

**MINUTES OF THE BOARD OF DIRECTORS OF THE KINNELOA IRRIGATION
DISTRICT
ADJOURNED MEETING
FEBRUARY 24, 1999**

MEMBERS PRESENT: Directors Lutz, Matthews, Schindler, Sorell and Stock

STAFF PRESENT: Jean Di Angelous, Chris Burt, and Shirley Burt

CALL TO ORDER: The meeting was called to order by the Chair, Steve Sorell, who noted that a quorum was present and requested approval of the Agenda. The Agenda was approved as presented with the exception that Item V-Rate Study was moved to item II in the order of presentation.

RATE STUDY: Mr. Di Angelous introduced Chris Aldinger from the firm of PEASLEY, ALDINGER, & O'BYMACHOW and stated that he had selected this firm to make the presentation as he had worked with Mr. Aldinger previously.

Mr. Aldinger then reviewed the proposal which had been presented to the Board Members prior to the meeting. He stated that he had had experience with doing rate studies for both public and private water companies and recognizes that private companies operate under the jurisdiction of the Public Utilities Commission while public companies, such as Kinneloa, operate under the jurisdiction of their Board of Directors and the public entity of which they are a part, be it a city or county agency. During his presentation Mr. Aldinger made the following explanations:

- 1) Rate studies are developed to recover revenue requirements
- 2) Revenue requirements are made up of four components-Operating Expenses, Debt Service,
Capital Costs, & Reserve Fund
- 3) Rate studies then determine how these costs are allocated to the customer depending on who the customers are, their use characteristics, and the demand they place on the system.
- 4) Operating expenses are determined in part by the operating budget, an average of the past operating expenses, and possible future expenses.
- 5) The key item in developing the revenue requirements is driven by the Capital Program.
- 6) Currently the trend is to have a service charge and a uniform volume charge.
- 7) If current year expenses have involved pulling from the reserves then the rate study needs to address the matter of whether these reserves are to be replenished.

Director Schindler noted that the proposal did not include any rate comparison studies and Mr. Aldinger replied that comparison studies should not impact the Districts rate study in theory but that he understood the political and economical implications and that he could include rate comparisons in the report.

Several Directors voiced concern about doing the rate study without having an approved Capital Plan in place and Mr. Aldinger noted that a rate study could be done using a low, medium and high estimate for the capital plan as it would just be a matter of plugging in the appropriate dollar figure.

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Mr. Aldinger emphasized that by doing the rate study everybody involved will completely understand the resulting rates and the key items that drive those rates. He stated that in the end the approach is to design rates that are adequate and justifiable. He noted that in this District every customer will feel the impact since they are very similar in usage, meter size, etc.

Director Sorell asked if Mr. Aldinger could provide some suggestions as to how apportion the rates between the fixed costs and the unit costs, and Mr. Aldinger replied in the affirmative noting however that the end result would be the same.

Director Stock questioned as to how we can get the customers to cover the cost of “upgrading” the District over a certain period of time without a firm master plan in place and Mr. Aldinger stated that you need an approved Master Plan. He noted however that a rate study can be done without a firm master plan and be used by the Board to adopt a policy as to how rates are going to be determined. He stated that if the current rate revenue is established then you subtract the current operating expenses, the debt service, and the reserve requirements and what is left is available for capital expenses. If the amount that is left is not enough to sustain the capital program a rate increase is necessary, and that increase can be figured incrementally by the usage.

Director Matthews stated that he did not think that a Master Plan could be adopted until a rate comparison study was done. Other Board Members agreed that if the operating costs could be justified in comparison with other companies then the adoption of the Master Plan, which would include costs to make the system more reliable, would make a rate increase justifiable.

Mr. Aldinger stated that he would supply the Board with an addendum to his proposal and left three copies of previous studies for the Board’s review.

PUBLIC COMMENT

Mr. Walker stated that he had two items that he would like to mention.

- 1) He wished to thank Mr. Di Angelous for coming to the Sierra Madre Villa Homeowners Association meeting and that the members present appreciated his coming and introducing himself.
- 2) He voiced his concern that not much had been done about emergency preparedness in the five years since the fire and suggested that the following procedures could be put into place which would be effective for all emergencies and not cost too much- 1) Keep all reservoirs at the 75% full level and 2) Set up the necessary facilities to move water fairly rapidly in an

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emergency from one of the two big reservoirs (Vosburg Reservoir or West Tank) into East Tank.

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Mr. Anderson had two requests-

1) He noted that the accounts receivable was not included in the financial report and the General

Manager stated that he would be addressing that in the General Manager's report

2) He noted that the Kinclair Development had received publicity in the local paper and urged that the Board make use of this opportunity to tie the District into the publicity such as what the District is doing to protect the area. Mr. Schindler stated that the PR committee would take that matter up for consideration.

GENERAL MANAGER'S REPORT

Mr. Di Angelous reviewed the following from his written report in the Board Packet:

- 1) The Accounts receivable report which showed that 58 services were past due 60 days and 45 services were past due over 60 days noting that we are receiving payments from all accounts with the exception of those that have been liened.
- 2) The Draft EIR is out and the public hearing is scheduled for March 16, 1999 at High Point Academy.
- 3) The copy of the draft Master Plan will hopefully be ready within the next two weeks.
- 4) The High Pressure Tunnel appeal is still in process.
- 5) The Kinclair Project is currently dealing with the access road at Brambling Lane and the building of the bridge over the flood control channel.

The Engineer has completed the plans for the water system and they are currently in the hands of the County for approval.

The contract with the developer is still not signed as the septic system problem remains an issue.

6) The planned maintenance program:

-The refurbishment of the Wilcox Well almost complete

-The video exam of the Vosburg Reservoir is completed and no problems noted.

7) The Health Department report indicated some items that need to be addressed which will increase the costs of testing.

CAPACITY CHARGE

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The annual review of the capacity charge was given by the General Manager and he indicated that there is no recommendation by staff to increase the current charge of \$3000.

INJURY AND ILLNESS PREVENTION PROGRAM

A motion was made by Director Stock and seconded by Director Schindler that the program be adopted as presented. The motion carried-5/0.

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REVISIONS OF EXISTING RULES AND REGULATIONS

The General Manager requested that the Board submit their comments to him in writing so that he may incorporate them into the draft format.

PERSONNEL COMMITTEE REPORT

Director Matthews reported that the committee has no new report, and that they have not met. The General Manager stated that the committee is waiting for some reports from him and that this has caused part of the delay.

REVIEW OF MINUTES

The minutes of January 19, 1999 were reviewed and approved as presented subject to the typographical corrections.

The minutes of February 8, 1999 were accepted subject to the comments from Director Stock. which will be reviewed by the General Manager.

REVIEW OF FINANCIAL REPORT

The Financial Report for January 31, 1999 was reviewed and accepted as presented.

CALENDAR OF MEETINGS

The next meeting will be a Public Hearing regarding the Delores Tunnel Draft EIR on March 16.

The next business meeting will be an adjourned meeting which will be held on March 23.

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Respectfully submitted,

Shirley L. Burt
Acting Secretary