

**MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
May 16, 2006**

MEMBERS PRESENT: Directors Barkhurst, Pickard and Sorell.
Director Krieger was absent due to illness in his family.

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

CALL TO ORDER: The meeting was called to order at 1938 hours by the **Chair, Richard Barkhurst**. He noted that there was a quorum of the Board present. The Agenda was unanimously approved as amended. The **Chair** then called for a moment of silence in memory of Charles McReynolds and Robert Brain, two prior Board Members recently deceased.

PUBLIC COMMENT

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

REVIEW OF APPLICATION FOR DIRECTOR OF DIVISION ONE

The **Chairman** noted that the Notice posted for the position of **Director of Division One** stated very clearly that all applications had to be in the District Office by 5:00 P.M Friday, May 12 and asked how many applications had been received.

The **Administrative Assistant** replied that only one had been received.

The **Chairman** then recommended, since the sole applicant was present, that the Board conduct a brief but thorough in public examination of that applicant and that in the open session the Board could make their views known at the end of the process.

The **Chairman** requested permission to start the process and asked the applicant, Gerrie Kilburn, why she was interested in becoming a member of the Board of the Kinneloa Irrigation District.

Mrs. Kilburn replied that she thought that it was the thing to do and she had been very interested in finding out what everyone did in the little room behind closed doors. She further stated that she thought it was a very important service that is given to the community and the type of service that is very needed.

The **Chairman** then stated that much of what is done at the Board level is constructing annual budgets, determining prioritization of capital projects, and reviewing financial statements and questioned the applicant as to how much experience she had with that kind of activity.

Mrs. Kilburn replied that the maximum budget she has managed was somewhere between four and ten million with the Los Angeles American Lung Association. She further stated she currently manages a company, Neuro Test, Inc., and is the financial officer for the company.

Director Pickard then questioned Mrs. Kilburn as to how long she had been a resident where she currently resides and she replied about 20 years. She further stated that her house was one of the first to be burned in 1993 fire storm.

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Director Sorell stated that the reason the question was asked is that the District has spent a lot of time in the past improving the District's emergency preparedness which has been part of the capital budget expenditures but that there are always trade offs and every project cannot be done now. He further explained that it is sometimes difficult to chose a project to be done in one area rather than another area.

The **Chairman** stated that this is the Board's biggest challenge and that the Board had just revised the ten year plan, which is more like a fifty year plan, that clearly demonstrates there are millions of dollars of replacement, maintenance, and upgrade type of projects to be done with a fairly limited amount of annual excess cash flow to deal with those issues.

It was then M/S/C- (Sorell/Pickard-3/0)- **“That Gerrie Kilburn be appointed to the position of Director of Division One of the Kinneloa Irrigation District.”**

The **Chairman** reminded Mrs. Kilburn that there is a process that she must go through and that the Administrative Assistant will put her in touch with the District's Lawyer who will administer the Oath Of Office and provide a brief orientation. He requested that Mrs. Kilburn be given a copy of the 2005 Annual Audit and the History of Kinneloa Irrigation District as written by Chuck McReynolds and reminded everyone that the District is a Public Agency and is subject to the Brown Act and everything that is done must be done in the light of day. He then thanked Mrs. Kilburn for applying for this civic duty.

REVIEW OF WEST TANK REFURBISHMENT PROJECT

The **General Manager** reviewed the project stating that -- “Upon examination the West Tank had a great deal more bubbling and blistering of the internal coating than had been anticipated, however Utility Services had given us an estimate to do the repairs based upon the examination that had been done the year before. The Tank Maintenance Agreement is in place and the District will not be facing the \$50-\$100 cost of total refurbishment. “

Director Sorell questioned – “Is the \$2800. not a part of the Tank Maintenance Agreement?”

The **General Manager** replied – “That was a separate agreement outside the tank maintenance agreement. Now originally it was expected that the work would be taken care of under warranty just like the Holly Tanks were under one year warranty and Utility Services would take over from there for further maintenance. It was part of the tank maintenance agreement and the price was determined and I accepted it. So you might say that it is Utility Services that is on the hook at the moment as far as what might be needed in the future. In the meantime the touch up work was done and due to the time of year it is not the time to be doing a major tank job. Come November whatever, we will see what needs to be done but really it is up to Utility Services to decide what to do. We can look over their shoulder and make recommendations and suggestions but since

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they are the ones in the future to maintain the tank it will be up to them to decide what work is needed.”

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Director Sorell questioned – “Won’t our monthly charge be increased?”

The **General Manager** replied – “There is a lot of protection built into the agreement so we do have fixed charges for the maintenance but at the three year point the charges may be escalating but there is a cap on the escalation. The Board could be facing that and if we had these huge expenses there is still no guarantee that we will get money from the bonding company although we have been pursuing that but they have been none responsive. Now we can get a little heavier. The surface preparation was not proper, when the paint blisters were popped solvent could be smelled. Something went wrong. There were licensed inspectors certified on the job but as these Board members know the contract was between the Developer and Superior Tank and not the District. The District developed the plans and specifications and we had some safeguards built in including the performance bond on the project but the District was not in direct control of the project. It is something that we as a staff have vowed never to do again. We want to be in control with any facilities construction but nevertheless apparently something went wrong.”

The **Chairman** questioned – “Has there had been a specific conversation with representatives from Utilities Services?”

The **General Manager** replied – “Let me clarify. We are still waiting for their final report. There has been no discussion regarding responsibility, liability, or whatever so what you see in my memo is from my viewpoint and does not represent a mutual viewpoint. But I don’t necessarily expect that Utility Services is going to basically renege on the signed proposal although there is always a possibility but then it would be up to us to decide. Of course if we can recover some funds from the bonding company then that is another thing and I would not expect that to be a windfall to the district.”

Director Barkhurst replied - “Then it would be to our enlightened self interest to work together with all parties. We need to maximize the opportunities to get the maximum amount of money. Their main concern is get the tank protected. In a way it is good news for us that there is three or four months of discussions that can take place before the tank needs to be taken off line. The timing was just not good to consider all of the angles at this time until all of the evidence is in.”

Director Pickard questioned- “Is the Contractor off of the hook.?”

The **General Manager** replied - “Unfortunately we did not have a contract with Superior Tank but that is who we went to first. Part of the problem with the timing issues is that our guarantee on the tanks started the day that we accepted the project not the day that the tanks were completed. There was a dispute between the painting contractor and Superior as to when the clock started ticking on the one year guarantee but clearly our documentation shows that the one year guarantee starts when we accept the project and we did the inspection during that period of time and found the difficulty.”

Director Sorell stated – “When it comes to a construction defect there is a different statute of limitations which is longer not withstanding the term of the guarantee.”

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The **General Manager** stated –“Just to let you know this is not a unique situation but there is another Superior constructed tank that was built at the same time as ours that has a very similar problem as ours so that this is not an isolated case. I don’t know if that will have any bearing as to how things are worked out but the important thing for us is that we need to work closely with Utility Services so that they are comfortable with what the permanent solution is. And indeed if

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all this patching works that could be a method for the future. Now if huge amounts of paint start flaking off then obviously even we are reluctant to patching a hundred places. It is only through Chris’s insistence, which I think was a proper action, that we need to patch it and get it back in service until we have a better plan. So I think it was a good decision and from a time standpoint it didn’t take them too long to patch a hundred places versus 25. Their time and materials spent on West Tank was no more than Sage Tank. It is just a question as to whether it provided protection for the short or long term.”

Mrs. Kilburn questioned – “Was the tank that had the bubbles burst and solvent leaking out an active tank and serving water for the residents to drink?.”

The **General Manager**- “There is no problem from a water quality standpoint. If there is huge quantities of solvent then there might be a problem. However these bubbles weren’t bursting on their own, we burst them. The paint was blistering but the solvent was contained until we burst the bubbles when the tank was empty. And even after patching and putting the tank in service there is a water analysis to show that it meets the water quality standards. I will keep the Board informed and let them know when the formal report from Utilities Services is received.”

Director Barkhurst stated –“This still has the potential for some serious financial impact on the District but I agree with you that Utilities Services is not going to renege on the contract but there is always that potential.”

GENERAL MANAGER’S REPORT

The General Manager reviewed his report that was in the Board Packet and noted that the Sage Tank repair went well, although it presented some operational challenges. He stated that it was quite an accomplishment to have been in and out of all the tanks within a very short time.

REVIEW OF THE MINUTES

The minutes of April 18, 2006 were unanimously approved as presented.

REVIEW OF FINANCIAL REPORT

The Treasurer reviewed the Financial Report April 30, 2006.

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Director Sorell questioned the amount of \$17,800 listed as prepaid insurance on the Balance Sheet as an asset.

The **General Manager** replied that it represents what we have paid in advance for various types of insurance, such as the liability insurance.

Director Sorell noted that it seems like a very large amount.

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The General Manager stated that it is something from the deep dark past that he has not validated, noting that the Auditor comes up with that amount.

Director Sorell noted that it should change every month.

The **General Manager** stated that he has not been adjusting it and that sometimes in the year it should be high and other times low depending upon when the policies hit.

Director Sorell noted that it gets amortized each month. He suggested that we ask the Auditor for her work sheet and he stated that he would talk to her about it.

The Financial Report was then approved for filing as presented.

ITEMS FOR THE NEXT MEETING

Mud Slide – Holly Tank Line

Seating New Board Member

West Tank Refurbishment

ADJOURNMENT

The meeting was adjourned at 2017 hours and the next meeting will be on June 20, 2006.

Respectfully submitted,

Shirley Burt
Secretary to the Board