

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
March 21, 2006**

MEMBERS PRESENT: Directors Barkhurst, Brain, Krieger, 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 Board then convened to Executive Session. The Chair called the Regular Session to order at 2020 hours and requested approval of the Agenda. It was M/S/C/-(Brain/Sorell-5/0)-
“That the Agenda be amended to include Director Brain’s request to add Item 1-C -- Consideration of Salary Increase For General Manager.”

CHAIRMAN’S REPORT OF EXECUTIVE SESSION:

The Chairman made the following statement.

“This is a continuation of an Executive Session that began at 7:30 P.M. where the members of the Board reviewed the performance evaluation of Mel Matthews, the General Manager. Before we held that session, on March 7, 2006 Maurice Pickard and I, as the Ad Hoc Evaluation Committee, met at my house for approximately one hour to analyze the performance of the General Manager, Mel Matthews, for the calendar year 2005. In that session an analysis was held and no decisions were made. In our Executive Session we did review the performance of Mel Matthews and discussed it with him. We have received two signed copies of that performance review from Mr. Matthews, one will be for his file and one will be for the permanent file on the General Manager which is kept in a safe location in my home office at my home. We now move on to the next phase of the performance review which is any recommendation for a salary adjustment. So I call for any comments from the Board.”

Director Sorell stated that he would like to hear the subcommittee make their recommendation.

Director Barkhurst replied --“That the subcommittee believes that, based on the overall performance review of the General Manager, that a six per cent salary increase would be appropriate. The review is covering the calendar year 2005 and the salary increase would become effective April 1, 2006. There would be a six per cent per annum on his current based salary effective April 1, 2006.”

It was M/S/C- (Barkhurst/ Pickard-5/0)

“To increase the General Manager’s base salary by six per cent per annum effective April 1 2006.”

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PUBLIC COMMENT

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

The General Manager stated that he wished to comment on the two items that were included in the Board Packet.

The first had to do with the Foothill Municipal Water District's Workshop concerning replacing or adding to their infra-structure and he invited Board Members to attend that workshop with him.

Director Sorell stated that he did not understand the connection between the expenditures Foothill makes and that portion which is allocated to our District.

The General Manager replied that there is no direct connection at this point, it is just an educational process and that the District may face some similar decisions as projects are presented for Board approval in the future.

Director Barkhurst stated that he would be reluctant to give the General Manager any instruction to act aggressively in the meeting to help them define reliability.

The General Manager stated that he would be attending only as an observer to see some of the issues they raise and how they might pertain to the District in the future.

Director Barkhurst stated that at some future session it would be appropriate for this Board to grapple with the definition of reliability.

The General Manager stated that the District stays involved with Foothill Municipal Water District because everyone pays taxes basically for that capability even though the District does not currently use it.

Director Barkhurst questioned whether the District currently has a working definition for reliability and is it published.

The General Manager said that the District did not put that in a mission statement and Foothill may have gotten into a little trouble by including it in a mission statement.

Director Barkhurst stated that he would question why it is in this District's enlightened self interest to include that in our own mission statement.

The General Manager stated that we would not want to include it but that the analysis that is gone through to work on projects is pertinent even if you don't establish reliability as a goal and our Master Plan does address some of those issues as it stands but there isn't a specific mission.

Director Barkhurst noted that one day of failure is a failure.

The second item the **General Manager** brought to the Board's attention is the viewing of the first segment of the California Water Series being presented on PBS at 7:30 P.M. on April 2 and then being repeated on April 17.

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REVIEW OF LINE OF CREDIT APPLICATION

The General Manager noted that he had Emailed pertinent documentation regarding the Letter Of Credit Application to all Board Members and that he had not received any replies from the Board, and therefore he was recommending acceptance of the Credit Line.

Director Krieger stated that the \$100,000 revolving portion is the more useful portion because the goal is, rather than hold a reserve for an emergency, to be able to forecast what the reasonable range of the emergency might be and then be able to draw down on a revolver to plug that gap so that we don't have to store the savings of the residents here, here. He further stated that he didn't know if the \$100,000 would cover an emergency and he would prefer having more in the revolver and less in the term loan. He questioned whether we even want a term loan?

The **General Manger** replied that there was no immediate plans to use the credit line but that the basic concept was to get a relationship established with a Bank. He explained that there is no intention to use either portion of the credit line although Wells Fargo would like that, even though we pay it off right away, to establish a credit history and the ability to basically have it when we need it. He stated that there is no particular plans to take on debt although there may be some appropriate projects where, from a cash flow standpoint, it would makes sense to use the credit line and repay it quickly.

Director Brain noted that, other than a nominal initial fee for setting it up, there is no ongoing commitment to pay a fee every year to keep the line of credit going.

The Genera Manager replied that, at some point, if the Line Of Credit is not used then the District would have to reapply. He further noted that in the quest for obtaining this Line Of Credit in time of emergency it would very difficult for the District to establish any kind of Credit line due to the nature of the business and the nature of our assets.

Director Krieger questioned the General Manager as to whether this is the best available offer after he had spoken to several banks.

The General Manager replied that not only was it the best offer but it was the only one and that he was able to negotiate the fee down from \$2800 dollars to \$750. He further stated that it was not his intention to use it unless there is a clear reason and that even if we have to reapply in the future it will be a process where we have a chance to succeed again, whereas if we don't take this step then in a time of need we will really be in a difficult situation. He noted that these funds could be used for vehicle replacement or some other projects where it might seem reasonable, although that is not the main purpose. He further stated it would be very difficult to change the components of the current Line of Credit Letter short of making a new application.

Director Sorell stated that he did not believe that would be necessary because if we wanted \$200,000 then we would bring in a \$100,000 , turn it out, and bring in another \$100,000.

Director Krieger questioned whether on the \$100,000 term loan we are committed to amortize it over five years .

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Director Sorell replied that it allows that to be done but the District could pay it back down anytime.

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The General Manager stated that one of the reasons that this is so difficult to obtain is because the Bank has to actually allow for this on their books and it removes their ability to use this money for a loan or to establish a line of credit for another customer. It is viewed as a credit commitment and therefore it is not very attractive to them if we don't use it as there is no continuing fee income.

Director Barkhurst questioned whether any action is needed.

The General Manager replied that normally in matters like this the Chairman would be asked to sign the paper work along with the General Manager.

Director Barkhurst noted that so far the District is committing to pay \$750.00

Director Sorell stated that nevertheless he felt the minutes should reflect that the Board authorized this action.

It was M/S/C-- (Sorell/Brain-5/0)

“That the Board approve the signing of the Wells Fargo Credit Commitment Documents”.

CONSIDERATION OF LAFCO BALLOT AMENDMENT REQUEST

The Board considered the request to approve or disapprove the addition of two new candidates to the slate for the LAFCO Board Representative. The Board unanimously agreed to approve the addition of the two candidates names to the slate and the Chairman signed the requested document so stating.

GENERAL MANAGER'S REPORT

Director Sorell asked for a report on the East Tank Project and the General Manager's opinion regarding the performance of the contractor, since this is the first project they have done.

The General Manager replied that the contractor reported that the tank will be back in service in approximately three weeks. He noted that the project had gone extremely well and that the only delays had been weather related and that basically the contractor was doing exactly what they said they would. He stated that, from the District's standpoint, getting the tank back in service and relieving the 24/7 pressure on the Vosburg Booster will improve the ease of operations. He explained that the Vosburg Booster was needed to provide pressure to the East Tank zone because there is no other alternate tank in the east elevation and although the west tank is at the same elevation there is no connecting pipeline.

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Director Sorell questioned as to whether that connecting pipeline isn't in our plan and the **General Manger** replied that it is in the Master Plan and he would like to do the project when the District can afford it.

The Facilities Supervisor stated that the last estimate for the project was \$200,000. five years ago.

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The General Manager stated that in his opinion that project should have a higher priority than it has had in the past and that it is one of the things he will be addressing. He further noted that having the east and west zones isolated was very difficult from the operations standpoint, but that the pressure on the east zone was never lost and the neighbor complaints were almost minimal.

REVIEW OF THE MINUTES

The minutes of February 21, 2006 were reviewed and unanimously approved.

REVIEW OF FINANCIAL REPORT

The Financial Report of February 28, 2006 was reviewed by the Treasurer and unanimously approved for filing as presented.

ITEMS FOR THE NEXT MEETING

**LAFCO Ballot
Auditor's Report**

ADJOURNMENT

The meeting was adjourned at 2052 hours and the next meeting will be on April 18, 2006.

Respectfully submitted,

Shirley Burt
Secretary to the Board