

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
November 15, 2005**

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

STAFF PRESENT: Melvin Matthews, Christopher Burt, and Shirley Burt

CALL TO ORDER: The meeting was called to order at 1940 hours by the Chair, Richard Barkhurst. He noted that there was a quorum of the Board present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT

No members of the public were present.

K-3 WELL REPAIR

The **General Manager** stated that the K-3 Well is back in service, noting that a listing of the expenses to date is included in their packet. He called the Boards attention to the recommendation from the Contractor that a slow start device should be installed but that he thought the \$30,000 cost was prohibitive at this time. He explained that he is exploring other options but in the meanwhile a pressure switch has been installed and tied into the control set up so that the valve to the system opens sooner than in the prior setup, and should greatly reduce any extra strain on start up.

Director Brain questioned whether the valve would required constant review or whether it could be set and forgotten. The **General Manager** stated the goal is "to set it and forget it." He stated that even if not too much is achieved that the system is no worse off than it was before, but the effort is to end up with a better situation.

Director Sorell questioned whether there was a possible another \$2000. in expenditures to be expected and the General Manager replied in the affirmative. He further stated that he would supply the Board with a further update on the expenditures at the next meeting.

REVIEW DIRECTORS' COMPENSATION POLICY

The **General Manager** stated that this draft policy was presented for the Board's review and input and no action was expected at this meeting. He noted that the draft policy as presented is 1)-a combination of what was presented by the District's Counsel and some changes suggested by the General Manager, and 2)- meets the requirements of AB 1234.

Director Sorell noted that there was one item not covered which is the expense involved when a Board Member takes a staff member out to lunch.

Director Barkhurst stated "that taking a staff member to breakfast would not be a compensable event." **Director Sorell** then stated that it should be included and the policy needs to be modified.

Director Brain stated that he thought the \$100. allowance per meeting should be maintained.

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Director Barkhurst then questioned whether when Board Members take the Metropolitan Water District Tour do they get a letter stating that this a trip allowable under the law as defined, noting that members are receiving free meals and lodging.

Director Brain questioned whether the District's has a policy covering the acceptance of such gifts and he was reminded that this is covered in the annual filing of the 760 form with the Los Angeles County Board of Supervisors which is required of all elected officials.

Director Sorell then questioned the status of ethics training and the **General Manager** replied that ACWA is preparing a program to provide this training and that this is a benefit the District receives as a member of ACWA.

Director Barkhurst stated that he had two questions that needed answering –1) What is the ongoing ethics training requirement and 2) Under the ethics part of AB 1234 what needs to be either disclosed or discouraged as a consequence of perks of office, such as the free weekend. Is there a dollar limitation?

Director Brain stated that many of the same rules for Board Members could also be considered reasonable for staff as well.

Director Sorell then noted that the Board needs to think about the semantics of reimbursable expense versus compensable event which are not the same, however they could be.

Director Barkhurst requested that these items be placed on the next Agenda.

REVIEW POLICY OF RESERVES AND CAPITAL ASSETS

The Board reviewed the memo from the District's legal counsel regarding the need for a policy to be developed by the Board regarding reserves and capital assets.

Director Brain noted that he thought the policy should be addressing liquid assets such as cash, not property such as trucks, tanks, etc.

Director Barkhurst stated that the Board needs to be very careful in setting up a reserve for a specific purpose unless it is absolutely certain that the particular reserve amount will be used for the stated purpose because from an accounting standpoint it is very difficult to unrestrict reserves if for some reason the expenditure does not happen. He further noted that it would be better to create reserve accounts but keeping them in an unrestricted account so that the funds can be used as the Board sees fit for whatever capital expenditures are needed.

The **General Manager** stated that it is not the staff's direction to set up a number of reserve accounts for specific things but that one of the purposes of this policy is to make sure that the reserves are tied to something so that the District is not just accumulating money in the bank with no purpose in mind, although there is the Master Plan.

Director Sorell stated that the District has \$250,000. restricted for emergencies already.

Director Barkhurst stated that he thought that this policy tied in with lots of other acts in California Code, such as the Davis Sterling Act, which ensures that a process is in place in which on at least an annual basis capital projects are identified and steps are taken to ensure that moneys are being set aside to meet the costs involved. He further stated that this policy forces.

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Public Agencies to analyze on a annual basis the need for reserves and if the Treasurer of the Board believes it is appropriate that you earmark some of those funds for specific projects.

Director Brain requested that there be more clarification of the terms “Reserves and Capital Assets” in the policy statement.

Director Sorell stated that he would review the GASB report for the clarification.

Director Barkhurst requested that this item be put on the Agenda as an action item for the next Board Meeting.

BUDGET COMMITTEE REPORT

The minutes of the Budget Committee were reviewed by the Board and **Director Sorell** stated that the minutes were probably more detailed then needed.

Director Barkhurst stated that he thought it was important that the record shows that there was discussion and that the discussion helped to format the proposed budget.

Director Sorell stated that he wanted to bring the matter of a rate increase to the Board’s attention because in looking at the current revenue and expenses it was concluded that there would not be any funds left over to put aside for the capital budget for 2007, which is approximately \$150,000. He then reviewed the proposed budget explaining some items in detail.

Director Sorell then suggested various rate increases for both the commodity and daily service charges and the amount that each would raise in order to approximate the \$150,000 needed.

Director Brain inquired whether the District was required to have a general meeting in order to raise the rates and the **General Manager** replied that no meeting is required.

Director Barkhurst stated that he would like to see an analysis of the financial impact on three levels of rate payors –low, medium, and high usage customers using various suggested increases in both standby and commodity rates.

The **General Manager** stated that in looking at each of the rates that there are certain fixed costs that need to be born by the whole District and are not usage related.

Director Sorell then recommended that the Board vote on a rate increase at the next meeting with the understanding that it would be effective January 1, 2006 and that a notice should be sent to all customers after the Board decision at the next meeting.

Director Brain then stated that the reasoning behind the rate increase should be more clearly explained as people are going to be asking questions and **Director Sorell** replied that he could prepare a statement for presentation purposes to the public that would do that.

Director Sorell then stated that both the budget and the rate increase need to be approved at the next meeting.

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GENERAL MANAGER'S REPORT

The General Manager reviewed his report as submitted in the Board Packet, noting that there had been several leak repairs.

REVIEW OF THE MINUTES

The minutes of October 18, 2005 were reviewed and unanimously approved.

REVIEW OF FINANCIAL REPORT

The Financial Report of October 31, 2005 was reviewed by the Treasurer and approved for filing as presented.

ITEMS FOR THE NEXT MEETING

Directors' Compensation and Expense Reimbursement Policy
Proposed Rate Increase
Reserve and Capital Assets Policy

ADJOURNMENT

The meeting was adjourned at 2045 hours and the next meeting will be on November 15, 2005.

Respectfully submitted,

Shirley Burt
Secretary to the Board