



## Minutes

Special Meeting of the KID Board of Directors  
LU LU's Conference Room  
606 Columbia Point Dr., Richland, WA 99352  
Wednesday, February 21, 2018, 10:30 a.m.

President Dennis called the meeting to order at 10:35 a.m. and Mr. Freeman called roll.

### **Directors Present:**

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

### **Other Persons Present:**

Brian Iller, KID Legal Counsel

### **Staff Present:**

Chuck Freeman, District Manager  
Jason McShane, Engineering/Operations Manager  
Kipp Drummond, District Treasurer  
Seth Defoe, Land & Water Resources Manager  
Melissa Olheiser, Accountant II  
Dan Tissell, Staff Engineer  
Shelbea Voelker, Public Relations Coordinator  
Lori Gibson, Executive Assistant  
Doris Rakowski, Executive Assistant

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

### **WORKSHOP: Capital Improvement Program**

Mr. Freeman distributed a sheet titled "2018 Priority Framework" and reviewed the 2010 Mission Statement and Priorities. How priorities applied to several examples was discussed.

Mr. Freeman introduced the list of upcoming projects and rough cost estimates. He listed issues for consideration when setting priorities.

Mr. McShane spoke about considerations in selecting instream storage sites. In response to a question from President Dennis, Mr. McShane spoke about the Southridge storage reservoir. Engineering studies of where storage was needed and most efficient were discussed.

Mr. Drummond presented data from three spreadsheets titled: "Percentage Increase in Assessment Rates from prior year(s) (1997 – 2008 & 2009 – 2018)", "Projected Revenues and Expenses 2019-2023" (assuming no rate increase) and "Projected Revenues and Expenses 2019-2023" (assuming 2% rate increase). Use of temporary employees was discussed.

In response to a question from Director Venkata, Mr. Drummond spoke about options to contain health insurance costs. Mr. Freeman noted that Vice President Rathbun was on an ad hoc committee to review insurance options. Benefits and employee retention were discussed.

Expected growth in number of customers was briefly discussed in response to a question from Director Huffman.

Mr. Freeman asked the Board for feedback on assessment increases. Vice President Rathbun said it would be nice not to raise rates, but it might not be realistic. The relative merits of 2% per year increases versus a larger increase followed by years with no increase were discussed.

President Dennis called a break at 11:25 a.m. and the meeting resumed at 11:32 a.m.

Discussion continued regarding rate increase options, and the tier and toll assessment model. Mr. Freeman said Mr. Drummond and Ms. Olheiser would refine the projections. Mr. Drummond spoke about briefly about possibly rebalancing the tiers, and discussion continued.

*“Fund Balance Change, as of January 31, 2018 – DRAFT”* was distributed.

Whether the tier and toll model needed to be reviewed was discussed.

Cost control ideas were discussed. Mr. Freeman identified payroll and electricity costs as large expenses. It was noted that solar power had a long payback period.

Director McKenzie suggested revisiting the structure of the equipment replacement fund. Mr. Drummond and Mr. McShane confirmed that it was reviewed yearly. Mr. McShane said he was looking as whether the fund could be reduced.

Mr. Freeman referred to the fund balance spreadsheet and spoke briefly about the internally restricted funds, including the 411, realty, drought, carry forward, and non-infrastructure capital funds. The revolving PLA fund was also discussed.

Vice President Rathbun asked about the importance of recapture wells as Chandler electrification became a reality. He noted the cost per gallon of the recaptured water. Discussion ensued regarding the wells’ value in the event of failure of other water sources.

In response to a question from Director Huffman, Mr. Freeman spoke about funding possibilities for Chandler electrification including WIIN money, financing by other agencies such as upstream districts, or bonding the project and taking a credit towards future Columbia River water. Mr. Freeman said Tom Tebb of the Department of Ecology was interested in partnering with KID for Chandler electrification.

*“Costs for Chandler – Electrification and Capital”* was distributed.

President Dennis called a break at 12:04 p.m. and the meeting resumed at 12:40 p.m.

Mr. Drummond distributed and presented data from *“Realty Fund Loan Collection – Annual Payments received principle and interest.”*

Mr. Freeman asked for questions about listed projects on *“2018 Priority Framework”* sheet.

Mr. McShane briefly described projects including the Southridge Pump Station and the Highland Feeder Bypass. He said feasibility was still being analyzed for some projects. He spoke about time-limited opportunities for developer funds contributing to certain projects.

Mr. McShane described the Finley Transmission project and noted that the sooner it was done and the property leased out, the sooner money would be coming in from it. He confirmed to Mr. Freeman that it was planned for this year.

Mr. McShane spoke about the Clodfelter Pump Station and the Brantingham Pump Station projects. He described the West Richland Pump Consolidation project and confirmed to Mr. Freeman that the date depended on the rate of development.

Mr. McShane spoke about continuation of aging pipeline replacement for the third year.

Mr. McShane said the Metaline project was added to the list by City of Kennewick due to their road reconstruction schedule. In response to a question from Director Venkata, Mr. McShane spoke about the franchise agreement with City of Kennewick in regard to timing in street work.

Mr. McShane briefly spoke about reservoir land purchase, title transfer and Chandler electrification.

Mr. Freeman asked for confirmation that the Board was still in theoretic agreement with funding Chandler electrification for the federal government. He referred to the "*Costs for Chandler – Electrical and Capital*" handout. Mr. Drummond spoke about the scenarios presented.

Mr. Freeman asked if the Board wanted to go out for a bond for Chandler electrification and contract with the U.S. Bureau of Reclamation (USBR) for repayment through the WIIN act or other compensation. He asked whether KID should consider bonding \$35 million to build the Highland Bypass and storage reservoir, if the District was bonding \$23 million for Chandler electrification.

Mr. Freeman spoke about asking the customer base about increasing rates by \$58 per year to significantly reduce the likelihood of reduced supply from drought for several decades. Mr. Freeman said debt service of about \$1.3 million for 30 years was being considered. Use of other resources such as realty reserves was discussed.

Differing opinions of KID and USBR representatives regarding who would pay electricity costs for operating electrified Chandler pumps were discussed. It was noted that there was an element of risk regarding being repaid if KID fronted the money.

Mr. Freeman spoke about the process of getting a bond rating. Economic conditions impacting the cost of money were discussed. Mr. Freeman said Steve DiJulio would be bond counsel.

Discussion continued regarding Chandler electrification funding sources and amounts. Mr. Drummond said WIIN and other sources could be used to repay bonds.

Director Huffman spoke in favor of pursuing Chandler electrification as soon as possible before another drought, in the interest of KID customers. He spoke about agriculture suffering from droughts if Chandler electrification were not done.

Mr. McShane confirmed to Vice President Rathbun that the electric pumps could be operated as infrequently as possible once Chandler was electrified, but said it could be used at any time. The process of federally funding the project was discussed. Mr. McShane noted that money was authorized but not appropriated at this time. He said it was important to have the regional office on board. He spoke about potential funding scenarios but said certainty was not possible.

Mr. Freeman spoke about the conserved water issue and calling on storage. He reported that KID let Dawn Wiedmeier know KID had been patient and allowed others to go first, but that Chandler electrification should have been done in the 1990s.

In response to a question from Vice President Rathbun, approximate value of the remaining real estate holdings was discussed. Mr. Freeman instructed Ms. Rosenbaum to send a spreadsheet on the value of the real estate inventory.

Vice President Rathbun said spreadsheets of various payment and project inclusion scenarios would be helpful. Mr. McShane referred to the “*Costs for Chandler – Electrical and Capital*” spreadsheet and discussion continued.

Mr. Iller asked if it was necessary to sell all bonds if federal funds were received.

Director McKenzie said KID must declare what the bonds would be used for. He said he thought it was better to wait for other projects to come online so the participants were known before funding other projects. Mr. McShane agreed with Director McKenzie that, if funding were prearranged, it was less likely that other parties would contribute funds.

Mr. Defoe said state funds were more likely for reservoirs than federal funds, and agreed that reimbursement for already built projects was unlikely. Mr. McShane said timing bonds for realistically buildable projects was important so KID did not pay unnecessary interest. Mr. Freeman suggested a bond for Chandler electrification and a line of credit for other projects.

In response to a question from President Dennis, Mr. Freeman spoke about other districts’ experience for bonds. Mr. Iller noted that RCW 87.03.165 and following sections elaborated election requirements for bonding. Discussion continued.

Mr. Freeman suggested bonding a local improvement district and using WIIN and other monies instead of bonding for Chandler electrification. Mr. Freeman said staff would do more work on the subject and follow up with the Board in the fall.

Mr. Freeman reported that staff was meeting monthly with USBR on title transfer.

Mr. Freeman listed his take away conclusions from the discussion included that 2% annual increases were preferred over other rate increase models, Gordon model tiers should be reviewed, expense control was important, and no other internally controlled reserve funds were needed. He said he would write up and send out a meeting recap.

President Dennis called a break at 1:40 p.m. and the meeting resumed at 1:50 p.m.

Director Venkata left the meeting.

Mr. McShane spoke about land valuation before and after application of irrigation water, in relation to agricultural leases. He also discussed acquisition of land for reservoirs and said land swaps might be possible under certain circumstances. He said agricultural leases could provide long term revenue streams for KID.

How to request money for Ecology was briefly discussed.

Mr. McShane spoke about the Salt River Project’s Arizona Falls hydro-generation site and the applicability of the mixed use civic center concept to the KID. He noted that partnerships with cities or ports would be helpful in getting this sort of project done, as they were authorized to do different types of projects than irrigation districts.

Director Huffman stressed the importance of keeping the ball rolling on Chandler electrification and title transfer. President Dennis said the KID received positive feedback and encouragement from federal and state agency representatives on Chandler electrification and title transfer.

**President Dennis moved to adjourn at 2:00 p.m. Director Huffman seconded the motion. All present voted in favor and the motion carried.**

Attest:

Witness:



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Dean Dennis, Board President  
Approved March 6, 2018



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Charles Freeman, District Manager

Prepared by Doris Rakowski