



## Minutes

Meeting of the KID Board of Directors  
 Carl W. Petersen Board Room  
 Tuesday, September 19, 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  
 Jim Holmes

**Staff Present:**

Chuck Freeman, District Manager  
 Kipp Drummond, District Treasurer  
 Lynda Rosenbaum, Real Property Manager  
 Ben Woodard, Assistant Engineering Manager  
 Seth Defoe, Land & Water Resources Manager  
 Shelbea Voelker, Public Relations Coordinator  
 Jonathan Haller, GIS Analyst/Developer  
 Doris Rakowski, Executive Assistant

**Other Persons Present:**

Brian Iller, KID Legal Counsel  
 Tim Arntzen, Port of Kennewick Chief Executive Officer  
 Bridgette Scott, Port of Kennewick Executive Assistant  
 Scott Musser, Musser Brothers Auctions

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

**CONSENT AGENDA: Director Rathbun moved to approve the consent agenda. Director Dennis seconded the motion and it carried unanimously.**

On the consent agenda were:

1. Minutes, KID Board Meeting, September 5, 2017
2. Travel Requests - National Water Resources Association Annual Conference
3. SHP 2017-007 – Huard
4. Vouchers/Warrant Approval

**Accounts Payable**

Numbers:

	75431	through	75431		\$ 1,568.73
	75432	through	75432		\$ 14,713.48
	75433	through	75503		\$ 132,401.21
Bank Drafts	FSA				\$ 888.38
Bank Drafts	General				\$ -
Bank Drafts	AP				\$ 87,578.19
<b>Total Accounts Payable</b>					<b>\$ 237,149.99</b>

**Payroll**

Numbers:

	33607	through	33608		\$ 261.52
Direct Deposit			2017-09-05		\$ 113,910.08
<b>Total Payroll</b>					<b>\$ 114,171.60</b>

**Total Disbursements**

**\$ 351,321.59**

**Voided Checks:** None

**PUBLIC COMMENTS, regarding the Badger East Canal lining project at Candy Mountain Estates neighborhood:**

**Dianne Armstrong**, 5001 Milky Way, said she was grateful KID worked with them and would pay for tree removal. She said backyards had been staked, but they did not know what had to be removed. She said losing half of backyards devalued properties and KID maintaining canal roads would mean eight to nine foot tall weeds.

Ms. Armstrong said they owned the property for 17 years, and were told that the canal would be underground and the land deeded. She said they had not heard about the Bureau of Reclamation (USBR). She said the USBR denied doing this and KID wanted to buy the land.

Ms. Armstrong spoke about her concern with weeds and that an open canal was dangerous. She said devaluing their property was wrong and unfair.

Mr. Freeman reported staff met with some owners from the neighborhood, who proposed to pay to pipe or install a box culvert, instead of lining under the 2016 WaterSMART Grant. Staff was working with neighborhood representatives regarding costs. He said the neighbors' willingness to pay would have to be in writing, and no Board action was needed yet to change course or ask the USBR to move the grant scope of work.

Mr. Freeman confirmed the easement boundaries were surveyed and staked. He said room was needed on both sides of the canal for dump trucks to safely pass excavators. He said encroachments had occurred and KID would work with neighbors to the greatest extent possible, but the USBR's position on encroachments was that they all must be removed.

Mr. Freeman said the lining project was moving forward because the alternative had not been finalized nor the funding secured. He said the neighborhood might ask the Board to fund about \$500,000 for construction and engineering to be paid back over ten years through surcharges.

Mr. Woodard no construction activities were planned outside KID's 100 foot easement.

President Huffman said KID had a weed management program and tried to keep weeds down.

**Chad Sanders**, 5000 Hershey Lane, said neighborhood properties had always been maintained to the canal edge and asked why that had to change now. He expressed concern about KID maintenance of the easement after lining, as weeds were eight feet tall at other properties down the line. He said when KID mowed on Saturday, they just topped the weeds.

Mr. Sanders spoke about danger to 20 to 30 children who walk by canal on way to school. He said if one fell in and weeds might keep people from seeing them. He asked why residents could not maintain the land after the lining installation.

Mr. Freeman said permits would be considered on a per parcel basis. He said USBR allowed nothing in easements, but title transfer would give KID more ability to work with neighborhoods.

President Huffman noted that KID often needed roads on both sides of canals for lining.

**Ann Smith**, 5130 Hershey Lane, spoke about the impact of losing 30 feet of a 40 foot deep backyard, and said a lined canal was slippery and dangerous to children. Ms. Smith said letters were received August 28<sup>th</sup> and they needed 90 days due process to research opportunities to

pay to bury the line. She requested notarized, legal paperwork guaranteeing that if they paid to bury the line, it would not be taken away. She also reported that weeds were over the top of her six foot tall fence and were never maintained.

Mr. Freeman said KID had forms that would be notarized and legally binding on district, but was waiting for estimate and design neighborhood representatives were working on with the engineering department.

Mr. Freeman confirmed to Ms. Smith that KID intended to subtract KID's cost to line the canal from the cost to the neighborhood to bury it.

Mr. Woodard spoke briefly about design options being considered

**Paul Booker**, 4921 Milky Way, asked about intent to use the conservation grant and said pipe would be better for conservation and maintenance.

Mr. Freeman said the USBR portion of the WaterSMART grant could not be applied to piping, but the local share could, because of the scope of the grant for lining which was already awarded. He said KID was committed to lining, but if it was not used here, KID could apply what KID would have spent, and move the grant to other location, pending USBR approval.

Mr. Booker requested an evening special meeting to address safety, environmental and conservation issues.

**Angie Matheson**, 4680 Rau Lane, down the canal from Candy Mountain Estates, said she had thirteen 40 to 50 year old trees at risk and a portion of her property was being taken. She said she was concerned about safety. She said she was aware of a 25 foot easement, but the 50 foot USBR road was not on her title insurance.

Mr. Iller noted that she may have claim against the title insurance and suggested she get legal representation to look at the title insurance for compensation. He said there was no lack of respect and KID could understand their feelings.

Ms. Matheson said her area would be interested in options to bury the line as well. She said she was also concerned that the lining was slippery and dangerous.

Mr. Freeman said the canal would be lined with micro-spike HPDE, which was not slick, and was designed to allow one to walk out. He noted that there were 75 miles of canal right through Kennewick.

President Huffman noted that KID had a safety program available to schools.

Mr. Freeman confirmed to Ms. Matheson that KID had no incidents of increased safety hazards at canals lined with this material.

Director Holmes said he was new to the board and was concerned about safety. He reported that Mr. Freeman demonstrated to him that he could not slip on the lining material.

Scheduling an evening meeting was discussed. Mr. Freeman that lining would start once the system was de-watered. He said time was of the essence and he told the other group to complete the preliminary design and estimate for KID's review.

Whether 90 days from the August 28<sup>th</sup> letter would be allowed was discussed. Mr. Woodard noted that more than one area was being lined and there was an area without encroachments where lining could start first.

In response to questions from a guest, Mr. Woodard confirmed KID was surveying the right of way lines under direction of a professional surveyor and the Candy Mountain Estates area was completed. He said a homeowner, Trinidad Garibay, was the primary lead for design and cost estimate, and was working with a professional engineer, surveyor and a pipe supplier.

Mr. Freeman advised Ms. Matheson to wait for the results of the Candy Mountain project estimate, since her area's costs should be similar. He said all homeowners would need to sign up to participate for 10 year financing of the cost less KID's local share for lining. He agreed that a subset could choose to fund it completely.

Not speaking for the USBR, Mr. Freeman said that if the neighborhood paid for a closed system, the easement would be a non-issue for KID.

In response to a question, Mr. Freeman said developer worked with KID and USBR, and paid the cost of the underground system at White Bluffs Estates.

Mr. Freeman confirmed that permitting of encroachments would be on an individual basis, depending on where they were in relation to the canal.

#### **PRESENTATIONS:**

**Tim Arntzen, Port of Kennewick:** Mr. Arntzen Said he was appreciative of KID's partnership with the Port of Kennewick. He gave a PowerPoint Presentation titled "Port of Kennewick: we're working for you!"

Topics presented included:

- The Board of Commissioners
- The areas included in the Port of Kennewick borders and funding sources
- Elimination of KID's inundation clause easement at Port of Kennewick's old raceway property at Red Mountain in West Richland in exchange for Rubicon Gates and \$75,000.
- Port of Kennewick's land holding at Vista Field in Kennewick and development plans using a "new urbanism" concept with a village center, trees and sidewalk, and a mixture of residential, shops, and restaurants.

In response to a question from Director Rathbun, Mr. Arntzen said the Port was working with City of Kennewick on a master plan for the Vista Field development, which he anticipated would be approved this year, to be followed by bidding in the spring. He spoke briefly about funding.

At President Huffman's request, Mr. Arntzen spoke about the downtown Kennewick Columbia Gardens Wine and Artisan Village. He said two tenants would be in the buildings in late fall.

Mr. Arntzen confirmed to Mr. Drummond that the Port planned to sell, not lease, the properties at Vista Field. He spoke about pricing, demographics and the Port's objectives.

Mr. Arntzen spoke further about phases of the Columbia Gardens Wine and Artisan Village and the City of Kennewick's investment in a pretreatment facility. Discussion ensued.

Mr. Arntzen spoke further about the master plan for the racetrack property to have light industrial, supportive of Red Mountain and others.

**Financial Reports for August 2017:** Mr. Drummond presented highlights of the August 2017 Financial Report pages including:

- Balance Sheet, as of August 31, 2017-Final
- Statement of Revenues & Expenditure-Budget to Actual, Summary-Year to Date
- Statement of Revenues & Expenditures-Budget to Actual, Comparative-8 Months Ended
- Fund Balance Change, as of August 31, 2017
- Cash Investment Report as of August 31, 2017

**Director Rathbun moved to accept the August 2017 Financial Reports. Director Holmes seconded the motion and it carried unanimously.**

**PUBLIC HEARING:** None

**BOARD REPORTS:** None

**ACTION ITEMS:**

**Healthcare Insurance Advisor RFQ - Confirmation of Selection and Authorization to Negotiate Contract:** Mr. Drummond briefly reviewed about the request for qualifications and reported that three responses were received. He said that he and Mr. Freeman independently concluded that Parker, Smith & Feek (PSF) was the clear choice for the District's purposes. He reported that following a phone presentation to the Finance Committee by PSF, the committee decided to recommend the selection to the Board.

Director Rathbun said he was impressed with PSF's presentation and that he favored contracting a consultant due to the complexity of the topic and increasing costs.

Director McKenzie said he was impressed with the attitudes and approach of the PSF group. He noted that PSF would represent the District for a fee, not on commission.

Mr. Freeman said the District's intent was to do no harm to employees, but the District needed to control healthcare costs, which were now higher the industry norm. He described a committee which could be formed to consider the District's approach to healthcare coverage. He noted that PEBB offered no benefit for investment in a wellness program. He said all employees would have to be asked to pay more is the District made no change.

Mr. Drummond noted that self insurance would save the cost of fees. He added that we were, in a sense, subsidizing higher risk areas as part of the PEBB state-wide pool. He spoke briefly about self-insured pools and said PSF could assist in discussions with the union.

President Huffman spoke in favor of contacting a consultant.

**Director Rathbun moved to approve the District Manager to negotiate a multi-year consulting contract with PSF for advice and assistance on medical benefits issuance and administration. Director McKenzie seconded the motion and it carried unanimously.**

At 10:15 a.m., President Huffman called a short break.

At 10:23 a.m., the meeting resumed in open session.

## **RESOLUTIONS:**

**Resolution 2017-35, Authorize to Lease Only of Surplus Real Property:** Ms. Rosenbaum spoke briefly about the Realty Committee and Board's interest in leasing, rather than selling, the District's remaining surplus land inventory to maintain a land endowment for management by future Boards and aid the District's financial stability. She said the District wanted to advertize the properties for lease, but to leave open the option to sell a property if the Board considered it in the best interest of the District.

Mr. Freeman reported that there were about 950 acres of surplus land were left. He said the Resolution would allow selling of difficult parcels, but would require Board action to do so.

Mr. Drummond distributed and reviewed a spreadsheet titled "Economics of lease verses [sic] sale". He spoke about the potential to issue bonds which would be repaid from lease payments.

Ms. Rosenbaum said potential for leasing could improve in the future, as less land was available for sale. She said Department of Natural Resources leases were being used as a model.

President Huffman and Vice President Dennis spoke in favor of the proposal.

It was noted that a Board could choose to sell a property. Mr. Freeman said that this board could not tie the hands of a future board. Mr. Iller confirmed that this was the case for policy, and noted that once a lease was signed, the District would be bound.

Discussion ensued regarding issues including ownership of improvements, percentage of return (based of purchase price), periodic review of land value, and escalation clauses.

Mr. Musser said escalation clauses would be in the lease and could be tied to a number of things such as consumer price indices. He said benefits to industries include taxable deduction of lease payments, preservation of cash and duration of lease. He spoke about treatment of assets at scheduled termination of lease and in the case of a non-performing lease.

Mr. Musser suggested that the district consider having the RC set the percentage of return.

Director Rathbun recommended consideration of the District's purpose in leasing property and advised a willingness to be flexible on first few deals to get the leasing concept started.

In response to a question from Director Holmes, Mr. Musser spoke about what could happen to improvements at the end of a lease.

Mr. Drummond confirmed to Director McKenzie that the bonding concept could be used at any time.

Mr. Freeman confirmed to Director McKenzie that lease proceeds would go into the Realty Reserve, and said the policy could be reviewed to determine if language needed to be clarified.

The timeframe for readiness to offer property for lease was discussed, as was lease negotiation.

**Director Rathbun moved to approve Resolution 2017-35 and authorize KID staff to offer KID owned surplus real property for lease. Vice President Dennis seconded the motion and it carried unanimously.**

**Resolution 2017-36, Sole Source Purchase – Rubicon Equipment:** Mr. Woodard presented the request for approval of a sole source purchase of items to have on hand for repair a future issues with the 14 Rubicon gates currently installed in the KID system.

He confirmed to Director Rathbun that additional gates would benefit the district in the future.

The need to for the Board to approve each sole source purchase to restock inventory of proprietary parts, in the interest of protecting the public interest, was discussed.

**Director McKenzie moved to approve Resolution 2017-36 Authorization to Waive Competitive Bidding and Award a Sole-Source Contract to Purchase Rubicon Equipment; pursuant to RCW 87.03.435(3)(c). Director Rathbun seconded the motion and it carried unanimously.**

**STAFF REPORTS:**

**Finance Manager:** Mr. Drummond reported regarding foreclosures.

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

- Head end testing
- Vegetation control, on campus projects
- Attendance of the Lower River Subcommittee meeting
- Preparations for off season work
- Candy Mountain lining or piping
- O&E meeting next week will discuss purchase of lining materials

**Land & Water Resources Manager:** Mr. Defoe displayed the usbr.gov reservoir diagram and comparative graph and spoke about storage levels. He displayed the noaa.gov precipitation and temperature graphs, and a surface temperature anomalies graph, and spoke about weather conditions and climate. He noted that more growth from wet winter followed by dry summer created conditions conducive to wildfires.

Mr. Defoe planned to attend the SOAC (System Operation Advisory Committee) meeting today.

**District Manager:** At the request of Mr. Freeman, Ms. Voelker reported about starting “Trivia Tuesday” on social media. She also said she was posting articles daily and would include a link to the special edition Irrigation Leader magazine with the next newsletter.

Mr. Freeman reported regarding:

- Correspondence with Ramer Holton
- Meeting with Commissioner Delvin regarding the Integrated Plan's impacts on KID

**Workshop:** None

**EXECUTIVE SESSION:** At 11:19 a.m., on behalf of the presiding officer, Mr. Iller announced that the Board would go into executive session to discuss with legal counsel 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) for an estimated 10 minutes as it relates to a complaint against an employee. He said action could follow executive session but was not expected.

At 11:32 a.m., executive session was extended for 5 minutes.

At 11:38 a.m., open session resumed.

**OPEN SESSION:**

**Vice President Dennis moved to adjourn the meeting at 11:38 a.m. Director Rathbun seconded the motion and it carried unanimously.**

Attest:

Witness:



Gene Huffman, Board President

Approved October 17, 2017



Chuck Freeman, District Manager

Prepared by Doris Rakowski