

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
APRIL 19, 2011**

MEMBERS PRESENT: Directors Barkhurst, Eldridge, Griffith, and Kilburn
Director Sorell was absent due to a prior commitment.

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 Secretary, Director Griffith, at 1938 hours. He noted that there was a quorum present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT: No members of the public were present.

REVIEW DRAFT AUDIT OF YEAR 2010

Gail Egan, Auditor, reviewed the Draft Audit for the year 2010 that had been provided to the Board prior to the meeting. Following the detailed review the audit was unanimously accepted by the Board for filing with the correction as to the current officers of the Board.

REVIEW OF GENERAL MANAGER'S REPORT:

K-3 WELL:

The failure of the K-3 control valve was discussed and there was a question as to why this failure was not caught by the SCADA system. The **Facilities Supervisor** explained that the system was not programmed to do that but that he is in the process of correcting that within the program. He noted that he cannot remember the last time that this type of failure occurred but that the valve has been in place a long time. He explained that when failures do occur and have happened more than once then it is fixed. The **General Manager** stated that every year an evaluation is made regarding improvements to SCADA but that the reality is that alarms cannot be put on every single component of the system.

FOOTHILL MUNICIPAL WATER DISTRICT (FMWD) ADMINISTRATIVE FEE:

Director Barkhurst explained that the General Manager from FMWD had made a formal presentation to Mr. Matthews indicating that because the District is a member of FMWD and because FMWD has administrative expenses connected with being ready to serve the District that the District should pay a fair and equitable portion which would be \$20,000/year.

Director Barkhurst stated that the first issue the Board needs to decide is whether the District should pay any charge and the second issue would be to decide what would be a fair and equitable charge.

Director Griffith questioned whether the District was hooked up to FMWD and the **General Manager** stated that is not the issue because we can get water through cooperation with other water agencies.

Director Griffith questioned as to how much this fee would cost the Kinneloa customers and the **General Manager** replied that it would be about \$3.00 per month per customer.

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FOOTHILL MUNICIPAL WATER DISTRICT ASSESSMENT FEE (con):

Director Barkhurst stated that he understood that it would be very difficult to leave FMWD as it would require a vote of the people. He also noted that the issue is further complicated by the fact that FMWD is proposing what appears to be a very good plan to capture recycled water of which the District rate payers could be a recipient.

Director Griffith questioned whether legal counsel should be contacted to see if this is an approved assessment and that he would like to see the figures determining this amount.

Director Barkhurst stated that this an extremely preliminary step but the **General Manager** stated that actually it is moving very quickly and there will be a budget workshop very soon and this new revenue is part of that budget.

Director Barkhurst replied that the District does not have the answer as to whether FMWD has the legal right to invoice the District for \$20,000 or the answer as to whether the District has the option to refuse to pay.

Director Eldridge questioned as to what the time frame is for the budget meetings and the General Manager replied that the Managers are meeting on April 21 and the Finance Committee is meeting on April 22.

Director Kilburn questioned as to whether the District had not covered the fees for the recycling when the District paid their share of those costs and the **General Manager** replied that those charges only covered the costs for the consultants' charges, not administrative charges.

Director Kilburn noted that the issue is complicated but she sees it as an opportunity for FMWD to put a little more money in their pot.

Director Barkhurst and the **General Manager** both explained that this does not add more money to the pot but that the pot is just being divided among all eight agencies where in the past only the other seven agencies had been paying.

Director Eldridge questioned as to when the final decision needs to be made and the **General Manager** replied that the proposed budget will come to the FMWD Board in June for approval. He further explained that when the budget comes up for a vote in June he is not Kinneoloa at that time as he is voting as a FMWD Board Member.

Director Kilburn stated that she thought this was a very short notice and did not give the opportunity to have enough time to truly think the matter through and look at all of the nuances. The **General Manager** stated that he would convey that concern to the General Manager of FMWD but that this is about the fifth time this has been presented to him and all previous times the amount was totally outrageous-around \$200,000.

Director Griffith questioned if the General Manager had been objecting to the amount that was outrageous but not the policy and the General Manager replied that the amount and methodology needed to be fair and equitable before he, as General Manager, could feel comfortable with the amount.

Director Kilburn questioned the General Manager as to when the FMWD General Manager had first brought this matter to his attention and he replied that it was approximately three years ago and that he had delayed it because the proposals were outrageous.

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FOOTHILL MUNICIPAL WATER DISTRICT ASSESSMENT FEE (con):

Director Barkhurst questioned as to how much the Board was willing to spend on legal counsel noting that this could run up a \$20,000 bill.

Director Eldridge questioned whether this was the correct thing to do since the District is a member of that Board and **Director Barkhurst** replied that the District is not a member of the Board just of the organization.

The **General Manager** stated he thought it would be short sighted for the District to basically cut ties with FMWD with the current uncertainty of water supply.

Director Barkhurst suggested that the General Manager contact Mr. Kruse, Esq. in the morning and request a meeting with him and several members of the Board, preferably at the Kinneloa Office, at his earliest convenience because there are some significant time constraints.

Director Kilburn stated that there was another issue regarding membership in FMWD and that if the District withdraws from FMWD where does that leave the District since water was taken only once in the past fifty years and maybe will only be taken once in the next fifty years.

Director Barkhurst replied that there is high probability that in the next two to three years the rate payers will be users of the recycled water coming out of the project.

Director Griffith questioned as to what the cost of water would be if it had to be purchased from some other source, and the **General Manager** replied that currently the only other source of water is leased water rights which may not be available in the future and that if we had to purchase water from the City of Pasadena the District would pay the retail rate.

COMPUTER ACCESS AND BUSINESS CONTINUITY PLANNING:

Director Barkhurst explained that he had met with the General Manager and received instruction about computer access to the financial records and that in a dire emergency with the help of the Administrative Assistant he thought he could hold things together in an acceptable manner to meet our own standards and that of an outside CPA but that by no means could he consider himself knowledgeable about the accounting system.

Director Griffith stated that his understanding was that this information was going to be available to all the Board Members and the **General Manager** replied that information to get into the computer system is available.

Director Griffith questioned whether the passwords are available to all of the Board Members and the General Manager stated they were and he just needs to know who wants to have the key.

PROPERTY INSURANCE:

The current insurance documents were reviewed and the **General Manager** explained that he tries to keep a high deductible so that the premiums are lower. He stated that he meets with the representative of ACWA/JPIA annually to review the documents to be sure that all changes in equipment, etc. are included and that he has some flexibility as to what to cover.

Director Griffith questioned how many building were covered under the \$232,000 and the General Manager replied just the office building.

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REVIEW OF MINUTES:

The minutes of March 15, 2011 were unanimously approved with several spelling and grammatical corrections.

REVIEW OF FINANCIAL REPORTS:

Director Barkhurst reviewed the Financial Reports and noted that-

- water sales were higher than budgeted
- maintenance supplies expenses were high and hopefully will even out over the year
- maintenance contractor expenses are significantly over budget for the year to date
- capital expenditures are still running behind budget

The Financial Reports were unanimously approved for filing.

ITEMS FOR NEXT AGENDA:

FMWD ADMINISTRATIVE FEE

ADJOURNMENT:

The meeting was adjourned at 20:50 hours. The next meeting will be on May 17, 2011. Director Griffith stated he will be away on vacation.

Respectfully submitted,

Shirley Burt
Secretary to the Board