

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
March 16, 2010**

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

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 Chair, Director Sorell, at 1932 hours. He noted that there was a quorum present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT:

Marietta Kruells, a resident of Altadena, addressed the Board regarding her concerns with the Foothill Municipal Water District's Capital Improvement and Recycling Plans. She believes that residents are not sufficiently aware of the costs of the project and that FMWD had not sufficiently examined the costs and legal issues related to Proposition 218.

Following her presentation Director Sorell thanked Ms. Kruells for her comments.

PRESENTATION AND DISCUSSION – FMWD'S LOCAL WATER SUPPLY CAPITAL IMPROVEMENT PROGRAM:

Ms. Nina Jazmadarian, General Manger of the Foothill Municipal Water District (FMWD), introduced herself to the Board.

Director Barkhurst explained that the Board did not sufficiently understand what services were covered by the invoice from FMWD for project studies.

Ms. Jazmadarian explained that FMWD's Local Reliable Water Supply Program is intended to address aging facilities and needed upgrades and interconnections. KID would not be involved with a majority of the expenditures since no water is being delivered to Kinneloa. She further presented three proposed local water sources that Foothill is planning to develop: 1) storm water capture, 2) recycled water and 3) recharge the groundwater basin, as well as increase conservation. Sites considered include one near the Eaton Canyon Spreading grounds which would be a direct benefit to Kinneloa.

A discussion followed concerning the costs and benefits of the proposed plans, and a scheduled public vote on a parcel tax pursuant to Prop 218. Directors expressed concern that education and outreach had been weak and Ms. Jazmadarian acknowledged that the vote might be put off as a result. If a public vote failed, the Agency's alternative is a "Direct Payment" under which the Agency would issue the bonds and bill the eight member agencies for their share of costs. FWMD has the authority to issue such bonds without a public vote. It would be the responsibility of each agency to recover those costs from its ratepayers.

The total cost of the contemplated projects would be well over \$65 million, of which 2% would be allocated to KID based on FMWD's consultant projection of KID's "ultimate use." This allocation

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was questioned by several directors since KID has not been a purchaser of imported water and does not expect to ever be one as geographical constraints limit future growth. Even if the Federal Government contributes up to half the cost, KID's allocation would be large relative to its resources. Since KID would not likely need water provided by this Plan, payment of this obligation would be unpopular.

General Manager Matthews stated that he had met with the consultant maybe as far back as 2005 or 2004 and talked about various things and the proposed allocation likely came from those discussions. A further discussion took place regarding our participation in FMWD's Board Meetings so that KID's interests were adequately represented.

It was M/S/C- (Barkhurst/Pickard-5/0) – **“That the Board accepts the \$6,746 FMWD Invoice for the year 2010 which will be paid in 12 monthly payments upon receipt of a proper invoice.”**

It was M/S/C/- (Barkhurst/Kilburn-5/0) – **“That the Board requests the Foothill Municipal Water District to present to the Kinneloa Board of Directors a factual defense of the 300 Acre Feet which is the basis of the \$6,746 bill.”**

Director Sorell thanked Ms. Jazmadarian for coming to the meeting and providing information pertinent to the FMWD Plans. Ms. Jazmadarian then left the meeting.

Director Barkhurst expressed concern that at some point General Manager Matthews could have a conflict of interest between representing the rate payers in the Rubio Canyon Water Company (through the FMWD Board) and the KID ratepayers. Mr. Matthews was advised to be extremely careful and sensitive to an actual or perceived conflict. There could come a time when Mr. Matthews could be asked to vote on something that might be in the self interest of a Rubio Canyon rate payer that is against the self interest of the Kinneloa Irrigation District or a Kinneloa rate payer.

Director Barkhurst requested permission to introduce another topic that is not on the Agenda. He reported that a front page article in the March 15 edition of the Pasadena Star News entitled “Water District Sides With Unions”, described that the Upper San Gabriel Valley Water District has pledged to use union labor on its future construction projects. Director Barkhurst said that he is concerned about possible implications for the Kinneloa Board.

ONLINE CUSTOMER INQUIRY AND BILLING SYSTEM UPGRADE PROJECT:

General Manager Matthews explained that this is a project to make certain customer services available on the KID's website, including bill paying and utilization history. He discussed the safeguards to protect against the theft of customer information, passwords and financial information. He further explained that on-line payment currently can only be made through direct debit, but that it would be possible to accept credit cards if we pay the associated fees. There was consensus by the Board to not include credit cards.

This project is included in the current year budget.

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Chris Burt, Facilities Supervisor, commented that this program would eliminate some of the calls into the office regarding billings.

It was M/S/C – (Barkhurst/Kilburn-4/1 (Director Griffith Opposed) -- **“That the Online Customer Inquiry and Billing System Upgrade Project be approved.”**

GENERAL MANAGER’S REPORT:

Capital Improvement Projects:

Windover Road:

Mr. Matthews explained that the engineering is being done by S.A. Associates as they have successfully done the last two pipeline jobs. To spread our engagements, Civiltec is working on the Booster Stations.

Brown Reservoir Road:

Only the District uses this road but that it also serves as a flood channel.

Audit Report:

Director Barkhurst stated that as Treasurer, he has reviewed the draft report and made a few minor changes. He expects to get final draft within a few days.

REVIEW OF MINUTES:

The minutes of February 16, 2010 were reviewed and unanimously approved as presented.

Shirley Burt reported that the miscellaneous service charge project is not yet complete for Board Review.

REVIEW OF FINANCIAL REPORTS:

Director Barkhurst reviewed the Financial Reports and noted the following -

- Due to the wet weather metered water sales are significantly reduced
- Wholesale water sales to Pasadena made up for the loss
- Equipment maintenance expense is slightly over budget
- Insurance expense is lower than expected due to a refund

The Financial Reports were approved as presented 5/0.

APPOINTMENT OF AD HOC PERSONNEL COMMITTEE:

The General Manager’s Annual Performance Review is due. The Board concluded that it would be a better process for the Board to meet as a whole in Executive Session. After further discussion a meeting of the Board in Executive Session was scheduled for Monday, April 19, at 7:00 P.M. at the Kinneloa Office.

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OTHER BUSINESS:

Director Griffith asked for a review of the decision regarding attendance at the FMWD meetings because he understood there were two separate meetings each month. The Board discussed whether it would be better to ask the Facilities Supervisor or a Board Member to attend the Board Meetings. General Manager Matthews clarified that the decisions are made only at the FMWD Board Meetings but that issues are discussed and recommendations made at the Manager's Meetings. In view of the earlier discussion regarding potential conflicts of interest, the Board concluded that it would be better to have a KID Board member attend those meetings rather than Mr. Matthews due to his dual roles.

Director Kilburn noted that the next FMWD Board Meeting is on Monday. Directors Griffith and Kilburn volunteered to attend the meeting on Monday.

ITEMS FOR NEXT AGENDA:

General Manager's Performance Review
Attendance at FMWD Board Meetings
2009 Draft Audit Review

ADJOURNMENT:

The meeting was adjourned at 2123 hours. The next meeting will be held on April 20, 2010.

Respectfully submitted,

Shirley Burt,
Secretary to the Board