



MINUTES

Regular Meeting of the KID Board of Directors
 Carl W. Petersen Board Room
 September 1, 2009

Call to Order/Roll Call: President Jaksch called the meeting to order in open session at 9:00 a.m. and Interim Secretary/Manager Revell called the roll.

Directors Present:

John Jaksch, President
 John Pringle, Vice President
 David McKenzie
 Patrick McGuire
 Gene Huffman

Staff Present:

Scott Revell, Interim Secretary/Manager
 Joetta Rupert, Real Estate Manager
 Margo Hines, Assistant Manager-Administration
 Brian Iller, Legal Counsel
 Clark Haueter, District Treasurer
 Beth Smith, HR/Risk Mgmt & Acting Engineering Mgr
 Harry Fox, Operations Manager
 Lynda Rosenbaum, Contract Administration Spec.
 Judy Smith, Contract Administration Specialist
 Doris Fiske, Executive Assistant

Approval of Agenda: President Jaksch added a Zintel Canyon Siphon Update and the first item of new business. **Director McGuire moved to approve the amended agenda. Director Huffman seconded the motion and it carried unanimously.**

Consent Agenda: **Vice President Pringle moved to approve the consent agenda. Director McKenzie seconded the motion and it carried unanimously.** Items on the consent agenda were:

1. KID O&M Vouchers

Accounts Payable

Numbers:	57671 through 57712	\$	88,730.58
"	57713 through 57792		147,015.19

Total Accounts Payable 235,745.77

Payroll

Numbers:	31225 through 31225		1,874.02
	31226 through 31226		6,342.97
	31227 through 31239		15,403.98
Direct Deposit			74,194.19

Total Payroll 97,815.16

Total Disbursements \$ 333,560.93

2. Minutes, KID Regular Board Meeting, August 18, 2009
3. Resolution 2009-27 Project Acceptance and Release of Retainage for Public Works Contract 2009-04 Badger East Canal Work South Richland Vicinity
4. Resolution 2009-28 Project Acceptance and Release of Retainage for Public Works Contract 2009-01 KID Highlift Canal Spill
5. Authorization to Execute LID Petition for KID Owned Properties at Red Mountain

Unscheduled Visitor: James Wade, residing at 1813 S Rainier Place, reiterated the questions regarding KID real estate sales which he asked at the June 2nd Board meeting and noted that he has not yet received an answer. He also expressed concerns regarding inclusion of KID owned land in the Red Mountain South LID and said existing rate payers should not have to pay for it. He claimed that some of the numbers presented in the Red Mountain South LID staff report were incorrect. He asked if Red Mountain South LID water users will be included in the tiered structure used by the rest of the District and asked whether the District as a whole will pay for breaks to the system serving Red Mountain, should one occur.

Ms. Rupert said that the assessment and construction costs for the 620 acres of KID land added to the LID will not be borne by rate payers, but will be paid from proceeds of sales and leases KID properties. President Jaksch said that it was always intended that the Red Mountain South LID be separate from the rest of the District and that the tiered structure will not apply.

Regarding to the requested report on real estate sales and benefit to rate payers, Ms. Rupert said creating the report is one priority of the Real Estate Division. She noted that additional help has been hired to help with the research and is being trained.

Regarding Red Mountain South LID formation, Mr. Revell said the cost estimates change as property owners opt in or out of the LID and will be recalculated once the hearing is closed. He said that KID rate payers do not have a vote on LID formation unless they own land in the LID but may voice opinions at the public hearing. KID intends to pay the District's assessment for District-owned properties at Red Mountain with proceeds of land sales or leases (which are assets of the rate payers), not from the assessments paid by people in town. This expense is not part of the 2009 or 2010 budget.

Mr. Wade said that means real estate sales are going for the Red Mountain project, not to the rate payers. Mr. Revell said use of the proceeds of land sales is a policy decision of the Board and described the relative roles of the rate payers (voters), the Board, management and staff in the District decision-making process.

Resource Management and Planning:

1. **Red Mountain South LID Formation Hearing Continuance:** Mr. Revell reviewed the progress of the hearing to date and the LID petition audit done by the District's consultant. The staff report was made available to meeting attendees. Mr. Revell went over the latest cost estimate. He displayed a map of the current LID boundaries and showed the location of 130 acres which were recently removed from the LID, eliminating need for about one mile of pipe. He noted that service to parcels above 1,010 ft elevation

will need to be extended by the owners and built to District standards. Mr. Revell reported that the Red Mountain South LID water users are expected to pay \$500,000 to mitigate shrub steppe habitat conversion and that the Department of Ecology will match that amount. He said 25-year funding, rather than 20-year funding, is proposed for the purpose of keeping annual costs down. He noted that the statutorily required engineers' feasibility report, prepared by MacKay and Sposito, is attached to the staff report.

President Jaksch declared the hearing open and invited guests to comment.

Mr. James Wade said he does not think it fair that Red Mountain LID landowners only pay construction costs and not be on the District's tiered structure for assessments. He complained that the Board eliminated LIDs which had completed payment of construction costs without a vote of the people, and said he believes the Board misinterpreted the Attorney General's opinion on the subject. He asked for proof that ratepayers will not end up footing the bill for \$10,000,000 over 25 years.

President Jaksch noted that the value of KID's Red Mountain land holdings will dramatically increase with the availability of water.

Director McGuire said the District's tiered assessment money pays only for operations and maintenance of KID main canals and laterals. He said that operation and maintenance of the Red Mountain system will be borne solely by the Red Mountain water users and will not require a tiered system, and that the Red Mountain water users will not pay for operation and maintenance of the main canal system. Mr. Revell confirmed that was correct, though there will be a small amount for District overhead. He stated that the Red Mountain South LID will not pay for the main canal system which they will not use, just as water users in the rest of the District will not pay to operate the Red Mountain system that they do not use.

Mr. Wade asked who would pay for repairs if there is a break on Red Mountain. Mr. Revell said Red Mountain water users would pay for that kind of repair.

Director McGuire asked Legal Counsel Iller to give a definition of LIDs, how they work and how they are ended. He said he understands LIDs to be a tool to finance projects and asked if the LID should be dissolved once the project has been financed. Mr. Iller agreed that was the Attorney General's opinion based on general LID law. He said irrigation districts' LID statutes differ from county or city LID statutes and are subject to interpretation.

Director Huffman moved to close the Red Mountain South LID hearing. Discussion ensued regarding the option to leave the hearing open until the Board is ready to form the LID. Mr. Revell said final cost numbers cannot be calculated until the hearing is closed. **Director McGuire seconded the motion and it carried unanimously.**

New Business:

2. **Zintel Canyon Siphon Leak:** Mr. Fox described continuing efforts to locate and repair the leak at the Zintel Canyon Siphon at Canyon Lakes Golf Course. Discussion ensued regarding the siphon inspection policy. Vice President Pringle suggested increasing the rate of inspection. Mr. Fox said three to five are inspected each year and that his goal is

to have a regular five-year cycle of inspections of siphons and under-drains. He noted that some siphons are too small for visual inspection and that inspection with a camera will be necessary. Mr. Revell said the District plans to acquire a camera for that purpose.

3. Policy 2.21 Interest Rate on KID Funded LIDs: Mr. Haueter presented the history and details of the proposed policy and the Finance Committee's recommendation for approval. There were no questions or comments. **Director Huffman moved to approve Policy 2.21 Interest Rate on KID Funded LIDs and to rescind Policy and Procedure 83 Interest Rate on KID Funded LID. Vice President Pringle seconded the motion and it carried unanimously.**

4. Policy 2.11 Realty Reserves: Mr. Haueter presented the history and detail of the proposed policy and the Finance Committee's recommendation for approval. There were no comments or questions. **Director Huffman moved to approve Policy 2.11 Realty Reserves. Director McGuire seconded the motion and it carried unanimously.**

5. Anticipated Effects of the Future Water Right Time of Use Change on District Operations and Maintenance: Mr. Fox presented information on the 2009-2010 KID system outage work-days and canal start-up to illustrate the impact of changing canal start up from April 1st to March 15th.

Following the presentation, discussion ensued regarding dates of water delivery and approval to begin shutting down the canals on October 1st the Fall before start-up changes to March 15th. President Jaksch said that was approved by motion at the August 18th Board meeting. Mr. Revell said that currently the water right is through October 31st and shut-down begins on the 15th, so if the water right time of use is changed, shut-down would move to the 1st of October. Director McGuire said this was not discussed or agreed on and that water is needed in early October for hay.

Discussion continued regarding options for accomplishing water-off work in a limited number of days. Timing of crew leave was discussed, as was use of contractors for canal work. Mr. Fox recommended using District labor first, with contracted labor as a back-up when it can be afforded. He assured Director McGuire that the labor force is not based on winter work and there is more than enough work during the summer.

Labor for capital projects was discussed. Mr. Fox noted that in cases where District labor was used, capital projects funds paid for equipment and materials. Mr. Haueter said labor salaries and benefits for projects should be charged all times to the Operations Budget for consistency of accounting and by the preference of the State. Discussion continued regarding the nature of capital projects. Mr. Revell said the definition of capital projects was discussed vigorously in the committees, prior to creation of this year's capital project list and invited the Board to further define their expectations before the next list is prepared.

The hazardous materials building project was discussed. Mr. Fox said this is an improvement of a current facility to meet code requirements and that buildings are part of infrastructure. Director McGuire said the Finance Committee that a policy to be developed

for capital projects. Mr. Revell acknowledged this instruction and agreed that 60 days was a reasonable time frame.

6. Public Works Project Grant Authorization: Ms. Rosenbaum presented details of the grant opportunity. She noted that no matching funds are required. Staff proposes applying for funding for Aqualastic sealing under the public safety category. The deadline for application is September 8th and the result of the application is expected in October. Director Huffman moved to authorize the District Manager to submit an application for the Small Communities in Rural Counties Grant Program on behalf of the Kennewick Irrigation District. Director McKenzie seconded the motion and it carried unanimously.

7. District Manager's Report: Mr. Revell reviewed several topics in the District Manager's report:

➤ **Badger East Seepage Repairs:** Mr. Revell reported that Ms. Smith is researching the history of nearby excavations and 2009 KID work and staff is researching permitting history. A comprehensive report will be provided to the Board at the September 15th meeting.

➤ **KID Booth at the Fair:** Mr. Revell reported that response was positive and said staff is interested in expanding participation for next year. President Jaksch asked that additional exhibits suggested by staff be included in the next booth. Mr. Revell noted that staff had suggested and created the sprinkler filter mockup.

➤ **Water Entitlement Transfer Process:** Mr. Revell said the draft policy and procedures have been included in the packet for review and will be on the agenda for approval at next Board meeting. Operations and Engineering Committee recommendations are included in the draft. Mr. Revell said fees are intended to be paid by those getting water and for water combinations and temporary transfers. The fee list is addressed by a separate procedure.

➤ **Gretzinger:** Mr. Revell reported that the pressure recording showed that pressure was adequate for the operation of the system. A written report was sent to Mr. Gretzinger who has not responded at this time.

➤ **Insurance:** Mr. Revell reported that a meeting was held with the insurance company on August 24th. A report on the premiums and coverage will be provided at the September 15th Board meeting.

➤ **Small Claims Hearing:** The hearing date for the Thompson claim has been changed to October 2nd at request of the KID.

➤ **Telephone Voting:** Mr. Iller told President Jaksch that two Board members could participate in the Red Mountain South LID formation vote by telephone.

President Jaksch called a short break at 10:17 a.m.

At 10:30 a.m., the Board met in Executive Session for 90 minutes to evaluate the qualifications of applicants for public employment and to discuss with legal counsel litigation regarding Acquavella.

At 11:40 a.m., the meeting reconvened in open public session.

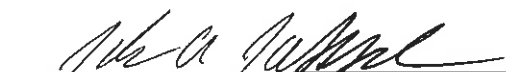
President Jaksch confirmed with legal counsel that President Jaksch and Director Huffman could participate in the Red Mountain South LID Formation vote on September 15th by telephone as they will be out of town.

President Jaksch said the Board of Directors, by consensus, directed legal counsel, Brian Iller, and Mr. Revell to prepare a letter to the Department of Ecology in support of the mitigation bank for exempt wells in Kittitas County which would be TWSA(total water supply available)-neutral.

Director Huffman moved to adjourn the meeting at 11:45 a.m. Director McKenzie seconded the motion and it carried unanimously.

Attest:

Witness:



John A. Jaksch, Board President



Scott Revell, Secretary/Manager