

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
AUGUST 17, 2010**

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

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

CALL TO ORDER: The Meeting was called to order by the Chair, Director Sorell, at 1939 hours. He noted that there was a quorum present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT:

No members of the public wished to comment at this time.

GENERAL MANAGER'S REPORT:

Mr. Matthews reviewed his report and the Board Members had no questions or comments.

REVIEW OF MINUTES:

The minutes of July 20, 2010 were reviewed and unanimously approved as presented.

REVIEW OF FINANCIAL REPORTS:

Director Barkhurst reviewed the Financial Reports noting that the income was down due to decreased water sales.

Director Sorell noted that

--the budget was tracking close to expectation

--the Maintenance Contractor expenditures were substantially lower

--the Insurance expenditures were lower due to the credits that had been received for prior years

--the Eucalyptus Booster repair was higher than expected

The Financial Reports were unanimously approved as presented.

REVIEW OF YEAR 2011 PROPOSED BUDGET

Director Griffith urged the Board to start considering how to accumulate the funds to construct the pipeline between the East Tank and West Tank which would improve the fire flow.

Mr. Matthews stated that he estimated the project would cost several million dollars to construct. and that it is included in the Master Plan.

Director Sorell noted that a project of that size might require some kind of financing or a bond and that its value needed to be compared with other items in the master plan.

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REVIEW OF YEAR 2011 PROPOSED BUDGET (continued):

Director Barkhurst questioned the amount of revenue expected based on the proposed 20 cent rate increase and **Director Sorell** replied that it was around \$54,000.

Director Barkhurst commented that he has the following fundamental concerns about the proposed budget in these economic times, where unemployment locally is at a rate of 12%, and investment yields are at a rate of 1 – 2%, and that the Board is asking the rate payers to pay for increases in expenses. He further commented that when he compared the 2010 actual and 2011 proposed budget he noticed that there is

- nothing proposed for Wholesale Water Sales
- \$8,000 proposed increase in Leased Water Rights
- \$9,000 proposed increase in Electricity
- \$6,000 proposed increase in Maintenance Supplies
- \$36,000 proposed increase in Maintenance Contractors
- \$5,000 proposed increase in Administrative Salary
- \$7,000 proposed increase in Legal Services
- \$3,000 proposed increase on Computer Maintenance
- \$6,000 proposed increase in Outside Services
- \$90,000 proposed for water mains although zero dollars was spent for this in 2010

Director Sorell noted that the cost for the water mains would be part of the \$250,000 for capital projects so that he doesn't see any savings to be made with that item, but that the other items could be reviewed for possible savings.

Director Barkhurst said that what he is suggesting, that instead of running to the rate payers to pay for the proposed increases, that the Board tighten up the proposed 2011 budget. He stated that he would much prefer that the Board find the money by tightening the budget rather than proposing an increase in the water rate.

Mr. Matthews noted that he did not budget anything for wholesale water sales because he did not know at this time whether the District would need that water for its own customers since the District will lose another 6% loss of pumping rights in 2011. In addition he does not know at this time whether the purchase price for leased water rights next year will be \$300 or \$400 per acre foot.

Director Sorell noted that in the past the Board had determined that a small increase every one to two years would be a better approach than a large increase at one time.

Director Sorell suggested that the individual expenses be carefully reviewed because the proposed 2011 budget is \$110,000 above the 2010 projected expense budget, which is a big increase. He also suggested that the cost of these items for the past few years be reviewed so as to provide a comparison.

Director Sorell stated that, based on his review of the total budget expense for maintenance contractors for the last three years which was around \$90- \$100,000 each year, he would recommend that amount be considered as a starting point for the 2011 year.

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Mr. Matthews reminded the Board that in recommending a twenty cent rate increase he was mindful of the reduction of the District's pumping rights which next year would be 18% and would possibly mean that the District would have to purchase water in spite of conservation measures.

Director Barkhurst commented that there are two approaches to the budget-- conservatively you collect it in advance or less conservatively you collect it within the year after it is spent. He further noted that if the rate increase is used as a conservation tool as well as a budget management tool and budget is tightened up then the District should have a comfortable margin at the end of the year.

Director Griffith stated that he thought each individual item should be reviewed such as maintenance supplies which has increased and **Mr. Matthews** reminded the Board that due to the no lead rule the cost of these supplies has increased.

Director Barkhurst suggested that if the Board could reach a consensus that a small rate increase would serve as a conservation tool as well as an appropriate management tool then it would be less important as to what the individual budget numbers were as long as you could justify that expense.

Director Griffith stated that he thought it was the Board's responsibility to know the exact number and he suggested that the suggested rate be increased to \$50 for the monthly rate and \$3.00 for the commodity rate.

Director Barkhurst noted that increasing the monthly rate would hurt those customers that the Board wanted to hurt the least and that it would not promote conservation.

Director Barkhurst suggested that a 5% of the total budget contingency line be added to the budget since so many of the expenses are uncertain.

Following further discussion it was decided that Mr. Matthews would make changes to the proposed budget that had been suggested and provide past history on the items where there is a large variance.

TEMS FOR NEXT AGENDA

Review of YEAR 2011 BUDGET

ADJOURNMENT:

The meeting was adjourned at 2100 hours and the next meeting will be held on September 21, 2010.

Respectfully submitted,

Shirley Burt,
Secretary to the Board