

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
October 15, 2002**

MEMBERS PRESENT: Directors Brain, Matthews, Pickard, and Stock.

Director Sorell notified the Chair, just prior to the meeting by phone, that he was unable to attend as he was detained out of town.

STAFF PRESENT: Bill Redcay, Chris Burt and Shirley Burt

CALL TO ORDER: The Meeting of the Board was called to order by the **Chair, Melvin Matthews**, at 1934 Hours, and he noted that a quorum was present.

APPROVAL OF AGENDA: The Chair stated that a revised Agenda was before them which changed the numbering and added Item #10 "Items For Next Agenda". Director Stock requested that the word "Separation" in Item #6 be changed to "Segregation". The Agenda was then approved as presented with these changes. (Pickard/Stock-4/0)

PUBLIC COMMENT

Linda Williams notified the Board that the roads in Pasadena Glen will be repaired within the next few weeks.

Frank Griffith stated that he would address the Board at the time the individual items on the Agenda were brought up for discussion.

REVIEW AND AWARD CONTRACT FOR REPAIR OF EUCALYPTUS RESERVOIR

The General Manager reported that eight requests for bid had been sent out and two replies were received --one from Perry Thomas Contractors for \$19, 567 and the second one from H. Ridley for \$28,175. He stated that the Engineer had reviewed the bids and recommended that the contract be awarded to Perry Thomas Constructors. He noted that Mr. Kruse had reviewed the bid documents and found them in order.

The General Manager explained that the final cost for this portion of the project is \$2067 higher than the \$17,500 that was estimated in the Master Plan, and in addition there is engineering and inspection costs involved which brings the Project total to \$26,067.

It was M/S/C (Pickard/Stock-4/0)-**"That the contract be awarded to Perry Thomas Contractors for \$19,567 and that the total amount of the project is understood to be \$26,067 which includes Engineering and Inspection."**

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**REVIEW AND APPROVAL OF RECOMMENDED CHANGES TO PENALTY RULES
& REGULATIONS**

The staff reviewed the requested changes in the billing penalty procedures noting that the staff time and postage spent processing these delinquent accounts is not being covered by the current penalty charges. It was M/S/C (Brain/Pickard-4/0)-”**That the \$10.00 penalty charge be increased to \$15.00 and applied monthly and that the penalty be charged to all balances not paid by the twentieth of the month following that in which the bill is presented**”.

Staff stated that the customer would be notified that this penalty procedure would begin in November and the Chair noted that this is exactly the type of information that would be included in the billing message.

REVIEW OF BOARD MEMBER EXPENDITURE

The General Manager stated that Director Stock had requested a repayment of \$80.00 for the renewal of his Grade 2 Department of Health Services Certification. Several members of the Board asked questions of Director Stock regarding the education required for this renewal.

The Chair then recognized the public members who wished to speak to this item.

Mrs. Williams stated that this is not a matter of money but that this particular certificate has nothing to do with the Director operating as a Director of the District. However she stated there are many conferences given each year that have to do with such things as how to become a better Director, financial and otherwise. These sometimes last several days and these conferences are well worth the money. These conferences would enhance the Board’s abilities, but not a technical license that is only required for the staff.

Mr. Griffith stated that he was concerned as to the precedent that could be set by granting this request. He questioned whether Director Sorell, who is not here tonight, but is an accountant and attorney, and whose presence on the Board has made a huge improvement in the District, has the District paying for his license as an accountant or as an attorney.

Director Pickard stated that this is not being done as far as he knows.

Following further discussion the Chair called for the question. It was M/S (Stock/Brain) “That Director Stock be repaid the \$80.00”. The motion failed by a vote of 3/1.

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REVIEW OF AUDITOR'S RECOMMENDATIONS-SEGREGATION OF DUTIES

Director Stock had requested this item to be included in the Agenda and all Board members had received a packet of material prepared by Director Stock in their Board Packet. He requested that the following motion be considered by the Board. The Chair noted that the motion should be moved and seconded and then discussion could be heard.

It was M/S (Stock/Brain)- "That the Chairman of the Board direct KID Counsel to investigate the individual and collective liabilities of the Board of Directors relative to Egan and Egan's 2001 audit findings regarding "Nepotism and Segregation of Duties" and report back to the Board prior to our November meeting." The Chair then requested comments from the Board. **Director Pickard** stated that there has never been a problem that he is aware of and that prior Boards and the District Counsel have been aware of how the District conducts business and has never indicated that there were any problems. In addition he noted that 1) At the last meeting Director Sorell pointed out that procedures, and checks and balances have been instituted as suggested by the Auditor, 2) two Board Members sign all checks, and 3) he does not see how any wrong doing could occur.

The Chair then requested public comment.

Mr. Griffith expressed his concern that an individual Board Members has gone off on his own - contacting legal counsel and insurance companies, etc. when the matter should have been addressed by the Board after evaluating the facts.

Mrs. Williams noted that she understood that the matter had been evaluated in subcommittee and that the matter had been evaluated by the Board, not ignored, and that therefore Board had met its fiduciary responsibility.

The Chair stated this issue had been addressed in committee and that Director Sorell reported, both in public at the last meeting and to himself, that the questions raised by the Auditor had been addressed and that sufficient checks and balances were in place.

The Chair then called for the question and the motion failed by a vote of 2/2 (Ayes-Stock & Brain, Nays-Matthews/Pickard)

Director Stock stated that he does not intend to bring this matter back again, but that what is important is that it is in the record, and the meeting minutes will reflect the decision and that we have addressed the issue and that is very, very important. He further stated that it has not resolved the question as to whether we are at risk and that personally, with all of the research that he did and the legal counsel he received outside the company and through the Auditor, he is

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convinced that we are at risk. He further stated that what each one of the Directors does about that or if they agree or disagree that is up to them and it is now back in each of the Director's laps to find out whether they are at risk.

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The Chair stated that his concern is that he does not feel that it is appropriate for Board Members, individually, going off to insurance companies or accountants. He stated that it is okay to assess your own personal risk with your personal attorney, but if you are representing yourself as a member of the Board it is not appropriate for a Board Member to do that. He further stated that he stood to be corrected if other members felt differently.

Director Stock then questioned as to whom he should seek advice. He stated that he had one million dollars coverage with JPIA and that he felt it was appropriate to contact his insurer on an individual basis.

The Chair replied that JPIA is the District's insurance company not Director Stock's personal insurer, that the District had secured this insurance from JPIA.

Director Stock replied that it was correct but that it was his actions that were of concern.

The chair replied that all of the Board Members can read the policy and that if they feel they are not protected then they can, as individuals, purchase additional insurance.

Director Pickard stated that he felt that the first thing a Board Member should do if they are worried about this matter is to call Mr. Kruse, thereby keeping it within the company, and find out if there was any legitimate reason to worry about anything.

The Chair noted that he was concerned about the expense involved if all of us individually are consulting Mr. Kruse and expending District funds on these matters without Board Action.

Director Brain stated that he wanted to commend Director Stock for bringing this matter to the attention of the Board in the manner that he did and taking a little bit of his time on the outside to research the issue before he just brought in the motion out of the blue. He further stated that if the motion came up again he would vote for it.

Chris Burt, Member of the Staff, stated he wanted the Board to know that he thought that some of the material presented in the Board Packet regarding this item was not accurate, particularly in regard to the use of the word Nepotism.

The Chair then terminated discussion stating that the Board had rendered a decision on the matter at this time.

GENERAL MANAGER'S REPORT

The General Manager reviewed his report, a copy of which is attached to these minutes. He stated that he is handing out two additional items --

- 1) An updated overtime report for their review
- 2) The forecast of expenditures for 2002 for their review

REVIEW OF MINUTES

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The minutes of the Regular Meeting of September 17, 2002 were reviewed and unanimously approved as presented after two typographical errors were corrected. (Brain/Pickard-4/0)

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REVIEW OF FINANCIAL REPORT

The Financial Report of September 30, 2002 was reviewed and unanimously approved as presented. (Stock/Pickard-4/0)

ITEMS FOR NEXT AGENDA

No items were requested to be placed on the next Agenda

ADJOURNMENT

The meeting was adjourned at 2110. The next meeting will be on November 19, 2002.

Respectfully submitted,

Shirley Burt
Secretary to the Board