



## Minutes

**Special Meeting of the KID Board of Directors  
Carl W. Petersen Board Room  
Thursday, May 11, 2017, 6:00 p.m.**

President Huffman called the special meeting to order at 6:00 p.m. and Mr. Freeman called roll.

**Directors Present:**

Gene Huffman, President  
Dean Dennis, Vice President  
David McKenzie  
Kirk Rathbun

**Staff Present:**

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

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

### **WORKSHOP**

**Lorayne J Water System Rates:** Mr. Freeman reviewed the Lorayne J system's condition, including high nitrate levels in the wells, which made receiving water from the City of Richland intertie necessary.

Mr. Freeman reported that City of Richland received a \$30,000 grant from the State Department of Health Drinking Water Division for a study of the feasibility of merging Lorayne J into the City system, but was denied a grant for design and construction of a new potable system because Lorayne J was not clearly depicted as within the city water service area. He said the grant would be half forgivable. He said the city planned to reapply for the second grant in the next program cycle.

Mr. Freeman said he spoke to seven individuals who replied to email blasts and door hangers, including one person who wrote the letter included in the meeting packet.

Mr. Freeman explained that a new well was not feasible because of high cost and no certainty that nitrates would not be a problem again. He said KID's shallow recapture well cost over \$200,000 and City of Richland's 500+ feet deep Willowbrook Well had sulfur and iron bacteria. He said, in his experience, treating high nitrates was quite expensive and left waste byproducts.

Mr. Freeman said Lorayne J was within City of Richland's service area and connecting to City of Kennewick or BMID (Badger Mountain Irrigation District) were not options.

Mr. Defoe spoke about nitrate contamination in the shallow aquifer throughout the region, including Badger Coulee. He said KID was participating in Benton County's development of a voluntary plan to address the issue. He said treatment of high nitrates was difficult, expensive, energy intensive, created waste by-products, and could cause other water quality issues.

Mr. Freeman said staff thought the only viable long-term solution was to stay with City of Richland water. He noted that the KID bill included irrigation water, and that though there were meters, KID did not bill based on consumption.

Mr. Freeman confirmed that the previously discussed grants would be for a new drinking water system and the existing system, sourced from the wells, would be for irrigation water only. Nitrate in the water was safe for plants, but not for drinking water. Mr. Freeman said irrigation assessments were yearly; half due in April and the rest in October.

Guests were invited to speak from the podium.

**Dave Hannah**, 3006 Bruce Lee Lane, proposed using well water, treated by individuals using in-home reverse osmosis systems. Mr. McShane said he understood from Jeff Jenson at the Department of Health that it was not an option for a public water system, though it was an option for a private, unregulated domestic well.

**Nate Vander Wilt**, 3027 Lorayne J, asked about the grant and cost for KID to install a new potable system. Mr. Freeman said annexation was needed for City of Richland to receive the new water system grant. He said KID did not qualify for the half-forgivable consolidation grant, so if KID built the new system, Lorayne J rate payers would bear the full cost, encumbering the 118 parcels with the debt. He roughly estimated that \$1 million might be financed over 20 years at market interest rates, and said the out-of-city surcharge would still apply to drinking water.

**Gary Jackson**, 3073 Bruce Lee Court, said he thought annexation was inevitable and money spent looking for alternatives would be wasted. Though he did not want to join Richland, he saw no reason to put it off.

In response to questions from **Irene Waldron**, 120 Travis Court, Mr. Freeman said they would be a Group B Community System subject to Department of Health regulations if they purchased KID's well. He referred questions about unregulated domestic wells to the Department of Ecology, and noted that septic tanks could contribute to localized nitrates for private wells.

Ms. Waldron said her household water needs were low and the rate increase was high. Mr. Freeman spoke about why the increase was large and the seriousness of delivering safe water. He said Lorayne J must cover its own costs. He said Richland would not lower rates without annexation, which included local taxes.

Mr. Freeman said the increase put the system at break even. He confirmed that all income was included and said City of Richland not paying for any water from the well.

In response to questions from **Bryan Hoover**, 120 Travis Court, Mr. Freeman said the charge for his time related to his potable water license would go away if Lorayne J went to Richland. Mr. Hoover spoke in favor of joining City of Richland.

Regarding Mr. Hoover's question about replacing the irrigation system while streets were dug up for the new potable system, Mr. McShane said the distribution system was in adequate shape to continue service, but any old iron service lines needing replacement could be done at the same time if there would be a savings.

Mr. McShane restated that the potential Department of Health grant of approximately \$1 million would create a new City of Richland drinking water system and be 50% forgivable.

**Ken Wobig**, 3021 Lorayne J Boulevard, said that at a previous meeting KID said City of Richland would pay for Meadow Park Estates irrigation water received from Lorayne J wells.

Discussion ensued. Mr. McShane said KID, not City of Richland, provided irrigation water to Meadow Park Estates from a KID-owned well in the well field.

Mr. Wobig spoke about previous cost estimates for meters and piping to join the City of Richland system. He said the increase was too much, especially for people on social security. He asked if there would be considerations for seniors or people with fewer household members.

**Dan Martini**, 3001 Bruce Lee Lane, confirmed that Meadow Park Estates paid KID for irrigation water. He asked about a previous concern that City of Richland could not supply enough water in the summer. Mr. McShane said that when Lorayne J was using the well it could not produce enough water in summer, so intertie was needed. He said the expiration of the City of Richland not collecting the out-of-city rates was another issue. Mr. Freeman explained that the out-of-city surcharge had been held in reserve, pending grant applications, but if annexation did not occur, the full amount would be due. Mr. Drummond said the charge through 2016 would be \$23,000.

In response to a question from Mr. Martini, Mr. Drummond pointed out the credit on the spreadsheet for electricity used for the Meadow Park Estates pump. Mr. McShane explained how it was calculated. Discussion continued regarding division of the electricity charges.

**Paul Royal**, 3017 Charity Court, spoke about changing cost of City of Richland water carriage and ask if Richland would continue to raise price until Lorayne J agreed to annexation. Usage rates, surcharges, and the estimates provided by KID were discussed. Mr. Drummond said City of Richland's agreement not to charge the surcharge presumed acquisition of Lorayne J's system. Mr. McShane said City of Richland would not raise the bill over their code and the agreement in order to force annexation, but the surcharge would become payable.

In response to a question from **Rachel Weidner**, 3082 Bruce Lee Lane, Mr. Drummond said the City of Richland told him the average monthly potable charge for a family of four was about \$32. Mr. Freeman said Lorayne J reserves would be transferred to City of Richland to apply to the outstanding balance of the project, but he did not know what City of Richland would arrange as a repayment program.

**Dick Bartlett**, 111 Travis Lane, said longstanding neighborhood consensus was that annexation was to be avoided at all cost, but bad water caused the difficulty now. He asked if it were possible to take care of huge expense, because many people had fixed incomes. He said the problem must be resolved in the most economical way. Mr. Bartlett said they were part of Richland and using Richland water regardless of preference, and the neighborhood should come together to address the debt and the health threat from bad well water.

Mr. Freeman said he was told Richland City Council would accept letters from the neighborhood asking for annexation, but would not force annexation.

Mr. Defoe confirmed to **Michael Moreno**, 3016 Brian Lane, that the cause of the nitrates was unknown, but sources could be agricultural fertilizers, septic, or natural sources.

Mr. Moreno spoke about increasing rates, which he said were higher than in Pullman, and asked about the well. Mr. Freeman confirmed that KID would continue to own the well Lorayne J were annexed by Richland, unless ownership was negotiated with the city. Mr. Freeman noted that Pullman's costs were spread over a bigger pool than the 118 parcels in Lorayne J.

Mr. Moreno said the 2015 rate increase for repairs seemed like fixing a KID asset so KID could sell it to Richland. Mr. McShane said the repairs were before the high nitrate levels occurred. Mr. McShane said Lorayne J was not one of the very few areas where the City of Richland allowed potable water to be used for irrigation, so the high nitrate wells would be the necessary secondary source for irrigation water.

Mr. Freeman confirmed to **Deline Edden**, 126 Lesa Marie Lane, that city boundaries did not dictate school district boundaries, but annexation would make them part of the City of Richland. He said they would then pay Richland's potable water rates. He reviewed KID's cost estimate and restated that if annexation did not occur, the \$28,000 of surcharges would be payable on contract expiration and the water source problem would still exist.

**Texanita Royal**, 3017 Charity Court, said water rates here were lower than in east Texas, but costs were rising everywhere. She asked about the pros and cons of annexation.

Copies of the City of Richland's "Facts on Annexation" handout provided by Mr. Martini were made and distributed. Mr. Martini reported that property taxes would be cheaper than in unincorporated Benton County if property values remained the same.

Mr. McShane said annexation would lower water rates now, but other factors related to annexation would have to be considered outside this forum.

Mr. Freeman said options for actions at a future Board meeting included doing nothing or phasing in an increase. He said notice would be provided by emails and door hangers.

Mr. Freeman said City of Richland would need letters regarding annexation from residents. Mr. McShane asked that KID be sent copies of any such letters.

Mr. McShane said the nitrate count was 16.2 yesterday and 15 in October 2015. The MCL was 10. He said water was pumped out for "camera-ing" so the tested water had not been sitting for two years.

**Mr. Vander Wilt** listed three options: continuing to pay Richland 50% extra to irrigate with drinking water, annexation with the cost of a new potable system, or having KID put in a second set of pipes. He said that, on October 20, 2015, the estimated cost for a new irrigation distribution system was \$400,000, compared to City of Richland's \$1 million estimate with a 50% forgivable grant estimate for a new potable system. Mr. Drummond noted that KID's estimate was for an irrigation system and City of Richland's estimate was for a potable system.

Mr. McShane recommended replacing the potable system for public health and safety reasons, if costs were similar. He said Richland would not take over without a new drinking water system.

Mr. McShane confirmed to Mr. Vander Wilt that potable use was 10 times less than irrigation use. Mr. Vander Wilt asked for firmer estimates for keeping the 30 year old system for drinking water from the intertie and having KID install a new irrigation system. Discussion ensued. Mr. McShane said one reason City of Richland did not want to continue to sell wholesale water to KID was concern about cross contamination.

**Ann Hostetler**, 133 Travis Lane, expressed concern that houses would be unsalable without good drinking water, and small children and the elderly would be at risk. She asked how quickly the situation could be resolved if the neighborhood reluctantly decided to go to Richland.

Mr. Freeman said the City of Richland Community Development Director would be able to answer the question.

Mr. Freeman confirmed to Ms. Hostetler that he thought it likely City of Richland would receive the Department of Health grant and would know about it by early next year.

**Mr. Martini** read from the “Facts on Annexation” handout, that annexation could take from several months to a year. Mr. Freeman said that if annexation were being actively pursued, staff might recommend something less in rates, while maintaining the reserve, which would go with Lorayne J to Richland to help offset costs. Discussion continued and Mr. Freeman reiterated that Lorayne J funds would remain separate from the rest of the District.

Mr. Freeman confirmed to **Jason Kintner**, 3011 Lesa Marie Court, that four wells went bad and at least \$750,000 was roughly estimated as cost to drill a well deep enough to get past the nitrate issue, with no guarantee the well would be efficient or safe. Mr. Freeman also stated that KID would take no official position on annexation, but was presenting options.

Mr. Drummond verified that in 2012, \$12,779 was KID’s net operating loss for the Lorayne J system. He said the spreadsheet distributed before the meeting included salaries and benefits assigned to Lorayne J, but not the actual cost. Mr. Freeman distributed a revised Lorayne J Cost & Revenue profile spreadsheet. Mr. Drummond reviewed how the actual labor cost was estimated. He said the net loss from 2011 to 2016 was \$67,649, reduced from \$72,249 (on a previous spreadsheet) due to the credit for electricity.

In response to questions from Mr. Kintner, Mr. McShane clarified that KID could not provide a more accurate estimate for City of Richland potable water because it varied based on usage, but could provide accurate estimates of KID irrigation charges on a individual basis, since they varied based on lot size. Discussion continued regarding probable monthly costs if the area joined City of Richland. Mr. Freeman said the project cost and the State’s interest rate were not known. Mr. Kintner said the benefits of joining City of Richland would be a new potable water system and large reliable water source.

Mr. Freeman told Mr. Kintner that typically 51% had to annexation, but said the City could tell him about their practices.

Mr. McShane confirmed to **Ms. Royal** that now Lorayne J received water from City of Richland irrigation and drinking, but if annexed, City of Richland would provide drinking water and KID irrigation water from the wells. He said City of Richland would bill for drinking water and KID would charge a flat rate, depending on parcel size, with half due in April and the rest in October.

President Huffman spoke about his experience having his property annexed by City of Kennewick. He said he had not regretted it in the long run.

**Nancy Lysher**, 3018 Lesa Marie Court, suggested everyone look into their individual estimates. She advised her neighbors to try to conserve potable water used for irrigation while the process played out. Since Lorayne J paid for the water by the amount used, conservation would mean more funds saved in reserves for improvements. She said a neighborhood meeting might not be a bad idea, since there were things KID could not help with. She noted that KID wanted out of providing potable water and said the longer the group waited, the more they would spend.

Mr. Freeman volunteered staff to attend neighborhood or City of Richland meetings as a resource. He said he was sensitive to fixed incomes and said future meetings about rates would be noticed via email and door hangers.

In response to a question from a guest, Mr. Freeman spoke about his experience with blending in Spokane County, but said he did not think it would work in this condensed location. Mr. McShane added that the City of Richland would not allow blending if it might backflow into their system. Mr. Freeman said it would be a risky endeavor which he would not allow to occur under his license. He noted that municipalities sometimes went bankrupt because of bad water.

Mr. McShane confirmed to a guest that staff would be mowing the KID property. Ownership of a non-KID property was discussed.

A guest reviewed the various costs discussed and said he thought that Richland would be the cheapest alternative overall.

President Huffman requested that guests provide email addresses to receive future notices. He thanked attendees and said that there were decisions the guests needed to make, but this was a start.

**Director Rathbun moved to adjourn the meeting at 7:48 p.m. Vice President Dennis seconded the motion. All present voted in favor and the motion carried.**

Attest:

Witness:

  
Gene Huffman, Board President  
Approved June 6, 2017

  
Chuck Freeman, District Manager

Prepared by Doris Rakowski