

**MINUTES OF A SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
September 14, 2007**

MEMBERS PRESENT: Directors Griffith, Kilburn, Sorell and Pickard.
Director Barkhurst was absent

STAFF PRESENT: Chris Burt, Facilities Supervisor
Shirley Burt, Administrative Assistant
Melvin Matthews, General Manager

CALL TO ORDER: The Meeting was called to order by the **Acting chair, Steve Sorell**, at 0840 hours and he noted that there was a quorum present. He stated that the meeting would include only discussion having to do with the proposed 2008 Budget as shown on the Agenda.

PUBLIC COMMENT

There were no members of the public present.

INTRODUCTION

Since there were two new members on the Ad Hoc Budget Committee, **Director Sorell** explained the budget process that has been done in the past and made the following comments --

- The sole purpose of the Ad Hoc Budget Committee is to review the 2008 year budget as proposed by the staff and make recommendations for any modifications
- The committee Chair presents the proposed budget with the committee's recommendations to the whole Board
- The Board reviews the proposed budget with the committee recommendations and makes recommendations for modifications
- The Board then approves the final draft of the proposed budget which includes those recommendations that have been approved by the Board
- The philosophy used has been to attempt to create a budget that reflects the best estimate of our expenses neither high or low.
- The expenses fall into two main categories, those that are essentially fixed which we can be determined based on past experience and those that are capital improvements which are determined based on the projected revenue and need.
- The need for a rate increase is then discussed depending upon the proposed budget.

REVIEW OF THE BUDGET

Before the **General Manager** reviewed the proposed budget **Director Sorell** requested a copy of the year end report for the 2006 year.

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Director Griffith requested a spreadsheet showing the year end totals for the last five years and also showing the percentage of increase and decrease in each category so that an average could be made which would help determine the direction of each category. He also requested that an account description be given of each category and explain if there have been any changes over the years.

The General Manager replied that very little change has occurred in the general ledger account system although there are choices to be made as to which category certain expenses are allocated.

The **General Manager** then reviewed the proposed budget with the following remarks regarding each category

REVENUE:

1. Water Sales (Metered Sales) – may be affected by conservation
2. Wholesale Water Sales (Watered pumped and sold by KID to Pasadena) – probably will not done in 2008 year unless there is a good rainy season which improves tunnel flow, reduces customer demand, and increases spreading credit..
3. Invoice Sales (Fire Flow Tests, New Water Service Installation-- approx. \$2500. each) –Not income producing .
4. Interest – General Fund (From Wells Fargo, Bank of the West)
5. Interest – LAIF (\$300,000 + \$250,000 Emergency Fund)
6. Interest – FEMA
7. Capacity Charge – Buy in for new water service, hopefully at least one in 2008
8. Disaster Assistant – Not anticipated

He noted that the estimated income is budgeted \$376,800 less than the current year.

Director Sorell noted that this was also below the 2006 year but above the 2005 year.

EXPENDITURES:

1. Power – Variable due to water sold and change in Edison rates
2. Maintenance Supplies – Pretty consistent but has changed because meters are not included.
3. Safety Equipment – Primarily for Eye Wash stations that insurance company has requested.
4. Maintenance Labor – 4% pool allowed to make appropriate increases
5. Standby – decreased because General Manager will not be included.
6. Training/Certification – Employee costs for continuing education and mandated certification
7. Water treatment/Analysis – Difficult to predict due to analysis requirements that change from year to year
8. Outside Contractors – used for leak repairs which are not predictable and some other repairs
9. Equipment Maintenance – now a category separate from vehicle maintenance but does not include chlorine equipment maintenance.
10. Vehicle Maintenance – should be down this year because new truck will be purchased this year and one for 2008 year.
11. Fuel – is a best guess as prices in the future unknown

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12. Equipment Rental—don't need very often

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13. Worker's Comp Insurance – increased although District's experience good.

14. Liability Insurance – includes vehicle and general liability

15. Property Insurance – kept the same but may go up a little

16. Medical Insurance – may go up as much as 10 to 15 %

17. Engineering – includes fire flows etc., hydrologic analysis does not include Project engineering.

18. Watermaster – the year to date amount appears to be an error but rates for this year have not yet been set by the Raymond Basin Board

19. Signal Service – one remaining line from the interconnection to Pasadena

20. Administrative Salary – Allows for increase

21. Administrative Travel – increased due to General Manager Activity with CSD and ACWA Region 8. Also includes travel reimbursement for personal vehicles.

22. Administrative PERS—increase will depend on increase in salary

23. Director's Compensation – there is a special category for election expense.

24. Administrative Expense – Conference registration for General Manager – questioned maybe there should be separate category for convention expense from other Board Expenses. Was formerly named Board Expenses.

25. Customer/Public Info – no newsletter in long time –not good use -- relying on Website

26. PERS KID – will increase if wages increased

27. Social Security – Will increase if wages increased

28. Office Supplies – includes paper, ink, etc.

29. Postage Delivery – make increase –look at last month's actual since increase

30. Legal – in the past was much higher as there were a lot of issues, however still needed for contract review, etc.

31. Telephone – obtained reductions for current year

32. Cell phones—will be replacing this year but reduced from prior year

33. Pagers – still needed as cell phone coverage spotty

34. Internet Service -- no change

35. Computer Software – includes upgrades as some of current software many years old also includes Scada upgrade and computer repair.

36. Office Equipment Maintenance – No change

37. Accounting – Probably will increase depending upon which Auditor is selected.

38. Office Labor – Possible increase

39. Outside Services – includes janitorial service, contractors who trim trees, etc.
list of these services for this year requested

40. Permits/Fees -- No change

41. Bank Service Fee – No change

CAPITAL EXPENDIURES

Category Amounts are not yet finalized and the total amount shown is an estimate, however the amounts shown for Tanks, Trucks and Meter replacement are fairly certain.

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Director Sorell commented that with this budget there is a projected drawn down of \$85,000. from the reserves but that depends on the water sales.

RATE CHANGE ANALYSIS

The **General Manager** then reviewed the Rate Change Analysis that he had prepared noting that every 1% increase in water sales revenue generates about \$10,000..

Director Sorell noted that in reviewing the rate analysis sheet the most significant point is that when a rate increase is being considered anything less than a 5% increase, which would provide approximately \$50,000, would hardly be worth considering.

Director Pickard questioned why there needed to be a rate increase.

Director Sorell replied that a rate increase is needed to maintain the current project level of approximately \$325,000 and if the income only provides \$200,000 for capital projects, the District will use up the reserve capital in a couple of years.

Director Pickard questioned whether the number of mains suggested to be replaced had to be done.

The **General Manager** replied that in the master plan the primary goal was to bring all the mains up to fire flow standards. He further explained that if the District believes in its Master Plan then forward momentum needs to be maintained and whether the Board wants to fund the projects only out of the revenue or use some other mechanism to fund the projects is a decision the Board needs to make. He gave as an example that in purchasing the new truck he was going to use cash from the reserve fund, but that since we get 5.25 % on our reserve funds it made better since to borrow from the CSDA the amount at a 4.65 % which is lower so it doesn't make any sense to spend our cash.

Director Pickard expressed his concern over justifying the rate increase.

Director Sorell suggested we should communicate what we are doing with the Master Plan -- what we did in the last two years and what we need to do the next two years so that it doesn't appear that we are just increasing our savings

The General Manager commented that in redoing the Master Plan the cost has increased more than 2Million dollars.

Director Griffith questioned whether we have checked with the Fire Department as to any new requirements coming forth and the General Manager stated that the County has increased the fire flow as the houses being built are getting bigger and that their requirements are a moving target.

Director Kilburn wondered whether the Directors and Officers insurance is covered and the General Manager replied that it is in the Liability Insurance Coverage.

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Director Kilburn questioned as to how the proposed MWD Azusa Pipeline Project affects the District and the **General Manager** replied that if it brings water into the Raymond Basin then the District would receive a benefit because of the higher water level and would have to pay the proportionate share of that project.

The **Facilities Supervisor** stated that there are water quality issues whenever we take water directly from the city of Pasadena as they use Chloramines for disinfection.

ADJOURNMENT

The meeting was adjourned at 1030 hours. The next meeting will be held on September 24 or September 25 at which time the General Manager will make the revisions to the budget and the committee will discuss rate increases and capital projects.

Respectfully submitted,

Shirley L. Burt
Secretary to the Board