

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
OCTOBER 12, 2013**

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

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

CALL TO ORDER: The Meeting was called to order by the President, Gerrie Kilburn,
at 1000 hours. She noted that there was a quorum present.

PUBLIC COMMENT: No persons wished to comment at this time.

REVIEW OF PROPOSED YEAR 2014 BUDGET:

The **General Manager** stated that he had made the requested changes in the proposed budget reducing the water sales income to \$1,223,000 and reducing the wholesale water sales income to \$75,000.

Director Barkhurst stated that he thought it was a good, workable budget.

Director Sorell questioned whether the amount of \$129,000 for capital projects was sufficient and the **General Manager** replied that the amount did not include the construction costs of any major capital projects as those would be addressed separately but the amount does include engineering costs for the projects.

It was M/S/C-(Barkhurst/Griffith-4/0)-**“That the Proposed Budget for Year 2014 be approved.”**

DISCUSSION OF THE ESTABLISHMENT OF A RESERVE POLICY:

Director Barkhurst stated that he had the following suggestions for changes to Appendix K

1-the criteria for the Operating Fund be changed to “1-2 months” of Operating Expenses

2-the criteria for the Emergency Fund be changed to “5%” of Fixed Assets

3-the criteria for the Replacement Fund be changed to Planned Maintenance Schedule,
“with a minimum of 5% of Fixed Assets.”

4-that a third Asterisk be added stating “It is the intent, not policy, of the Board to fund
Capital Improvement Projects from reserves. If the planned project is deemed to be too
large to fund from reserves, the Board will determine the most appropriate funding
alternatives, such as direct borrowing, issuance of capital improvement bonds, etc.”

Direct Sorell questioned the term “5% of fixed assets” in the Emergency Fund since the amount of 4 Million dollars shown on the Financial Report represents net value after depreciation based on historical costs, but the reality is that the cost of replacement of any of the items would be far in excess of the amount shown.

The **General Manager** requested that Board Members send him any further suggestions for inclusion in the Policy and that he would incorporate them in the Resolution that will be presented at the next meeting.

GENERAL MANAGER’S REPORT:

The **General Manager** noted that the Addendum to the East-West Pipeline Project and the Preliminary Design Report for the replacement of the Vosburg Booster are included in the report.

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GENERAL MANAGER'S REPORT: (continued)

In answer to a question from Director Griffith the **General Manager** stated that the only action the Board had taken regarding the Vosburg Booster Project was to approve approximately \$14,000 to prepare the report that has just been presented to the Board.

Director Griffith stated that he had other questions about both projects but that he could email them to the General Manager.

The **General Manager** suggested that the Board review the reports and then submit their questions so that he and the Facilities Supervisor could answer them. He emphasized that these are two very worthwhile projects.

Director Sorell stated that he is concerned about the easement issues and would like more information such as the costs, etc.

Director Barkhurst stated that he would recommend that no more preliminary money be spent on either of the two projects until a decision is made as to which one should be done first. He also expressed concern as to whether the Kid has the ability to borrow the amount of money to get these projects done.

Director Kilburn questioned whether the District had any property that could be sold and **Director Barkhurst** replied that he did not think that was realistic.

The **General Manager** stated that the only two factors that will determine the ability to borrow are the cash in the bank and the cash flow.

Director Barkhurst also cautioned that the cost to borrow money would seriously increase billing costs to the rate payers of the District.

Director Sorell questioned whether the projects could be together or separately.

Director Barkhurst commented that the manner the rate payers view these improvements as a benefit to them needs to be considered.

The Board directed the General Manager to make investigation as to the Board's ability to borrow and report his findings at the next meeting

REVIEW OF MINUTES:

The minutes of September 17, 2013, were reviewed and approved for filing as presented.

REVIEW OF FINANCIAL REPORTS:

The reports for September 30, 2013, were reviewed and accepted for filing as presented.

The General Manager noted that the final payment has been made on the two trucks.

ITEMS FOR NEXT AGENDA:

Approval of Revised Reserve Policy

Financing Opportunities

Project List for Year 2014

ADJOURNMENT:

The meeting was adjourned at 1100 hours. The next meeting will be on November 19, 2013.

Respectfully submitted,

Shirley Burt
Secretary to the Board