



Minutes

Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 Tuesday, October 3, 2017, 9:00 a.m.

President Huffman called the meeting to order at 9:08 a.m. and Mr. Freeman called roll.

Directors Present:

Gene Huffman, President
 Dean Dennis, Vice President
 David McKenzie
 Kirk Rathbun, via telephone
 Jim Holmes

Staff Present:

Chuck Freeman, District Manager
 Kipp Drummond, District Treasurer
 Seth Defoe, Land & Water Resources Manager
 Shelbea Voelker, Public Relations Coordinator
 Jonathan Haller, GIS Analyst/Developer
 Lori Gibson, Executive Assistant
 Perla Glead, Accounting Technician
 Doris Rakowski, Executive Assistant

Other Persons Present:

Brian Iller, KID Legal Counsel

APPROVAL OF AGENDA: President Huffman added consideration of a Travel Request to Action Items.

Vice President Dennis moved to approve the agenda with the addition of a travel request. Director McKenzie seconded the motion and it carried unanimously.

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

On the consent agenda were:

1. Water off Letter to USBR
2. Vouchers/Warrant Approval

Accounts Payable

Numbers:

	75504	through	75504		\$ 1,200.00
	75505	through	75579		\$ 220,025.53
	75580	through	75581		\$ 345,454.98
Bank Drafts	FSA				\$ -
Bank Drafts	General				\$ -
Bank Drafts	AP				\$ 83,011.12
Total Accounts Payable					\$ 649,691.63

Payroll

Numbers:

	33609	through	33610		\$ 311.24
Direct Deposit			2017-09-20		\$ 112,830.87
Total Payroll					\$ 113,142.11

Total Disbursements

\$ 762,833.74

Voided Checks: None

PUBLIC COMMENTS, regarding the Lorayne J potable water system: Mr. Drummond displayed the proposed Lorayne J budget.

Dan Martini, 3001 Bruce Lee Lane, asked why the bi-monthly rates were being raised.

Mr. Freeman said the increase was being stepped in as indicated when the rate was increased previously. He said the Lorayne J system needed to pay its own way, including covering the City of Richland surcharge. He said the Lorayne J money was not comingled with other operating funds, and, if annexed by City of Richland any balance would go with the system. If not annexed, it would be used to pay the surcharge the City of Richland had been deferring.

Mr. Martini asserted that KID listed things were not needed such as capital expense.

Mr. Freeman said this was for replacement of pumps, pipe, valves, services to houses, and main lines, which were not included earlier to try to keep rates low.

Mr. Martini said he did not mind as long as the money stayed in the Lorayne J account. He noted that there was a meeting with City of Richland this evening about annexation and said he thought annexation would take place.

Mr. Freeman confirmed that KID was not involved in the annexation issue with City of Richland, but said he had seen the petition of the City's website.

In response to a question from Mr. Martini, Mr. Drummond briefly reviewed the Lorayne J fund balance and provided a copy of a Fund Balance Report.

Mr. Martini said he believed the numbers on the sheet, but questioned why the numbers were on the sheet. Electricity charges were discussed.

Ken Wobig, 3021 Lorayne J Blvd, said he was against any rate increase until after the annexation process.

An unidentified guest asked for a more detailed itemized version of the Lorayne J budget and Mr. Drummond reviewed the justification for the proposed rate increase. He said rates needed to cover operation costs without using reserves and address needed deferred maintenance if annexation did not happen. He said the goal was to get to the break-even point for the system.

Mr. Wobig asked if the Meadow Park Estates rates increased and Mr. Freeman said they were irrigation customer and not comparable.

Mr. Drummond said this was an incremental step to bring the system to paying the actual cost to deliver water. He spoke about economies of scale and the need to break even.

Todd Ofsthun, 149 Travis Lane, said he was frustrated by the higher bill, since the water was coming from Richland and the pumps were idle.

Mr. Freeman noted that there was no charge in 2018 for the pump building or electricity. He spoke further about the City of Richland surcharge. He said City of Richland was the only viable option. Drilling another well offered no guarantee of safety, and would be more expensive.

Mr. Freeman confirmed that City of Richland was projecting about \$1.1 million, with half forgivable, for a new potable system.

Gary Jackson, 3073 Bruce Lee Ct., asked if Lorayne J well water was sold to Meadow Park Estates and, if so, were the proceeds coming back to Lorayne J.

Mr. Freeman said their irrigation water was from a different source, but noted that KID owned the well and water rights, in any case.

Mr. Iller said KID did not sell water, and water users did not buy water, but paid for the cost of delivery. He said he assumed that when the water right was conveyed to KID, KID took over management of the Lorayne J system so the property owners would not have to try to do it themselves. He said KID held the water right and could deliver water wherever it could be used.

Mr. Freeman said that once Lorayne J had a new system, the existing system would come back on line and serve irrigation water to Lorayne J. He said they would be assessed like any other irrigation customer. Mr. Iller noted that the rates were available online.

Mr. Freeman encouraged those who had not submitted a petition to City of Richland to do so.

President Huffman confirmed to an unidentified guest that 9:00 a.m. was the Board's regular meeting time.

In response to an unidentified guest, Mr. Freeman and Mr. Drummond said a person living on Nova Street would be paying less per year because they were paying for irrigation water only.

Mr. Freeman said the rate presented would be charged in 2018 if Lorayne J was not annexed.

Mr. Drummond made copies of "Lorayne J Projected salary costs for 2018" and the "Fund Balance Report" available to guests.

PRESENTATIONS:

Draft 2018 Budget: Mr. Freeman referred to the budget letter which was distributed at the meeting. He noted that while the Finance Committee looked at a three year comparison, only 2017 and the proposed 2018 budget were distributed.

He said a 1% growth rate was estimated and a 3.5% rate increase was recommended. He said the increased insurance premium was the biggest anticipated change, and that electrical expenditures were increasing. He said the budget balanced with \$15.9 million total operating capital.

Mr. Freeman briefly reviewed proposed operating budget line items including:

- Fund 411 - KID Irrigation Operating Fund
 - Red Mountain O&M Surcharge Revenue
 - Helping Hands Support
 - General Liability Insurance expense
 - Salaries & Wages (multiple departments)
 - Legal Services
 - Professional Services-General
 - Dues & Subscriptions

- Vehicle and Equipment Fuel
- Electricity
- Contract Labor & Staffing Services
- Weed Control
- Fund 426 - Lorayne J Potable
- Fund 431 - Capital Upgrade and Improvement Fund
 - Assessment Revenue
 - Capital Surcharge - Red Mountain
 - Interest Income - Restricted
 - Non-Revenue - Red Mountain Interest Received
 - Transfers In: from Drought Reserve
 - Water Smart Grant
 - Oak Hills Surcharge
 - Contingency
 - Transfers Out: to Operating - Enhanced Capability
- Fund 432 - Non-Infrastructure Capital Project Fund
 - Contingency (for shop improvements)

In response to a question from President Huffman, Mr. Freeman spoke about plans for future additional Rubicon gates.

Mr. Freeman referred to his budget letter and reviewed reserve funds balances as of August 31, 2017:

• Equipment Replacement Reserve Fund -	\$612,560
• New Water Fund	\$600,710
• Emergency Mitigation Reserve -	\$319,417
• Carryover Fund (Operating Reserve Fund) -	\$842,482
• Conservation Capital Fund -	\$805,017
• Drought Mitigation Fund	\$815,880
• Red Mountain Capital Fund	\$185,694
• Red Mountain Loan Guarantee	\$1,576,834
• Realty Reserves	\$3,959,679
• Irrigation General	\$3,921,106
• Lorayne J	\$201,249
• Infrastructure Improvements	\$481,469
• Capital Projects Funds	
➤ Capital Upgrade & Improvement Fund -	\$2,442,713
➤ General Capital Projects Fund -	\$80,355

Mr. Freeman asked if the Board was comfortable with a 3.5% increase. He noted that 2.5% was needed to break even with personnel costs.

At President Huffman's request, Mr. Freeman spoke about the expected insurance cost increase. He said that when the exact amount was known, the budget would be adjusted. Director Rathbun confirmed he would attend a meeting with the consulting broker at 9:00 a.m. on October 30th to try to address rising healthcare insurance costs.

President Huffman and Mr. Freeman expresses appreciation for budget planning work of staff, the Finance Committee, Mr. Drummond and Accountant Melissa Olheiser.

Discussion ensued regarding the capital program and the importance of lining to reduce breaks. Mr. Freeman noted that if the Candy Mountain neighborhood could not get the box culvert done this winter, the section must be lined.

Mr. Freeman asked for feedback and thoughts on the budget and said he would make adjustments and bring it back to the Board.

PUBLIC HEARING: None

BOARD REPORTS: President Huffman and Vice President Dennis reported about the Yakima Basin Joint Board tour.

ACTION ITEMS:

Call Special Meeting for Badger East Canal Project: Mr. Freeman said door hangers would be delivered to announce a meeting at 6:30 p.m. on October 5th. He said Engineering would make a presentation. He spoke briefly about the issues to be discussed at the meeting and said the Board would hear public comment after the presentation. Action regarding agreements or financing would be at a later date and no board action would be requested at this meeting.

In response to a question from President Huffman, Mr. Woodard spoke about options for an open box culvert or enclosed pipeline given to the neighborhood, and said existing profiles or cross sections could be available at the meeting.

Mr. Freeman asked Ms. Gibson to have service agreements, like those used with Jamesville, at the meeting.

Mr. Freeman confirmed to Director Holmes that currently there were 30 homes and 7 willing parties. He said the project could move forward if a group were willing to pay 100% of the bill.

Vice President Dennis moved to hold a special meeting requested by the Candy Mountain neighborhood at KID at 6:30 p.m. on Thursday, October 5, 2017. Director McKenzie seconded the motion and it carried unanimously.

Travel Request WSWRA Annual Conference: Mr. Freeman requested approval for two Directors and three staff members to travel to Spokane, Washington, to attend the WSWRA Annual Conference and Membership Meeting from December 6th to December 8th, 2017 for a total cost of \$5,345.40.

Director McKenzie moved to approve the travel requests for up to five KID representatives to travel from December 6th to December 8th, 2017 to attend the WSWRA Annual Conference and Membership Meeting in Spokane, Washington. Vice President Dennis seconded the motion and it carried unanimously.

RESOLUTIONS:

Resolution 2017-37, Surplus Personal Property: Mr. Defoe asked the Board to declare as surplus and authorize the sale of listed items which were no longer needed for District business.

Mr. Freeman confirmed to Director McKenzie that the intent was to sell the items by auction.

Director Holmes moved to approve Resolution 2017-37, Declaring Surplus Personal Property. Director McKenzie seconded the motion and it carried unanimously.

STAFF REPORTS:

Finance Manager: Mr. Drummond reported regarding:

- Budget planning
- Meeting regarding insurance options - October 30th
- State Audit date to be set
- Year end accounting process planning

Engineering/Operations Manager: On behalf of Mr. McShane, Mr. Woodard reported regarding:

- Recapture well testing
- Main Canal leak repair

A good shut off date for Red Mountain was discussed. Director Holmes said later was better but mid-month was acceptable, and that growers wanted to put water down as late as possible. Mr. Freeman asked Mr. Woodard to pull the production report to see if it could be extended.

District Manager: Mr. Freeman reported regarding:

- Yakima Basin Integrated Plan RiverWare Modeling meeting - October 6th. Staff had questions about the new scope of work, in addition to unanswered questions from Mr. Freeman's September 2016 memo.
- Yakima Basin Joint Board tour - September 27th. Roza Re-reg Reservoir \$31 million facility would give 4 to 5 days of operation on the lower half of their system, in comparison with \$23.1 million Chandler Electrification to give KID 100% supply.
- Tour given to Richard Evans, Maria Cantwell's new Outreach Director - October 2nd
- Water shut down, followed by week of baseline testing scheduled for October 6th
- The USBR seepage analysis testing report found the report was unreliable
- Hiring to fill 30 positions. Advertising on Craigslist would be added.

Land & Water Resources Manager: Mr. Defoe displayed the usbr.gov reservoir diagram and spoke about storage levels. Mr. Defoe displayed the usbr.gov comparative graph and noted that the new water year started on October 1st. He displayed the noaa.gov Yakima station precipitation and temperature graphs and spoke about weather conditions and long term climate outlook.

Mr. Defoe also reported regarding:

- Quarterly System Operations Advisory Committee (SOAC) meeting - September 19th. Topics of interest included effects of environmental conditions on fish movement in absence of pulse flow, and draw down of water for construction.
- YRBWEP Workgroup - September 20th. Topics of interest included Congressional authorization, capital budget and monitoring thermal refugia in lower Yakima River.
- Habitat Subcommittee Project Workshop - September 21st. Lower river smolt survival study discussed.
- City of Richland Critical Areas Ordinance (CAO) passed unanimously by Planning Commission. City Council to have first reading tonight.
- Benton County draft CAO released
- Finley property auction preparation
- Refining Drought Plan
- State Environmental Policy Act (SEPA) compliance

Mr. Freeman also reported that a payment was made on Department of Ecology grant.

At Mr. Freeman's request, Ms. Voelker showed a commercial about winterizing risers. She spoke about planned run times, stations and online placement. She responded to a question regarding the budget for the commercial.

Ms. Voelker confirmed that the Fall Newsletter would be sent out this week.

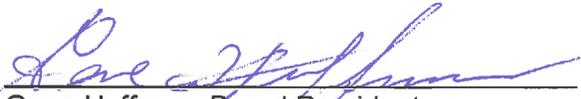
WORKSHOP: None

EXECUTIVE SESSION: At Mr. Iller's recommendation, executive session was cancelled.

Vice President Dennis moved to adjourn the meeting at 10:50 a.m. Director McKenzie seconded the motion and it carried unanimously.

Attest:

Witness:



Gene Huffman, Board President
Approved November 7, 2017



Chuck Freeman, District Manager

Prepared by Doris Rakowski