



Minutes

President Rathbun called the meeting to order at 9:00 a.m. and Mr. McShane called roll. Due to the COVID-19 office closure, the meeting was conducted on the Zoom platform and most participants were present remotely.

Directors Present:

Kirk Rathbun, President
 David McKenzie, Vice President
 Arland Ward
 Gene Huffman

Staff Present:

Jason McShane, Engineering/Operations Manager
 Lori Gibson, Executive Assistant to Engineering
 Lynda Rosenbaum, Realty Manager

By Telephone:

Raman Venkata

By Telephone:

Charles Freeman, District Manager
 Kipp Drummond, Comptroller/Treasurer

Other Persons Present: John Crotty, Legal Counsel

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

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

Items on the consent agenda were:

1. Minutes, KID Board Meeting, March 17, 2020
2. Final Plat Clearwater Creek Phase 9 & 10
3. Final Plat Southridge Phase 5
4. Final Plat Terra Vista Phase 2
5. Short Plat 20-03 Connor
6. Utility and Waterline Easement Kennewick Industrial Park
7. Disaster Preparedness and Recovery Plan Update
8. Vouchers/Warrant Approval

Accounts Payable:

Numbers:

80428	through	80428	\$	29,355.91
80429	through	80429	\$	142.50
80430	through	80434	\$	95,638.06
80435	through	80497	\$	84,933.33
80498	through	80498	\$	2,913.50
80499	through	80503	\$	722.73
80504	through	80505	\$	13,524.25
80506	through	80506	\$	142.50
80507	through	80557	\$	237,347.07
80558	through	80559	\$	203.28
Bank Drafts	FSA		\$	2,115.14
Bank Drafts	General		\$	958.63

Bank Drafts	AP	\$	203,403.17
Total Accounts Payable		\$	203,403.17

Payroll:

Numbers:

	34243	through	34246	\$	2,254.07
Direct Deposit			3/20/2020	\$	131,968.45
	34247	through	34248	\$	654.30
Direct Deposit			4/6/2020	\$	160,153.01
Total Payroll				\$	295,029.83

Total Disbursements				\$	498,433.00
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PRESENTATIONS: None

PUBLIC HEARING: None

BOARD REPORTS: None

ACTION ITEMS: None

RESOLUTIONS:

Resolution 2020-10, Condemnation of Reservoir Site for Central Storage – Shaw, continued from March 17, 2020 meeting: Mr. Freeman spoke about the proposed central storage project, which would protect the District’s water supply and enhance it during times of low water. He explained that this project has been in the District’s Capital Improvement Plan (CIP) since 2013, and that after years exploring location options, staff determined that this parcel appeared to be the preferred location for the proposed facility. Mr. Freeman further stated that SEPA has been satisfied for KID’s prior capital planning, and that acquisition of the property is categorically exempt from SEPA pursuant to WAC 197-11-800 (5). He added that SEPA would, however, be further addressed at the project level.

Mr. Freeman said that by request of the Shaw Family, this agenda item was continued from the Board meeting on March 17, 2020, and that the Shaw Family since requested that the Board move forward with adoption of the Resolution. He noted that this was a regularly scheduled Board meeting, and the format of the meeting complied with the Governor's Emergency Proclamation 20-28, including the option for the public to attend remotely, and the action was routine and necessary. He added that notice of the meeting was mailed and published according to law.

Mr. Freeman reported that the current offer to the Shaw Family is \$6,220,000, an amount in excess of the appraised value, and that the monies for the purchase would come from various general and reserve funds of the District. He explained that the condemnation of the four parcels, which total approximately 208 acres, is for a public use and necessary, and the District has been negotiating with the Shaw Family so no legal action was expected. He added that the District reserved the right to acquire other property for the central storage project. He noted that the ratepayers would not be charged an extra fee for this property acquisition.

Director Venkata asked if the price was subject to change in negotiations. Mr. Freeman explained that this was a tentative agreement between the parties so no change in purchase price was expected.

President Rathbun expressed his appreciation for staff efforts toward this project, and stressed its importance in enhancing the District's water supply. He exhorted future District board members to see the project through to completion. Directors Venkata and Huffman also added their appreciation to staff and their support for the project. Mr. Freeman explained that a Request for Qualifications for a feasibility analysis had been advertised, and would likely be presented to the Board in May. He added that the District would likely form a committee for the project, and that the project would probably start with a small reservoir to be constructed in three to five years.

Director Rathbun acknowledged the arrival of Director Ward to the Board Meeting.

Director Huffman moved to approve Resolution 2020-10, Condemnation of Reservoir Site for Central Storage. Director Venkata seconded the motion. All present voted in favor and the motion carried.

EXECUTIVE SESSION: At 9:20 a.m., Mr. McShane announced that the Board would immediately go into executive session to consider the selection of a site or the acquisition of real estate by lease or purchase, pursuant to RCW 42.30.110(1)(b), and to consider the minimum price at which real estate will be offered for sale or lease, pursuant to RCW 42.30.110(1)(c), for approximately 30 minutes. He explained that the Zoom Meeting platform would be left open and that executive session would be held via a separate conference call. Action was expected following executive session.

OPEN SESSION: At 10:10 a.m., the Directors returned to the Zoom meeting and open session resumed.

Mr. McShane recommended a Motion to add two items to the agenda, including an action item for Authorization for Sale of Real Property, and an action item for Authorization for Purchase of Real Estate and Authorizing a Purchase and Sale Agreement.

Vice President McKenzie moved to approve the Motion to Add Two Items to the Agenda, including an action item for Authorization for Sale of Real Property, and an action item for Authorization for Purchase of Real Estate and Authorizing a Purchase and Sale Agreement. Director Huffman seconded the motion. All present voted in favor and the motion carried.

Resolution 2020-12, Bank Placement Note: Mr. Freeman presented the Finance Committee and staff recommendation that KID do a private placement of \$10,000,000 for 15 years for the purposes of land acquisition to build a central storage reservoir.

Mr. Freeman said staff began implementing KID's reservoir strategy with a land purchase last year, and said this strategy was chosen because it could be both less expensive and more efficient and effective than alternatives at improving water deliveries in normal and drought years.

Mr. Freeman briefly reviewed prior discussions of how to pay for the reservoir, Chandler, and other long-term capital projects, including debt issuance, and using various unallocated KID revenue streams as ways to repay potential loans and bonds.

Mr. Freeman listed reasons staff recommended this private placement, including:

- All-time low interest rates for governmental entities
- KID's unallocated revenue streams that could be used to pay for this debt

- Interest from LGIP for cash not used to purchase the land, which could help offset the interest expense paid for the loan
- Financial advisor's confidence that financial markets uncertainties have calmed down enough to allow them to do a private placement for KID
- Private placement less complicated and quicker than a bond
- Fees expected to be between 1 to 1.25%
- Advantages to retaining cash to maintain flexibility and for unexpected expenses and events.

Mr. Freeman invited Kipp Drummond to present the terms and information on the loan.

Mr. Drummond said the cost to KID would be fees and interest over the life of the loan. He said KID should be able to get a loan at 2.5% or better for 15 years, considerably below KID's historical cost of capital, which would result in an annual loan payment of approximately \$807,665 for fifteen years plus interest for the life of the loan at approximately \$2,114,968. He stated that interest on cash retained in LGIP investments would offset much of the costs of the loan, and explained that KID has several possible revenue streams that could be allocated toward payment of this loan, without negatively affecting KID ratepayers.

Director Huffman, President Rathbun, and Vice President McKenzie added their support for the financing proposal.

Vice President McKenzie moved to approve Resolution 2020-12 Authorizing KID to do a Private Placement of \$10,000,000 for a Period of 15 years. Director Ward seconded the motion. All present voted in favor and the motion carried.

Resolution 2020-13, Use of Realty Reserves pursuant to section 9.3: Mr. Freeman spoke about Policy 2.11 Realty Reserve Fund, and reviewed the purposes for which the reserves could be used, including 1) To enhance the ability of the Kennewick Irrigation District to achieve long-term strategic planning goals by supporting those efforts; 2) To provide prudent redundancy of other funding sources; and 3) To provide funds to sustain the benefits of irrigation to the customers in the case of unforeseen changes in the irrigation sector. He explained that the central storage project met the aforementioned policy requirements. He stated that prior to the finalization of private financing, funds would be required for purchasing land from the Shaw Family and awarding the contract to the consulting engineering firm for the feasibility analysis. He requested that the Board approve use of the Realty Reserve funds for the central storage project, which would drop the fund balance below the policy-required \$3,000,000 minimum floor, and that the funds would be replaced in the Realty Reserve Fund after financing is finalized.

Director Huffman commented that he was on the Realty Committee when they approved the policy to keep a minimum of \$3,000,000 million in the Realty Reserve fund, and he agreed with accessing those funds to meet the current commitments toward the central storage project, as the project benefits all the ratepayers. President Rathbun and Vice President McKenzie added their agreement.

Director Huffman moved to approve Resolution 2020-13, Authorization to Reduce Realty Reserves Below the \$3,000,000 Reserve Floor Previously Established. Director Ward seconded the motion. All present voted in favor and the motion carried.

Authorizing Sale of KID #5103, Kiona: Ms. Rosenbaum presented the offer of \$48,500 for the land, with the purchaser paying a Benton County lien of \$2,200. She explained that the zoning of light industrial interfered with possible uses of the property. Director Ward inquired if the

property had a water allocation. Ms. Rosenbaum answered that there is an allocation on the property and the purchaser will pay the 2020 assessment at closing.

Vice President McKenzie moved to approve the sale of KID Property #5103 located in Benton City, Washington, to Codi and Kelli Krisher for the amount of \$48,500.00 and authorize the Board President and Secretary Manager as signature authorities to execute the Purchase and Sale Agreement with all terms and conditions contained therein. Director Huffman seconded the motion. All present voted in favor and the motion carried.

Shaw Family Purchase & Sale Agreement: Mr. Freeman reviewed the Real Estate Purchase and Sale Agreement between KID (purchaser) and Shaw Family LLC (seller). He explained that the property consists of four parcels totaling approximately 208 acres, and the negotiated purchase price of \$6,220,000 is due to the seller at closing. He further added that appurtenances on the property, except those owned by the tenant, would be included in the purchase, that the purchaser would pay all closing costs, and that the seller would retain all rents for the 2020 growing season that had previously been paid. He added that the agreement would be executed by April 20, 2020, and the closing would be completed by May 15, 2020.

Mr. McShane shared his view that future generations would benefit from this project by having successful irrigation and drought resiliency. He thanked the Board for supporting this action. Director Huffman also spoke about the future benefit of this project, and President Rathbun reiterated his support of the project. Director Ward added additional support and said that KID would set the standard for other irrigation districts will follow in protecting water supplies.

Vice President McKenzie moved to approve the Real Estate Purchase and Sale Agreement between Shaw Family LLC and KID as presented in our Board meeting today. Director Huffman seconded the motion. All present voted in favor and the motion carried.

STAFF REPORTS:

Finance Manager: Mr. Drummond reported regarding:

- March financials will be presented at the next meeting
- KID is using an architect to plan changes to our lobby due to COVID-19 to better protect the customer service staff

Engineering/Operations Manager: Mr. McShane reported regarding:

- Operations has tested all systems with the exception of the Southridge system and PSA 130
- This is the first year KID will run the Southridge system completely through the Bob Olson Parkway pipeline without using the AP lateral canal
- The Willowbrook pump station for Clearwater Creek will hopefully be in full operation by the end of the week
- There are currently 22 systems experiencing outage or isolation, including two individual services, and most staff are working 10 hours per day, 6 days per week, including weekends
- Water demand is currently high due to the warm weather
- Draining at end of last season, testing procedures, and a more progressive start up and fill has been reducing the mainline breaks and individual system problems
- The cultural resources report for the Finley pipeline is being revised based on comments by the Umatilla Nation
- The Integrated Plan is discussing the possible availability of stimulus money for their projects, including fish guidance booms at Sunnyside and Chandler, and the Bateman Island causeway study

Director Huffman inquired as to the size of the tumbleweed problem this year. Mr. McShane explained that the operations staff are working through a pile bigger than a dump truck. President Rathbun asked how they were disposed of, to which Mr. McShane responded that they are normally burned or taken to a compost company.

Land & Water Resources Manager: Mr. Freeman reported for Mr. Defoe regarding:

- The Title Transfer cultural report has been submitted to the Bureau and KID will need to mitigate the transfer of ownership
- KID is currently reviewing our policy on how we process subdivisions

Mr. Freeman invited Mr. McShane to report on the pulse flow released by the Bureau. Mr. McShane explained that 14,000 acre-feet of conserved water was released over a four-day period to assist with the out-migration of smolt. The effectiveness of this process appears to be anecdotal, as there is no accurate measurement for its success level.

Mr. Freeman continued his report:

- WSWRA is preparing for the next legislative session
- KID is working with the City of Richland on an agreement for exchange of easements for their recycle station and our pump station
- Start-up has gone extremely well this year

Mr. Freeman shared his appreciation to the Board for supporting operations projects and to Mr. McShane and the operations staff for their successful start-up. Mr. Freeman invited Mr. Berglund to report on the Light up the Night Appreciation.

Mr. Berglund explained that KID has sponsored the Light up the Night Appreciation for our local health care workers, with Benton PUD, City of Kennewick, Kennewick Police and Fire Departments, Pasco Police and Fire Departments, and Richland Police and Fire Departments as partners. The activity is scheduled for May 1, 2020, with vehicles from all the organizations to visit each of the area hospitals and light up their lights in appreciation. He added that KID employees would make signs and donate food for the night crews at the hospitals.

Director Huffman inquired as to why KID would be required to make a payment to the Bureau for title transfer. A short discussion ensued regarding the mitigation required for title transfer. Mr. Freeman explained that title transfer completion is planned by September, and that it can be finalized with the mitigation still pending.

WORKSHOP: None

Director Huffman moved to adjourn at 11:15 am. Director Ward seconded the motion. All present voted in favor and the motion carried.

Attest:

Witness:



Kirk Rathbun, President
Minutes Approved June 16, 2020



Charles Freeman, Board Secretary

Prepared by Lori Gibson