

CALL TO ORDER

At 7:00 PM, Chairman Foster called the August 11, 2015 Regular Board Meeting of the Moses Lake Irrigation and Rehabilitation District to order. The record shows that all Board Members were present including General Manager, Chris Overland. Legal Counsel, Brian Iller attended via-telephone. The record indicates that this meeting was recorded. The Pledge of Allegiance was then recited.

DISCUSSION OF AGENDA ITEM(S)

Chairman Foster called on the Board of Directors and the audience for a discussion on any agenda items and nothing was brought forward.

DISCUSSION OF NON-AGENDA ITEM(S)

Chairman Foster called on the Board of Directors and the audience for discussion on any non-agenda items and Tom Bennett asked to be added to Public Comments.

APPROVAL OF THE AGENDA

Chairman Foster called on the Board of Directors to approve the agenda. Vice Chairman Bailey then made a motion to approve the agenda as amended. Director Teals seconded the motion. The motion was then carried unanimously.

APPROVAL OF THE CONSENT AGENDA

Chairman Foster called on the Board of Directors to approve the 7/14/15 and 7/21/15 minutes in the consent agenda. Director Perry then made a motion to approve the 7/14/15 and 7/21/15 minutes. Vice Chairman Bailey seconded the motion. The motion was then carried unanimously.

Chairman Foster called on the Board of Directors to approve the Bills/Checks and Vouchers in the consent agenda. The items being approved consisted of the Bills/Checks (#15164-#15215) totaling \$85,857.06 and Vouchers (#1000134-#1000136) totaling in \$80,673.77. Director Perry then made a motion to approve the Bills/Checks and Vouchers in the consent agenda. Director Teals seconded the motion. For the record, Vice Chairman Bailey abstained from voting on any items related to Basin Property Management, Inc. The motion was then carried unanimously.

PRESENTATIONS

Kelly Buche – J.R. Newhouse & Co. – 2014 MLIRD Financial Statement

Kelly Buche with J.R. Newhouse & Co. then presented the 2014 MLIRD Financial Statement. J.R. Newhouse does not provide any assurance to the information that is in the financial statement, as MLIRD is audited by the WA State Auditor's Office. The financial statements are presented in a cash basis and the report explains what the financial statement is, managements responsibility for the statements, their responsibility as MLIRD's CPA and the accompanying schedule of fixed assets which has no additional analysis provided by J.R. Newhouse. Kelly Buche said that J.R. Newhouse provides some assurance on the real property that has an assessed value; those items are listed at assessed value rather than at

cost value. On page 3 of the financial statement, it shows the beginning cash & investments at all levels including the cash fund, general fund and replacement fund totaling in \$1.137 million at the beginning of 2014. Page 3 also takes into account MLIRD's assessments, miscellaneous collections, interest collected on bank accounts and investments, any other income items, and grant revenue. The 2014 total grant revenue brought in was \$1.922 million. As a government entity, any capitol expenses such as the dam rebuild or equipment is considered expenditure. J.R. Newhouse does not carry any of the District's assets on a depreciation schedule. Capital expenditures are considered expenditures, but they are listed separately on the statement. Included in MLIRD's capital expenditure are a purchase of the D-6 CAT and about half a million dollars in dam rebuild expenses. Overall, MLIRD only tapped into cash reserves by \$315,000. So at the end of 2014, MLIRD's ending cash investments was a little over \$822,000. On page 4 of the financial statement, J.R. Newhouse breaks down the different classifications of all the expenditures that make up the General Government Services. Page 5 is the start of notes made on the MLIRD 2014 Financial Statement. Some of the notes are required by the AICPA that J.R. Newhouse is required to disclose, such as how MLIRD's basis of accounting, MLIRD's risk assessments, and MLIRD's accounting policies. Note 1 is the summary of significant accounting policies. Note 2 comes from MLIRD's insurance company that is provided to J.R. Newhouse. Note 3 explains how MLIRD's assessments are collected and how the county treasurer acts on MLIRD's behalf. Note 4 discloses the District's investment pool and the amount of MLIRD's portion that is included in the investment pool as of December 31, 2014. Note 5 is a required disclosure on the type of pension plans the District offers to their employees. Note 6 is contingencies of the District, which have been included in the financial statements for the past few years. It discloses that in 2012, Grant County landowners were notified that they may have been over-assessed and were allowed to make requests for refunds. The District estimates \$15,000 may be requested to be refunded to landowners in 2015. Note 7 is a required disclosure on the balances of leases. J.R. Newhouse is required to disclose the costs of the operating leases for the District. In addition, because Vice Chairman Bailey owns the office building, it is disclosed in Note 7 that he is a related transaction party and that he in no way, shape or form, had anything to do with that lease. Note 8 is for prior period adjustments. The prior bookkeeper had made an error and overstated some expenses in 2013. This is reflected on page 3 under "Other Sources/Uses of Cash" and \$7,761 was added back into the cash balances. Note 9 is shown as subsequent events and there was only one, as of December 31, 2014. This was the settlement on the potential wage claim with the former manager, and the District did pay out of pocket \$38,500 to avoid potentially costly litigation. Kelly Buche added that this was not the District taking claim of that, but that it was elected to be paid to avoid potentially costly litigation. Pages 10-12 are the fixed asset listing. Chairman Foster asked Kelly if real property is assessed value and personal property is actual cost, and she indicated that was correct. Kelly also announced that in total the District has about \$4.399 million in assets. Vice Chairman Bailey asked if all the numbers included in the 2014 Financial Statement were provided by the MLIRD office, and Kelly indicated that was correct. Vice Chairman Bailey also had thought that the settlement was only \$37,500. Chairman Foster included that there was a \$1,000 deductible also. Chairman Foster then proceeded to say that Kelly would go on record saying there have been no changes in anyway on how the MLIRD Financial Statement has been done in years past with no surprises. Kelly again agreed and said that 2014 was a little cleaner than years past. The 2015 Financial Report is hoping to be done May of 2016. Kelly also wanted to discuss the 2015 year and where MLIRD is at right now. She thought the Dam was going to be a big, scary and expensive project. She said MLIRD did a remarkable job sticking to the budget. The most improvements she recently noticed in the budget was the "General Supplies" account. As of July 31st, 2015, the "General Supplies" account is down \$13,000 from what was budgeted. The budget

was only prepared off of the prior year's numbers in those areas because they were so new to the General Manager, Chris Overland. They used what had happened in the past to come up with the majority of the 2015 budget. The "Office Tools/Shop Tools/Small Equipment" account is down \$10,000 from where it was expected to be. The "Heavy Equipment Repair and Maintenance" account is down \$22,000 from where it was expected to be. The "General Repairs and Maintenance" account is down \$8,300 as well. Kelly stated those are remarkable accomplishments and at this point MLIRD is already moving forward in 2015 even with the heavy expenses of completing the Dam. MLIRD is in the black and adding to the cash reserves. Kelly expects a full recovery back to before MLIRD started the Dam project by the end of 2015.

Vice Chairman Bailey made a motion to approve the 2014 Financial Statement. Director Dexter seconded the motion. The motion was then carried unanimously.

MLIRD STAFF REPORTS

General Manager, Chris Overland reported on projects and events:

Recent events/news discussed:

- Lake elevation was at 1046.7 feet as of August 11, 2015.
- Latest data provided to MLIRD from the USBR indicates the rate of flow through the Rocky Coulee Waste-Way at 41,138 acre feet for the month of July. This was the 3rd heaviest flow month this year.
- The MLIRD Governance Policy is ready to be approved.
- Received a letter from Ana Cappelletti directed to the MLIRD Board of Directors in regards to having a boat race at Connelly Park for the year 2016.
- General Manager, Chris Overland attended a recent meeting in Ephrata with the Washington State Department of Fish & Wildlife in regards to the boat launch at the Moses Lake North Dam site, two of the Parker Horn Islands, and the cleaning of the I-90 culverts. WDFW focused on the Parker Horn Islands. They liked the idea of the floating wetlands. Chairman Foster asked how much one of the floating islands was going to cost. General Manager said they range depending on the size and that a 5' x 5' is approximately \$1,000. Vice Chairman Bailey said that he was in Yakima recently and saw some as he was driving along the freeway in some of the ponds. General Manager, Chris Overland said that he would like to try and put one down in the Pelican Point and Parker Horn areas. A JARPA has to be completed before MLIRD can do anything.
- General Manager, Chris Overland also attended a dredging permit renewal pre-app meeting with the City of Moses Lake. The next step is going to be the SEPA renewal for the Dredge Permit. Everything is going pretty well so far and things should be good to go in that area until 2020 if MLIRD chooses to do so.
- The equipment mentioned as nice to own by the District included an off-loading barge for the harvesters and a small airboat for lake examination/inspection (airboat due to the shallowness of the lake in areas).
- Phase 2 weed treatment is underway right now. The areas the treatment will include are Wild Goose, Laguna, Cove West and Cascade and will take place Monday, August 17, 2015. All efforts will be made to try and be finished with all areas on August 17 starting with the Laguna area. The 2015 total cost for weed treatments will approximately be \$175,000.
 - Director Teals asked if anything had happened with the buoys that were in the Cove West area. Director Perry stated that she had asked a resident that lives in that area, and they said

whoever put the no wake zone buoys out there went through all the permitting processes.

With MLIRD now being able to create its own mailing list, it may allow the District to more selectively target areas of non-ratepayers and try to appeal to them to petition in and help out with the overall maintenance of the lake. Chairman Foster asked how much of the Cove West area is in the District. General Manager, Chris Overland said that they were scattered a bit and credited past management, with successfully getting some parcel owners to petition into the District. Some ratepayers in the Cove West area believe there is a fairness issue. General Manager, Chris Overland would like to try and appeal to non-ratepayers to petition into the District and show them what MLIRD can do for them. This year, for example, MLIRD took a broader approach to weed control than otherwise may be normal. Next year, he says he would like to take a different approach if the District does not get any interest. Director Teals would like to take a positive approach towards the non-ratepayers of the Cove West area and send them a letter showing them what MLIRD is doing, what MLIRD has done in the past, what MLIRD is going to continue to do and see if they will petition into the District so that MLIRD can continue to do more. General Manager, Chris Overland brought up that in the past, MLIRD has waived the \$500 fee to petition your land into the District. He believes that we could get that fee down to a more bearable cost without waiving it. Legal Counsel, Brian Iller believes the Board could do that, but he is going to look into it.

- Director Teals wanted to know what was happening with the dredging operations. General Manager, Chris Overland said that MLIRD has added three new silt curtains. One was un-installed due to it being delivered damaged. There used to be 2ea 5' silt curtains and as of now there are 2ea 20' silt curtains. A third silt curtain will be re-installed for redundancy to help manage silt. On August 6, 2015 MLIRD's CX250D LR Excavator was delivered. MLIRD is evaluating the dozer situation. MLIRD does not anticipate having to use a dozer enough to purchase an expensive dozer, but there are times that they do need one. Chairman Foster brought up the idea of paying someone or renting a dozer as the need arises instead of purchasing one. The General Manager is going to look into those ideas as well as look into trading MLIRD's soil compactor for a used dozer. Vice Chairman Bailey also asked if MLIRD has enough trucks to keep dirt moving and the ponds as clean as we can. General Manager, Chris Overland informed him that one of the morookas recently broke down. He said that he didn't have enough information to give a full report at this time.

EXECUTIVE SESSION

The executive session was not had because there was no need for it.

ACTION ITEMS

Discussion on the approval of the Governance Policy then took place. Chairman Foster then asked Legal Counsel, Brian Iller if the Board of Directors were at a point with the changes made to the Governance Policy that it is a document that can be approved at this meeting. Brian Iller agreed and said the last, special board meeting would have been the second meeting that those changes were considered by the Board of Directors. Vice Chairman Bailey asked Legal Counsel if he had a chance to go over the changes the Board of Directors went over in the special board meeting. Legal Counsel, Brian Iller said that he did review them, and there were a few changes he made but all the changes the Board of Directors made, were good. Chairman Foster mentioned that this is an evolving

document and if anyone finds something that is not working it can be changed. Director Perry then made a motion to approve the MLIRD Governance Policy and Bylaws as amended at the July 21, 2015 Special Board Meeting. Vice Chairman Bailey seconded the motion. The motion was then carried unanimously.

A discussion was then held on Ana Cappelletti's request. Her letter requested MLIRD to help facilitate boat racing on Moses Lake located at Connelly Park for the year of 2016. She has previously requested the same topic to the staff at MLIRD. Staff has reviewed her request and at this point in time is not in support of it for a number of reasons. Vice Chairman Bailey stated that he doesn't dispute the opinion of the General Manager, and he had an opportunity to visit with another association that had the nationals here last year. He understands that there were some severe personality conflicts here in the past, but he believes that Connelly Park is not provided, not constructed and not maintained for a power boat association. He believes Connelly Park is for the people of the District and of the area and for that reason he is very much against closing it down for that type of use. Director Perry added that she is in support of the MLIRD staff as well because of the letter received from the Department of Ecology and all of the hoops MLIRD would need to go through. Chairman Foster mentioned that one of his concerns was that he didn't see or hear of any compensation to the District, who was going to be responsible for security and who was going to be responsible for clean-up. He believes that somebody of that nature should come up with a better plan of here is what we will do for your District, here is how much we will pay, here is what we are responsible for and we will sign whatever you want us to sign indemnifying the District for any consequences. Chairman Foster said that he was not opposed to a better presentation from an entity who wants to use any resources the District has, as long as it is a win for MLIRD and the MLIRD ratepayers. It was decided to stick with MLIRD staffs opinion and not allow the boat races to happen at Connelly Park for the year 2016 due to many potential litigation risks. There was no action taken other than the decision made on this subject.

PUBLIC COMMENTS

Tom Bennett asked if when the General Manager sends out a letter to the Cove West area inviting them to petition into the District, if it would be a good idea to include the McConihe Flats area. The General Manager, Chris Overland said that it is a good thought.

Mark Rast stated that he lives in the Cove West area and is in the District. He wanted to know if District ratepayers are paying for the treatment of weeds in front of NON-ratepayers lake-front properties as well as their own. Chairman Foster answered him and said yes that is correct. Chairman Foster said that he would encourage Mr. Rast's help in convincing his non-rate paying neighbors to petition their land into the District. Director Teals informed him that the District has never really had a good map of who is in the District and who is not in the District since the beginning of the organization in 1928. Director Teals also said that when Cove West area was first developing, it was in the District. But then they had a redo of the map and the Cove West area was then out of the District. He expressed that the Board of Directors would love to have all of the Cove West areas in the District. Director Teals said that MLIRD is working hard to improve the lake and that MLIRD will do anything they can to encourage non-ratepayers to petition into the District. Mr. Rast brought up the possibility of MLIRD coming to speak at the Cove West Home-Owners Association in January of 2016.

WORKSHOP/DIRECTOR QUESTIONS and/or COMMENTS

Director Teals wanted make a comment that he recently took some of his guests that are from the Coast down to Connelly Park. He said his friends were very impressed with the facility, the way it looked and the upkeep of the Park. He said that he appreciates all the work the MLIRD staff has done in making it look as well as it does. Vice Chairman Bailey asked the General Manager to comment on the strip of landscaping in the road heading down into the park. General Manager, Chris Overland said that he is currently getting a quote from a contractor for what it would take to irrigate the strip. The General Manager said he was not satisfied with the water truck usage up and down the road to keep the strip watered. He was afraid that there was going to be a major accident if that was to continue. He is trying to keep fertilizer and water on the strip the best that staff can to keep the grass intact and alive. There have been a few trees that were hit, and he said he is inclined not to replace them and take care of what is there. He said that he would be a lot more supportive of replacing the trees if there were effective root barriers and an effective irrigation system in place. But without the effective root barriers in place, it is only a matter of time before the roots are lifting up the road surface and creating another safety hazard. MLIRD staff is trying to take care of what is there until better solutions present themselves.

ADJOURNMENT

The meeting was adjourned at 8:08 PM.

Jeffrey B. Foster, Chairman

Bill Bailey, Vice Chairman

Mary Perry, Director

Kris Dexter, Director

Richard Teals, Director

By: _____
Secretary to the Board of Directors

Transcribed By: _____