



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, June 6, 2017, 9:00 a.m.

President Huffman called the meeting to order at 9:00 a.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
 Lynda Rosenbaum, Real Property Manager
 Jason McShane, Engineering/Operations Manager
 Seth Defoe, Land & Water Resources Manager
 Shelbea Voelker, Public Relations Coordinator
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, KID Legal Counsel

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

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

On the consent agenda were:

1. Minutes, KID Board Special Meeting, May 11, 2017
2. Minutes, KID Board Meeting, May 16, 2017
3. SP 17-04 – Caracalcev
4. BSP 17-02 – KSD-Southridge
5. SP 17-05 – Sage Crest 5A
6. SP 16-08 – Belza
7. Preliminary Plat - Irving Square - Wet
8. Final Plat - Olympia Estates Phase 1 - Wet
9. Final Plat - White Bluff Phase 4 - Dry
10. Vouchers/Warrant Approval

Accounts Payable

Numbers:

	74834	through	74913		\$	286,097.54
	74914	through	74914		\$	16,730.32
	74915	through	74918		\$	162,990.47
	74919	through	74919		\$	276.00
Bank Drafts			2017-05-19		\$	82,528.96
Total Accounts Payable					\$	548,623.29

Payroll

Numbers:

	-	through	-		\$	-
Direct Deposit			2017-05-19		\$	120,190.60
Total Payroll					\$	120,190.60
Total Disbursements					\$	668,813.89

Voided Checks: No voided checks.

President Huffman announced that an executive session was next on the agenda.

A guest asked why the meeting was not held in the evening and President Huffman replied that this was a regularly scheduled Board meeting, not a special meeting.

EXECUTIVE SESSION: At 9:04 a.m., on behalf of the presiding officer, Mr. Iller announced that the Board would go into executive session for an estimated 30 minutes until about 9:30 a.m., to consider the minimum price at which real estate will be offered for sale or lease, pursuant to RCW 42.30.110(1)(c), and to discuss with legal counsel and consultants potential litigation in the form of litigation or legal risks of a proposed action or current practice pursuant to RCW 42.30.110(1)(i)(iii). He said action was expected following executive session.

OPEN SESSION: Following a short break, the meeting returned to open session at 9:33 a.m.

PUBLIC COMMENTS:

Dan Martini, 3001 Bruce Lee Lane, said the bimonthly fees were incorrect on the Lorayne J Cost & Revenue Profile which was revised during the May 11th special meeting. In response to his questions, Mr. Freeman said the \$15,000 capital expenditure line item was for repairs such as replacing valves and would go into reserves. Mr. Freeman confirmed that the rate increase was for the City of Richland water carriage surcharge and increased operational costs.

Mr. Freeman reported that City of Richland staff would ask their City Council to extend the agreement, set to expire June 30, 2017, not collect the surcharge if annexed, though the surcharge would become due if annexation did not occur or the contract expired.

Mr. Martini said City of Richland Development Services Manager Rick Simon said annexation would take about a year and was putting together information for a meeting about annexation. Mr. Freeman encouraged Lorayne J owners to write letters or attend the Richland City Council meeting to request an extension to the agreement.

Mr. Martini requested a corrected spreadsheet and Mr. Drummond agree to double check the numbers. Mr. Drummond said the bimonthly fee had nothing to do with the revenue, which, through 2016, was actual money received. He explained that he calculated rates needed to break even from expected actual expenses.

In response to Mr. Martini's question, Mr. McShane said removal of the old meters and connection to irrigation would be part of the City of Richland's consolidation grant application.

Mr. Freeman spoke briefly about how KID rates and assessments were determined.

Ken Wobig, 3021 Lorayne J Boulevard, expressed concern about whom to call in emergencies if they retained a Kennewick postal address after annexation by Richland. Mr. McShane said to call 911, as Benton County Emergency Dispatch covered all of Benton and Franklin Counties.

Mr. Freeman referred Mr. Wobig to Benton County Roads Department Assistant Engineer, Robert Blain, a previous KID employee, for help with plugged storm drains.

Mr. Freeman referred Mr. Wobig to Mr. Simon for information about City of Richland taxes.

Mr. Freeman confirmed to Mr. Wobig that revenue from Meadow Springs was not included. Mr. McShane said Lorayne J was credited for Meadow Springs electricity use, calculated from a ten year old photograph of the meter, taken when Benton County stopped reading sub-meters.

McShane offered to look up KID rates, which were based on lot size, for interested individuals.

Mr. Wobig said if the rate went from \$113 to \$177 it would be a 56% increase, not 33%. Mr. Freeman said a 33% increase would be proposed to the Board later in the agenda.

Gary Sharp, 3011 Charity Court, reported that for three years he had wanted his meter raised. After some discussion, Mr. McShane said he would personally go out and look at it.

Mr. Drummond distributed a revised spreadsheet and offered to review it Mr. Wobig.

Mr. Martini said he would like to set up a meeting with City of Richland and Lorayne J homeowners, and noted that staff had offered to help with emailing meeting information.

PRESENTATIONS:

Financial Reports for March 2017: Mr. Drummond briefly reviewed "Schedule of Liabilities for the Year ended December 31, 2016" which was distributed at the meeting. He spoke about the Washington State Department of Retirement System changes to employer and employee deductions for state-sponsored Pension Plans.

Mr. Freeman asked Mr. Drummond to review the 1953 USBR Construction Loan pay off to firmly establish the actual completion date for use in publications regarding Title Transfer.

Mr. Drummond presented highlights of Financial Report pages including:

- Balance Sheet, as of March 31, 2017 - Final
- Statement of Revenues & Expenditures - Budget to Actual - Summary Year to Date
- Statement of Revenues & Expenditures - Budget to Actual - Comparative
- Fund Balance Change as of March 31, 2017

In response to Vice President Dennis's question, Mr. Drummond gave a Helping Hands update. He noted there would be some assistance available for qualified applicants in the fall.

Director McKenzie moved to approve the March Financial Reports. Director Rathbun seconded the motion. All present voted in favor. The motion carried.

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS:

Applications for Board Position 2: Mr. Freeman said the applicants, in the order received, were William D. McKay, James J. Holmes, and Raman M. Venkata. Eligibility to serve had been verified by staff.

Mr. Freeman said that for the vacancy in 2012, the Board interviewed applicants and sent the applications to the Benton County Commissioners without a recommendation. He said the

Board had the option to make a recommendation and that other irrigation districts had done so. He recommended that interviews be held at the Tuesday, June 20th Board meeting.

Mr. Freeman reported that he and staff met Mr. Venkata, a retired civil engineer, and gave him a building tour. He said Mr. Holmes had served on the Red Mountain Design Committee and Mr. McKay was a previous candidate for the Board of Directors.

Vice President Dennis moved to instruct staff to schedule interviews during the June 20, 2017 Board meeting with the applicants for appointment to KID Board Position 2. Director Rathbun seconded the motion. All present voted in favor. The motion carried.

Director McKenzie moved to amend the agenda to address Resolution 2017-17 next. Vice President Dennis seconded the motion. All present voted in favor. The motion carried.

Resolution 2017-17, Lorayne J Fee Resolution: Mr. Freeman said the resolution needed to be modified based on the rates discussion. He said staff recommended an increase from \$113 to \$150.63 every other month for higher labor and capital needs. He said staff recommended stepping into the potentially larger rate increase with 33.3% now and reviewing rates during 2018 budgeting, considering if City of Richland extends the surcharge agreement and whether the City received the consolidation grant.

Mr. Freeman said the Department of Health Division of Drinking Water was supportive of the project. He said nitrates were still high as of the May 11th special meeting. He said it was wise to stay with City of Richland water for public health reasons.

Mr. Freeman verified to Director Rathbun that the rate would apply until the Board changed it. He said that he thought the rate was good, but would have to increase if Richland failed to get the consolidation grant or residents did not want to annex. He said there was enough in reserves to support phasing in the increase.

In response to a question from Director McKenzie, Mr. Freeman said City of Richland had indicated that funds in the reserve at the time of transfer would be used to lessen the impact of the project cost on the Lorayne J ratepayers. Mr. Drummond spoke briefly about the potential half-forgivable grant fund.

Mr. Freeman told Mr. Wobig that KID could host a neighborhood meeting, but said City of Richland would need to answer annexation questions. He suggested City Hall as a venue.

In response to a question from Director Rathbun, Mr. Drummond said the increase would not totally cover costs, but given the circumstances and that there were reserve funds, it was a reasonable choice. Mr. McShane added that the State Department of health required reserves adequate to replace most expensive component.

Mr. Freeman reiterated the recommendation of a neighbor at the special meeting, that it was important to conserve irrigation water while on the expensive City of Richland water.

Director Rathbun moved to accept Resolution 2017-17 to increase the bimonthly potable and irrigation rate of the Lorayne J water system to \$150.63 effective July 1, 2017. Director McKenzie seconded the motion. All present voted in favor. The motion carried.

At 10:35 a.m., President Huffman called a short break.

At 10:40 a.m., the meeting resumed in open session.

Revision to Agreement with Water Strategies, LLC: Mr. Freeman spoke about KID's contractual relationship with Water Strategies for assistance in protecting KID's water supply, water rights, and other related issues, most recently, Chandler Electrification and Title Transfer.

Mr. Freeman said Kris Polly of Water Strategies proposed additional services including:

- Increased effort to boost KID's chances of title transfer and to create leverage with Reclamation and local and state officials.
- 2-full-page KID centerfold in every issue of the Irrigation Leader magazine in WA State.
- 1-full-page public service message for an agency selected by KID.
- At least 4 articles before the end of year.
- Addition of up to 250 people to magazine mailing list.
- Formatting services on the 100 Year Anniversary special issue magazine (\$1,500 value)

Mr. Freeman said staff had concerns about impact to the budget, but said Water Strategies was critical to the KID's success on the aforementioned issues. He suggested trying the enhanced services in 2017 and evaluating if \$2,500 more per month was a good investment to continue.

In response to a question from Vice President Dennis, Mr. Freeman spoke about the potential addition of 250 people to the mailing list.

Mr. McShane spoke about consultant Ton Knutson and promotion of the KID brand. Mr. Freeman noted that Mr. Polly and Mr. Knutson were highly respected.

Mr. Defoe mentioned the coincidence of the 100-year anniversary with projects such as Title Transfer.

Mr. Freeman spoke briefly about meetings facilitated by Mr. Polly.

President Huffman said it was important to consider the long term benefit to the district.

Mr. McShane spoke in favor of the investment, which was small in comparison with the potential savings on Chandler Electrification with Title Transfer.

In response to a question from Director McKenzie, Mr. Freeman said he thought Water Strategies had 35 clients, but did not know how many of them were irrigation districts.

Director McKenzie spoke about having copies of the magazine for the district to distribute locally. Mr. Freeman suggested the possibility of posting KID's articles on the District's website.

Ms. Voelker said that since the District would be showcased in the 100-year magazine, it might be better to start this in September. Timing was discussed.

Director Rathbun moved to authorize the District Manager to amend the agreement with Water Strategies to include enhanced services for \$2,500 a month for a period not to exceed six months. Vice President Dennis seconded the motion. All present voted in favor. The motion carried.

Declaration of Protective Covenants for Finley School District: Ms. Rosenbaum presented the proposed Declaration of Protective Covenants with the Finley School District (FSD). She displayed a map and spoke about the parcels and the 1991 Land Transfer Agreement.

Ms. Rosenbaum briefly reviewed terms of the declaration, drafted by the FSD attorney and approved by KID legal counsel, which would to repeal and replace the Amendment. She reported that after KID's signing of the declaration, it would be scheduled for approval by the Finley School Board at their June 16, 2017 meeting.

In response to a question from President Huffman, Ms. Rosenbaum spoke about boundary line adjustments needed following agreement with the school district and in advance of auctioning lease of the land.

Ms. Rosenbaum verified to Director Rathbun that the declaration only applied to only the Finley school property and two KID parcels bordering school property; other KID land in the vicinity would not be impacted. She reiterated that Attorney Fran Forgette approved the declaration.

Vice President Dennis commended Ms. Rosenbaum for her work on this project. Ms. Rosenbaum spoke about the District's intention to be transparent and good neighbors.

Director Rathbun moved to approve the Declaration of Protective Covenants specifically associated with the parcels North and South of Finley Elementary School, as described in said Declaration and associated with the Land Transfer Agreement of 1991. With this motion, the previously approved Amendment to the Land Transfer Agreement is repealed. Vice President Dennis seconded the motion. All present voted in favor. The motion carried.

Relegation Request: Mr. Freeman reported that Gerald C. Wick Jr. wrote on social media about frustration with being charged for water he was not receiving and that Mr. Wick was invited to petition the Board for relegation of his irrigation allotment. He referred to Mr. Wick's letter and a map indicating the location of the property. Mr. Freeman said several other parcels had been allowed to relegate their allotments before the relegation program was discontinued. Mr. Freeman said Mr. Wick blamed KID for not being timely with his request.

Mr. Freeman said failure to maintain a private line system did not make it KID's problem. He reported that Mr. Wick's neighbors would not give him an easement to run a water line and Mr. Wick could not afford to run a line from the canal. Mr. Iller said Mr. Wick could take the action of condemning a private easement.

Mr. McShane confirmed to President Huffman that some properties in the area received water and that it was 3,000 feet to the canal. He spoke about the nearby Alison Chacon short plat, which led to revisions to the short plat code to allow private line agreements. He said it was expensive to run pipe that far for one or two properties. He said the nearest KID access about 2,000 feet away in an orchard.

In response to a question from Director Rathbun, Ms. Rosenbaum said the mortgage company approval requirement was eliminated because it was a water allotment, not a water right.

Mr. Iller confirmed to President Huffman that any act could be precedent setting. He said he thought action condemning a private easement should be Mr. Wick's responsibility, not KID's.

Discussion ensued regarding the purpose of the relegation program and changes over time.

Mr. Freeman said the people allowed to relegate in May had been previously denied, but Mr. Wick did not have a request in process. Mr. Iller said Mr. Wick's use of the word extortion was interesting, since it appeared Mr. Wick was attempting to extort action from the District.

Director Rathbun suggested that Mr. Iller draft the District's response to Mr. Wick.

Mr. McShane said that it was a misconception that Mr. Wick was paying for water he was not receiving, since KID members did not pay for water. He added that local government could not insure that people did due diligence when they purchased property. Mr. Iller said Mr. Wick might have remedies against the seller or realtor if they misrepresented the property to him.

Mr. Iller offered to give legal advice to the Board in executive session. President Huffman suggested waiting to take action until a future meeting.

Mr. McShane confirmed to Vice President Dennis that there were parcels receiving water to Mr. Wick's west, south and east, but Mr. Wick was not able to get the water to his parcel.

Mr. Freeman said an executive session and open session action would be on the next agenda.

RESOLUTIONS:

Resolution 2017-17, Lorayne J Fee Resolution: See page 4.

Resolution 2017-18, Approving an Irrigation Easement on KID Property: Mr. McShane referred to the map and spoke about the easement requested by Washington Department of Natural Resources (DNR) and their leaseholder, Ramer Holtan. He said the easement of about 10 feet from the property line was not expected to impact future use of the property.

Mr. McShane said staff recommended exchanging the easement for provision, installation and testing of a pump adequate to serve KID's parcel #113971000002000 with irrigation water and provision of controls to operate the pump. He recommended the Board authorize Mr. Freeman to negotiate terms of the contract agreement.

Discussion ensued regarding the location of the pond in an easement for KID on DNR property, and the pumping plant on property owned and operated by KID.

Mr. McShane confirmed that the District tried to be as efficient as possible and have as little operational spill as possible. He confirmed there was a water allocation to the KID property.

Mr. McShane displayed a map and indicated the KID and DNR property locations relative to the highway interchange.

Director Rathbun moved to approve resolution 2017-18, approving an Irrigation Easement on KID Property (Parcel #113971000002000) and authorize Chuck Freeman to record said easement upon entering into an agreement with DNR/Holtan for the installation of a pump to service the KID Property. Director McKenzie seconded the motion. All present voted in favor. The motion carried.

STAFF REPORTS:

Finance Manager: None

Engineering/Operations Manager: Mr. McShane reported regarding:

- Paving at Bridle Drive
- Maintenance activities
- Canal lining and restoration at Canyon Lakes and Creekstone Drive, to be followed by the Sagecrest enhanced pump installation at Southridge
- Planned work at Adair Drive
- Badger East canal lining and encroachment removal open house planned
- Jamesville Irrigation informational meeting Thursday evening at 6:00 pm

In response to a question from President Huffman, Mr. McShane said digging at the east end of Cherry Creek could be for a storm water pond.

Discussion ensued regarding low water pressure last Thursday near 800 S Kellogg.

Director McKenzie commented to Ms. Voelker that the before and after pictures of the Canyon Lakes capital project were well done.

In response to a question from Director Rathbun, Mr. McShane spoke about configuration of new direct connections to the canal and reported regarding flow stability since the installation of the new Rubicon gates. He listed planned locations for additional Rubicon gate installations. He confirmed that property owners were advised not to put control valves on their side to the connection. He spoke about options for building storage for the district, facilitating on demand irrigation, and reducing costs for everyone.

Land & Water Resources Manager: Mr. Defoe displayed the USBR website Yakima River 5 Reservoirs graph and spoke about reservoir storage. He displayed noaa.gov graphs and spoke about weather conditions. He displayed the usda.gov SNOTEL map and graphs, and spoke about snowpack and climate predictions. He said the reservoirs were expected to fill this year.

Mr. Defoe reported regarding:

- Cities of Kennewick, West Richland and Richland updating critical area ordinances and comprehensive plans. He said progress was being made regarding removal of KID drains from the Kennewick and West Richland comp plans and regulations. Work with City of Richland was more challenging, but Planner Rick Simon said he was committed to looking at KID's requested changes.
- Benton County Voluntary Stewardship Program Committee progress updating of Benton County's critical area ordinances and comprehensive plan.

Mr. Defoe displayed a City of Richland map of the proposed Rachel Road extension location and spoke briefly about the preferred alternative proposed by the work group and the public. He said it was always understood that a road would eventually cross the drain. Mr. Defoe noted that the water was KID's to use and that there were KID facilities in the area. He spoke about his concerns regarding future mitigation.

Future meetings:

- Integrated Plan Water Use Subcommittee meeting June 13th
- Yakima Science and Management Conference June 14th. Mr. Defoe was invited to give a presentation with Mike Ritter of Washington Fish and Wildlife on Bateman Island work. Discussion ensued about the possible Bateman Island causeway breach.

District Manager: Mr. Freeman reported regarding:

- Municipal Water Use Subcommittee meeting Monday June 12th
- A new state licensed trapper was hired and was addressing a large colony of Townsend ground squirrels at the tail end of Badger East and rock chucks at the 22 mile of the Main Canal.
- Conditional renewal of insurance. Management would provide information regarding KID's risk avoidance and mitigation. Self insurance and catastrophic loss insurance were an option if rates were too high.

Ms. Voelker reviewed planned media buys for June through August, on topics including retraining your lawn, canal safety, and KID's 100 year anniversary in August.

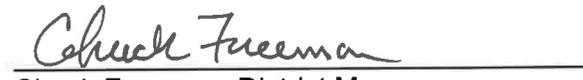
WORKSHOP: None

Vice President Dennis moved to adjourn the meeting at 12:19 p.m. Director Rathbun seconded the motion. All present voted in favor and the motion carried.

Attest:

Witness:


Gene Huffman, Board President
Approved July 6, 2017


Chuck Freeman, District Manager

Prepared by Doris Rakowski