

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
August 15, 2006**

MEMBERS PRESENT: Directors Barkhurst, Kilburn, Pickard and Sorell.

STAFF PRESENT: Melvin Matthews and Shirley Burt

CALL TO ORDER: The meeting was called to order at 1937 hours by the **Chair, Richard Barkhurst**. He noted that there was a quorum of the Board present. Director Krieger was on vacation.

PUBLIC COMMENT

No members of the public wished to comment at this time.

REVIEW OF ACCOUNTING PROCEDURES

Director Sorell reported that he had contacted the Auditor and received the list of prepaid expenses which includes three items –Insurance, ACWA Membership and Raymond Basin Watermaster Fees. He recommended that no changes be made in our financial reports for last year as these expenses are a one time expense and have been paid but that this year these costs should get amortized over the year.

REVIEW WEST TANK REFURBISHMENT PROJECT

Director Sorell reported that he spoke with legal counsel and that no response has been received from the bond carrier at this time.

HOLLY TANK PIPELINE MUDSLIDE PROJECT

The General Manager stated that the District has not received a request for reimbursement and that there is still some question as to whether the project had been completed.

REPORT ON ETHICS SEMINAR

Director Barkhurst reported that all of the Directors attended the AB1234 required Ethics Seminar on July 20, 2006 and that he thought the meeting was instructive and informative. He stated that the minutes should show that four of the Directors traveled together to the Seminar but that no business was discussed during the travel or at the meeting and no decisions were made.

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CERTIFICATION OF CONFLICT OF INTEREST CODE

Director Barkhurst reported that he had attended the orientation program that was presented by the Los Angeles County Board of Supervisors legal and compliance staff and explained that the essence of the meeting was to be sure that everybody understood what the Board of Supervisors required of public agencies in terms of certification of the Conflict Of Interest Code. He stated that in his opinion the District is absolutely in compliance with the code and recommended that the biennial review "Certification" should be submitted with "no changes" indicated.

It was M/S/C (Pickard/Sorell 4/0) –**"That the Board certifies the Conflict of Interest Code of the Kinneloa Irrigation District with no changes indicated."**

REVIEW OF HOUSE AND HI-LO TUNNEL BIDS

The General Manager called the Board's attention to the Memos that had been included in the Board Packet , both from himself and Terry Kerger. and made the following comments –

- The bid for the Hi-Lo Tunnel Project is considerably more than the Engineer's Estimate and Mr. Kerger has addressed that concern in his letter which is before the Board at this meeting
- The original recommendation was to approve the bid from Doty Brothers for the Hi-Lo Tunnels plus the Low Pressure Tunnel No. 2 project but that approval of Low Pressure Tunnel No 1 Project would be predicated on the economic analysis
- The analysis of the economics of the project, particularly of the restoration of the Low Pressure Tunnel No. 1 showed it to be a good project even without FEMA funding as there is some question as to whether additional FEMA funds will be approved

Director Sorell questioned the manner in which the conclusion "there is a three to four year payback" was reached if the value of the water obtained was worth \$20,000.

The General Manager replied because the incremental cost for that portion of the contract was about \$60,000. He further explained that the Tunnel produces 23-60 GPM which is as much water as the Eucalyptus and Far Mesa Tunnels produce making it a valuable resource and that it should be considered for restoration even though there maybe no FEMA funding.

Director Pickard questioned as to the amount of FEMA funding for the project.

The General Manager replied that the approved FEMA funding for total project is \$74,900, and that the difference would either come out of the General Fund or partially from FEMA funds. He noted that there is a provision for submitting an addendum especially since a formal bidding process has now been done and that the original estimate was done very hurriedly to get the project on the books and that no advance funds have been received since it was a large project. He stated that another bidding process could be done at a later date and possibly attract more bidders and better pricing.

Director Pickard questioned whether there was not an advantage in doing the project all at once since the necessary equipment is already on site and the General Manager replied that there is

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some efficiency to be gained when doing the total project noting that this project requires a great deal of hand labor.

Director Barkhurst questioned as to what projects would not get done this year, assuming the project is done and no additional funding is received, and do those projects have a higher priority.

The General Manager stated that production has a very high priority and, from a cash flow standpoint, money has not been spent this year on a pipeline project which was budgeted for \$75,000. and that money could be used for the project which would give a good return on the investment. Another project that was budgeted for this year was FLO-LOC work that will be pushed into the next year. He stated that there is budget capital that could be diverted

Director Sorell questioned whether the project is worth doing, noting that of the \$220,000. Project cost, \$75,000 is covered by FEMA leaving \$145,000 to be funded by out of the General Fund and, leaving the \$60,000 out of the discussion, that leaves the basic project over run at \$80,000.

Director Pickard questioned as to the discrepancy between the Engineer's estimate and the bid price and the General Manager pointed out that a \$35,850 item had not been included in the original engineer's estimate.

Director Barkhurst questioned whether a ten year payback on this permanent fix is an appropriate payback leaving out the FEMA reimbursement.

The General Manager replied that it is and pointed out that the techniques being used are the same as those used on the Delores Tunnel restoration, so as to provide a long life time barring a major catastrophe. He noted that cable suspension of the flexible hose is a far superior method of restoration of the pipeline in comparison to the prior installation of PVC pipe that lay on the ground where it could be damaged by falling rocks. He stated that it is his recommendation and the Engineer's recommendation that the total project be approved.

It was M/S/C -(Kilburn/ Sorell-4/0) -**“ That the Board direct staff to enter into a contract with Doty Brothers for the House Tunnel Project for an amount not to exceed \$56,300.”**

It was M/S/C -(Sorell/Pickard-4/0) - **“That the Board direct staff to enter into a contract with Doty Brothers for the Hi –Lo Tunnel Project, including the add on, for an amount not to exceed \$ 218,600.”**

GENERAL MANAGER'S REPORT

The **General Manager** reviewed his report that had been submitted in the Board Packet.. He also encouraged the Board Members to consider taking the Colorado River Aqueduct trip that is being offered by the Metropolitan Water District.

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Director Sorell then gave the following report regarding the California Supreme Court Ruling in the Big Horn-Desert View Water Agency case.

“It was not a well written opinion. I think that the Supreme Court really dropped the ball in understanding the difference in paying for a commodity and the service concept, because the payment of commodity is what it is. I don’t think that they handled this well. But the other thing that they didn’t do was, while they make it sound like the voters have the right to use the initiative process to rollback rates, they also say in this holding that we are not holding that the use of the initiative has no limitations particularly we are not determining whether the initiative process can be over ruled or subject to the statutory provision that requires that water services charges be set “at a level that will pay for the operating expenses of the agency, provide for repairs, depreciation and a reasonable surplus, etc.” It is not clear what the practical effect of it is because they have not ruled on that. Because we do set our water rates precisely to cover the cost of operating and repair and reasonable surplus. I think that the real big issue here is that they didn’t address it at all and they very specifically said that they are not addressing it. In talking with the lawyer who argued the case what they did hope that it couldn’t be done prospectively because the initiative that was defeated not only asked for a roll back but said we want the Board to come to us before they propose any future increases and the court very explicitly said that does not work That is not a permitted use of the initiative process. So that was a clear cut victory and the interesting thing is that the initiative had asked to have the rates rolled back from \$4.00 to \$2.00 but by the time it came to the court it had already dropped to \$2.30. So it wasn’t much of a drop. But the clear victory was that this cannot be done prospectively. I think as a practical matter it is not going to have an effect on an agency such as ours. I think it is going to have more significance for other agencies in the state.”

Director Barkhurst noted that the last time a rate increase was initiated by the District very few comments were received from customers but that it does point out the value of maintaining a good open relationship with our constituents.

REVIEW OF THE MINUTES

The minutes of July 18, 2006 were unanimously approved as presented after a typo correction.

REVIEW OF FINANCIAL REPORT

The **Treasurer** reviewed the Financial Report July 31, 2006 and it was approved for filing. He noted that

- 1) Outside Contractor expense is over budget which is due to leak repairs
- 2) Medical Insurance is up for the month

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3) Social Security expense is very low this month but should be stable

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ITEMS FOR THE NEXT MEETING

There were no items for the next Agenda unless the Director for Division II resigns.

ADJOURNMENT

Director Kilburn asked whether the Board was aware of the sign at the entrance to the North Kinneloa Ranch area which shows the placement of District Facilities within that area and whether this was a security issue.

The General Manager stated that he would investigate the signage and report back to the Board. The meeting was adjourned at 2015 hours and the next meeting will be on September 19, 2006.

Respectfully submitted,

Shirley Burt
Secretary to the Board