCADA: Mr. Freeman presented the request for enhanced licensing for the SCADA system. He spoke briefly about a recommendation from a Tieton Group security report and how the purchase was responsive to it.

Mr. Freeman said the purchase met sole source conditions for project continuity and that PacWest was the regional provider for the product. He spoke about utility of the software.

Mr. Freeman confirmed to Vice President Huffman that pump vibrations could be detected. He said the District would start by reviewing what was happening, and add controls later. He said it was a matter of cost and that bigger stations would be first.

Mr. Freeman confirmed to Director McGuire that \$48,000 was in the capital budget from the capital fee.

Vice President Huffman moved to approve Resolution 2016-45, Authorization to Waive Competitive Bidding and Award a Sole Sources Contract to Purchase Wonderware Software pursuant to RCW 87.03.435(3)(c). Director Rathbun seconded the motion and it carried unanimously.

Mr. Drummond spoke briefly about accounting for various IT expenses.

STAFF REPORTS:

Finance Manager: Mr. Drummond reported regarding

- IVR phone system implementation and the interface with TruePoint. Customer service was updating customer email addresses and phone numbers.
- Annual audit exit conference to be scheduled
- Year-end close out and reporting. Any payments for invoices must have checks written by December 31st and will no longer be held over and adjusted as done by cities and counties.

Engineering/Operations Manager: Mr. Woodard reported on behalf of Mr. McShane. He commended Thor Hanson, Adrian Muniz and Rigo Mendoza for obtaining their commercial driver licenses. He also reported regarding:

- Badger Coulee well completion, site decommissioning and testing
- WaterSMART lining
- Earthwork. Meadowspring's pro tee impacted by grading but working with golf course to minimize impact. About one mile left to complete.
- Advertising for skid steer or bobcat
- Finalizing lease/purchase of paving machine

In response to a question from Vice President Huffman, Mr. Woodard spoke about scheduling of the concrete and lining crews.

Mr. Woodard confirmed to President McKenzie that water held in Division IV near Finley was intended for earthwork. He said there was no concern about cold weather for lining or SCADA.

In response to a question from Director McGuire, the Badger Coulee well reporting requirements were discussed. Legal implications of the project were referred to Mr. Iller for discussion in executive session. Mr. Woodard offered to provide data on the well's static level after the meeting. The importance of having current initial data on other wells in the area was discussed, as were planned uses of the well. Director Rathbun said he would like to see a cost analysis to compare this to a possible future river pump station.

Land & Water Resources Manager: Mr. Defoe displayed the Yakima River 5 Reservoirs graph on the USBR website and spoke briefly about storage compared to last year. He displayed and discussed the Washington SNOTEL Current Snow Water Equivalent (SWE of normal) on usda.gov and the Yakima area KYKM - Oct 2016 through Sep 2017 temperature and precipitation chart on noaa.gov.

Mr. Defoe also reported regarding:

- Discussions at the bi-weekly meeting on the Kachess Drought Relief Pumping Plant (KDRPP) regarding EIS alternatives. The EIS was expected early next year. Also discussed were the Keechelus to Lake Kachess Conveyance Project (K to K) pipeline, bull trout enhancement projects, WHOOSH technology, and well modeling. Mr. Defoe spoke about financing of the KDRPP and concerns about whether the reservoir would refill. Director McGuire spoke about the importance of strongly advocating KID's interests. Mr. Iller offered to discuss legal risks of a proposed action in executive session. Mr. Freeman said the Lower River Committee and modeling were actions taken by KID. He said the comment letter would have to be approved by Board. Mr. Iller spoke about prorating of Roza and KRDC compared to the KID. He said legal strategy could be discussed in executive session.
- Representation of KID's interests regarding drains and wasteways on Benton County's Voluntary Stewardship Program. Mr. Defoe was crafting and submitting comments on the first four draft sections of the plan to explain why drains and wasteways should be excluded.
- Rachel Road alignment open house. The Community Advisory Committee was to make a recommendation to the City Council. Mr. Defoe sent written corrections on a recent wildlife study. Mr. Defoe said mitigating shrub steppe was appropriate, but mitigation of artificial and diminishing wetlands would be problematic.
- Commenting on scoping of the Columbia River System Biological Opinion
- Realty activities, including an expected sale closing, redaction of a large records request and seeking bids for signs with the new logo

Upcoming meetings:

- Columbia Snake River Irrigators Association (CSRIA) – December 8th
- Integrated Plan (IP) quarterly work group - December 14th
- Yakima Basin Joint Board (YBJB) December 16th

District Manager: Mr. Freeman reported regarding:

- Annual awards banquet – December 8th
- Investigation of health insurance alternatives to PEBB
- Active shooter training at WSWRA meeting. KID to have similar training.
- Sunnyside Valley Irrigation District (SVID) and City of Prosser treatment plant on corner of KID property
- Water Strategies interest in an article on lessons learned from the recent breach. Mr. Freeman said it was interesting that residents knew about gophers in the area but did not report it to the District. He said KID needed to communicate to public that KID needs to know about burrowing animals.

- All staff training - January 18th

Preparations for the election were discussed.

WORKSHOP: None

PUBLIC HEARING:

Board of Equalization: Vice President Huffman moved to close the Board of Equalization. Director Dennis seconded the motion and it carried unanimously.

EXECUTIVE SESSION: At 11:57 a.m. on behalf of the presiding officer, Mr. Iller announced that the Board would go into executive session for an estimated 25 minutes 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) and to approximately to discuss with legal counsel potential litigation, in the form of threatened litigation pursuant to RCW 42.30.110(1)(i)(i). He said at action in open session was not expected but could follow executive session.

OPEN SESSION: The meeting returned to open session at 12:25 p.m.

Director Dennis moved to adjourn the meeting at 12:25 p.m. Vice President Huffman seconded the motion. The motion carried.

Attest:

Witness:



David McKenzie, 2016 Board President
Approved January 17, 2017



Chuck Freeman, District Manager

Prepared by Doris Rakowski