

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
AUGUST 19, 2008**

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

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

CALL TO ORDER: The meeting was called to order by the Chair, Director Barkhurst, at 1930 hours. He noted that there was a quorum of the Board present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT: No one from the Public wished to comment at this time.

REVIEW OF ARTICLE 14 – APPENDIX A & G-RULES & REGULATIONS

Director Barkhurst requested comments from the Board regarding the content of Article 14 and Appendix A and G.

Director Kilburn suggested that a discussion be held regarding an addition to the Conflict of Interest Code that Director Barkhurst had included in the Board Packet having to do with the encouragement of Board Members to seek advice from the District's Attorney when they wished to do so regarding compliance with the Conflict of Interest and Disclosure Code. She stated that she thought it should be modified to address any personal questions.

Director Barkhurst replied that he would prefer that it be kept to the Conflict of Interest Code as that is where the personal liability is concerned, and that Appendix G clearly confirms the principle that the Kinneloa Irrigation District Board governs collectively whereas the General Manager manages individually with appropriate consultation with the Board. He stated that it was his intent to make an exception to that principle and permit an individual Board Member to consult with the Attorney only with questions regarding compliance with the Conflict of Interest Code and Disclosure Code.

It was M/S/C - (Sorell/Pickard-5/0) - **“That the Board resolves Board Members are encouraged to individually contact the Attorney with any questions regarding compliance with the Conflict of Interest and Disclosure Code and that this resolution shall be incorporated into the Rules and Regulations Manual as Exhibit C of Appendix A of Article V.”**

Director Barkhurst asked if there were further comments or questions on the content of Appendix A & G.

Directors Pickard stated that he noted a few typographical errors.

Director Sorell stated that he had noted several errors.

Director Barkhurst requested that those errors be given to the Administrative Assistant for correction at a later date.

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REVIEW OF ARTICLE 14 (continued)

Director Sorell stated that beside the typographical errors he would suggest that the Manager be responsible for safeguarding District property including securing appropriate insurance for that property.

2009 BUDGET

Director Barkhurst stated that the review of the proposed Budget at this meeting would be considered as a first reading and that at the next meeting, if the Board approves the budget as presented, it could be given a final reading and considered for final approval.

Director Sorell then reviewed the proposed budget noting that it –

- is fairly close to last year's budget
- represents approximately a 4% overall increase
- proposes --the same amount of water sales as last year
 - capital expenditures of \$350,000
 - \$800,000 of other expenses
 - \$1.1 million dollars in revenue
 - electrical expense of \$90,000, above this year's forecast, but below the budget
 - maintenance labor increase of about 10%, small increase above current forecast
 - a rate increase of 5% in commodity charge and \$5.00 increase in daily service charge which will raise approximately \$75,000 and is needed to keep reduction of reserves under \$20,000.

Director Griffith questioned whether an amount should be budgeted for purchased water and the **General Manager** stated that if water needs to be purchased he would reduce the amount of capital expenditures for the year so that the overall budget would remain the same.

Director Sorell noted that if water has to be purchased at a cost that would exceed the amount the District now charges than the rate structure would have to be changed.

Director Barkhurst noted that if the Board approves a rate increase then proper notification will have to be given.

The **General Manager** stated that the District is required to send out a notice to all rate payers which could be included with the water bill and that if the proposed rate increase is affirmed by the Board than the public hearing could be scheduled for the October Meeting.

Director Barkhurst requested comments from the Board regarding the proposed rate increase and the report that had been generated delineating customer usage. Following a general discussion there was a consensus among Board Members that there would be a second reading of the proposed budget at the September Board Meeting.

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GENERAL MANAGER'S REPORT

The **General Manager** reviewed his report noting that the Kinneloa Mesa Pipeline Project design is dragging a bit due to vacations and about a month has been lost from the original timeline but he hopes a bid package will be ready in September.

Director Griffith questioned as to when the design drawings would be back from the Engineer and the **General Manager** replied that he expected them anytime.

Director Kilburn questioned whether the Mesa Pipeline Project would have any effect on the Doyne Road Development and the **General Manager** replied it would not change the pipeline as planned for Doyne Road as the Developer has stated that the homes will be below 5000 Sq. Ft. and that that the grading will take from twelve to eighteen months.

Director Griffith questioned whether, from the end of the Kinneloa Mesa Pipeline Project on Doyne Road, anything that is needed for water in the Doyne Road Development would be paid for by the Developer.

The **General Manager** stated that the Developer's improvements will include a pipeline extending from the Gate on Kinneloa Canyon Road and also a Booster and Pipeline up to the development from the Wilcox Reservoir. He noted that the last time he had estimated the project it was over \$800,000 and with current costs he expects the project to be over one million dollars.

Director Griffith questioned whether the fire flow would be 1200 GPM and the **General Manager** replied that it would supply 1250 GPM.

Director Kilburn questioned whether the Developer knows the costs for the improvements and the **General Manager** replied that he knew about the \$800,000 four years ago.

Director Griffith questioned whether Terry Kerger had designed the project originally and the **General Manager** replied that Mr. Kerger had developed the original concept of the plan as to what improvements to the water system would be needed. He further explained that those improvements are subject to negotiations and if any changes needed to be made the project would be brought back to the Board for consideration.

Director Griffith questioned whether anyone had determined what water is available and how many additional services the District could provide.

The **General Manager** stated that several studies have been done that took into account all available sites, including the Doyne Road property.

The **General Manager** gave the following report of the last meeting of the Raymond Basin Pasadena Sub-Area Group noting that

--Not all areas in the Raymond Basin are suffering the decline in pumping levels as this problem is more on the east side of the Basin

--A suggested first step to reduce the decline in the water levels was to freeze long term storage

--Another proposed suggestion was to reduce pumping rights back to the 1944 adjudicated rights which would be approximately a 35% reduction

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GENERAL MANAGER'S REPORT(continued)

- A report that Chris Burt found in the District's files done in 1971 by Engineers from Department of Water Resources indicated that they knew the basin was being "mined" and predicted this decline unless replenishment was accelerated.
 - By increasing the pumping rights with the 1955 Court action and adding long term storage at a later date really accelerated this predicted decline
 - Whatever decision is made by the Board regarding voluntary efforts to decrease pumping there could always be court challenge if any pumper is unhappy with the decision, but currently there appears to be a spirit of cooperation.
 - The Engineer proposes a 50% reduction in order to prevent further decline of the water
 - Weather patterns are no longer an important factor as natural replenishment is adversely affected by the increase in paved surfaces, development of sewer systems, and water continuing to flow into storm drains.
 - All these predictions that were made sixty years ago were known and essentially ignored until now so that we are in a crisis mode
 - Now the only long term solution is to convert the basin to a replenishment basin and bring in outside water at an unknown cost and this would require each pumper to replace whatever they pump in order to avoid further decline of the water level.
- He ended his report stating that
- he is exploring a connection between Kinneloa and the Foothill Municipal Water District
 - the price of that water currently is in excess of \$700 an acre foot as Foothill adds their operational expenses to the cost of the MWD water.
 - If replenishment water is obtained through a direct member such as Pasadena the charge would be the MWD cost per acre foot but that cost is continuing to go up as MWD is also scrambling for water and the availability of replenishment water is uncertain.
 - Ultimately whatever happens will depend what happens with MWD rather than locally.

REVIEW OF MINUTES

The minutes of July 15 were reviewed and approved as presented.

REVIEW OF FINANCIAL REPORTS

Director Sorell reviewed the reports noting that

- A refund check had been received from the insurance carrier and the **General Manager** explained that this occurs every few years depending upon the District's experience and the number of claims that are submitted.

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REVIEW OF FINANCIAL REPORTS (continued)

- There appeared to be no electrical expense this month on the check register and the **General Manager** explained that there were probably two payments made in June and that the proper monthly expense is reflected on the income statement which is presented on the accrual basis.
- Credit card expense was higher than usual and requested that the detail be supplied when the expense is large noting that certain items may have to be capitalized.
- Gasoline expense may need to be increased in next year's budget
- A security analysis is a new charge and the **General Manager** stated that he has contracted for a one time security analysis to get an evaluation of the District's vulnerability and obtain recommendations as to what needs to be improved.
- A payment to Doreck Construction for City of Pasadena permits. The **General Manager** stated that he had made a personal commitment to him that the District would pick up this expense due to the unexpected nature and that no work in Pasadena was in any of the bid documents.

Director Griffith stated that in the future he thought that all contracts should contain verbiage that put the responsibility of obtaining and paying for the appropriate permits on the contractor. The **General Manager** stated that this responsibility is already in our standard bidding documents.

Director Griffith questioned as to why there was not a combined billing for the phone services and the **General Manager** replied that they charge for that service.

Director Sorell stated that if all the billings were from different carriers he could understand the charge but not if the billings were all from the same carrier and the **General Manager** stated that he had explored the combined billing and they would not remove the charge.

The Financial Reports were then approved for filing as presented.

ITEMS FOR NEXT AGENDA

- Second Reading of Proposed 2009 Budget
- Approval of Proposed Rate Increase
- Mesa Pipeline Project

ADJOURNMENT

The meeting was adjourned at 2042 hours and the next meeting will be on September 16, 2008.

Respectfully submitted,

Shirley L. Burt
Secretary to the Board