



Annual Report

2008

Presented to the Board of Directors by
Melvin L. Matthews, General Manager

June 16, 2009

Letter from the General Manager

June 16, 2009

On behalf of the staff of the Kinneloa Irrigation District, I am pleased to present the 2008 Annual Report to the Board of Directors.

The primary mission of the Kinneloa Irrigation District is to provide a safe and reliable source of water to our 600 customers. In order to be able to fulfill our mission in the years ahead, the District continues to do projects as part of our Water System Master Plan; replace capital assets when needed; and perform preventative maintenance on our buildings, wells, water tunnels, pumps, tanks and reservoirs. The major projects completed in 2008 are summarized below:

1. Kinneloa Mesa Pipeline Replacement – The plans and specification were completed for the project to be constructed 2009. The mains on several streets are to be increased in size to provide fire flows consistent with current Los Angeles County recommendations. Additional and upgraded fire hydrants and larger service lines are also included in the project.
2. Replacement Vehicles -- We purchased two one ton trucks with service bodies to replace vehicles that could no longer be economically maintained and had reached the end of a useful service life after 16 and 19 years respectively.
3. Emergency Generator – A 70kva portable generator was purchased for use at our Pasadena Glen Reservoir and other locations when needed. This purchase is part of our emergency preparedness plan.
4. Emergency Interconnection Pipelines – Two joint projects with the City of Pasadena were completed which will provide automatic access by either agency to additional water supplies in the event of a fire, earthquake or other emergency.

We have captured in pictures many of the capital and planned maintenance projects that were completed in 2008 by the staff and contractors of the Kinneloa Irrigation District. They are attached at the end of this report.

The Financial highlights for the year of 2008 are as follows:

1. The District ended the year in sound financial condition with favorable financial results with respect to the budget.
2. Water sales to our customers totaled \$1,041,070.
3. The net surplus for the year was \$135,941.
4. Capital and planned maintenance projects in the total amount of \$167,077 were completed.

A financial summary for the calendar year of 2008 and 2007 is presented in this report.

As we look back on the accomplishments of 2008 in this report, we also look forward to our plans for 2009. Although the Kinneloa Irrigation District is the only water company in the San Gabriel Valley that has been self-sufficient using its local groundwater, California's water crisis continues to be a great concern to the District and its customers. The following issues are being addressed in 2009:

1. The water level in the Raymond Basin Aquifer, which is the natural underground water storage basin underlying the greater Pasadena area continues to decline. This is the source for up to 50-75% of our groundwater supply. Our water rights are meaningless if the levels decline below the pumping level of our current wells. The Raymond Basin Management Board has approved a cutback in the pumping in our subarea of 6% per year for 5 years for a total of 30% reduction in this supply source in an attempt to stabilize the level for the benefit of Kinneloa and other agencies. However this reduction may require a replacement source of water
2. Our man-made water tunnels, which collect water percolating down through the San Gabriel Mountains, provide 25-50% of our groundwater supply. The quantity from this source is totally dependent on the long-term average rainfall. Since we are currently in a long-term drought, the supply from this source may decline in 2009 and beyond.
3. The availability of imported water is not guaranteed if we ever need to supplement our local supply. Continued drought and court-ordered reductions in pumping on the State Water Project during certain times of the year have made this source uncertain and more costly.
4. A new well could be drilled for a cost of \$2 million or more depending on the site and the required depth. However this would not be a new source of supply unless additional groundwater pumping rights could be obtained from another agency.
5. Imported water may not be available to replenish the Raymond Basin and stabilize the level.
6. A shortage of imported water would cause our neighboring water agencies to pump their maximum allocated amount rather than leaving the water in the ground for use in drought years. This could affect the availability of our groundwater supply.
7. Even with the voluntary 30% reduction in pumping, a shortage of imported water and/or a continued decline in water levels could lead to a court-ordered reduction or re-allocation of pumping rights in the Raymond Basin.
8. Local shortages or an extended drought might make it necessary for us to purchase imported water on a long-term basis at the going rate and/or require us to participate in recycled water or desalination projects. The current cost of imported water is up to ten times more than the cost of our locally-produced water. Water rates would need to be increased to pay for the imported water. Parcel taxes are also being considered to finance alternative water supply projects.

The staff and I appreciate the support of the Board of Directors in meeting the future challenges of providing high quality water service to our customers at a reasonable cost.

Sincerely,



Melvin L. Matthews
General Manager

**Financial Summary for Year Ended
December 31, 2008 and December 31, 2007**

	Year of 2008	Percentage	Year of 2007	Percentage
Revenues				
Water Sales	1,041,069.67	96.33	1,113,355.64	75.64
Leased Water Sales	0.00	0.00	2,325.00	0.16
Wholesale Wtr.-City of Pas.	0.00	0.00	80,285.34	5.45
Invoice Sales	10,752.02	0.99	14,036.26	0.95
Interest-General Fund Checking	11.40	0.00	80.45	0.01
Interest-General Fund Savings	27,599.40	2.55	27,184.66	1.85
Interest-Bank of America	0.00	0.00	22.49	0.00
Capacity Charge	0.00	0.00	3,000.00	0.20
Misc. Inc./Disaster Assistance	1,300.00	0.12	231,613.00	15.74
Total Revenues	1,080,732.49	100.00	1,471,902.84	100.00
Expenses				
Electricity	87,992.86	8.14	106,789.88	7.26
Maintenance Supplies	92,527.83	8.56	33,090.48	2.25
Safety Equipment	1,957.15	0.18	703.74	0.05
Maintenance Labor	154,309.17	14.28	156,275.69	10.62
Stand-by Compensation	7,470.00	0.69	9,420.00	0.64
Training/Certification	1,594.55	0.15	1,534.55	0.10
Water Treatment/Analysis	19,765.02	1.83	16,749.64	1.14
Maintenance Contractors	180,625.45	16.71	120,563.75	8.19
Equipment Maintenance	2,484.73	0.23	4,277.47	0.29
Vehicle Maintenance	5,304.83	0.49	6,700.90	0.46
Fuel - All Equipment	9,022.82	0.83	8,273.31	0.56
Insurance-Workers Compensation	11,141.90	1.03	10,742.00	0.73
Insurance-Liability	12,635.15	1.17	15,430.98	1.05
Insurance-Property	2,040.75	0.19	2,235.00	0.15
Insurance-Medical	34,553.71	3.20	35,075.84	2.38
Project Engineering	24,239.00	2.24	2,937.50	0.20
Watermaster	9,511.95	0.88	5,998.77	0.41
Telemetry	713.24	0.07	806.20	0.05
Administrative Salary	97,493.25	9.02	87,091.92	5.92
Administrative Travel	3,176.22	0.29	4,180.63	0.28
Administrative PERS	5,692.19	0.53	4,944.96	0.34
BofD Compensation	5,900.00	0.55	6,200.00	0.42
Administrative Exp.	2,353.82	0.22	2,865.45	0.19
BofD-Election	12,501.89	1.16	0.00	0.00
Customer/Public Info. Prog.	1,524.85	0.14	1,728.04	0.12
PERS - KID	11,509.73	1.06	8,293.89	0.56
Social Security - KID	23,650.70	2.19	23,463.62	1.59
Office Supplies	8,007.91	0.74	4,608.68	0.31
Postage/Delivery	3,683.50	0.34	3,299.47	0.22
Professional Dues	6,739.34	0.62	5,951.48	0.40
Legal	5,457.80	0.51	5,199.89	0.35
Telephone	5,222.46	0.48	4,924.11	0.33
Cellular Telephone	1,869.76	0.17	2,113.17	0.14
Pagers	1,597.63	.015	1,528.57	0.10
Internet Service	883.92	0.08	813.93	0.06
Computer/Software Maintenance	4,337.63	0.40	5,798.74	0.39
Office Equipment Maintenance	1,213.60	0.11	1,184.26	0.08
Accounting	6,200.00	0.57	4,800.00	0.33
Office Labor	45,465.22	4.21	45,043.83	3.06
Outside Services	21,972.65	2.03	16,978.54	1.15
Permits/Fees	7,989.01	0.74	583.96	0.04
Bank Service Charges	2,457.84	0.23	1,144.94	0.08
Total Expenses	944,791.03	87.42	780,347.78	53.02
Net Surplus	135,941.46	12.58	691,555.06	46.98

Balance Sheet as of December 31, 2008 and December 31, 2007

ASSETS	2008	2007
Current Assets		
Checking-Bank of the West		4,902.60
Checking-B of A		19,267.00
Checking-Wells Fargo Bank	194,821.36	168,456.83
Savings Account-LAIF	483,380.48	507,781.08
Savings-LAIF Reserve Fund	250,000.00	250,000.00
Accts. Receivable-Water Sales	67,310.70	139,198.52
Accts. Receivable-Invoices	976.73	2,298.66
Allowance for Bad Debts	(1,881.57)	(1,881.57)
Inventory	19,999.95	20,000.05
Accrued Water Sales	64,896.43	
Prepaid Insurance	12,688.95	11,572.95
Prepaid Expenses	10,765.63	9,670.97
Total Current Assets	1,102,958.66	1,131,267.09
Property and Equipment		
Water Rights	52,060.41	52,060.41
Land Sites	96,700.08	96,700.08
Mains	1,188,444.80	1,010,177.12
Water Tunnels	705,985.75	705,985.75
K-3 Well	70,233.86	70,233.86
Improvement District #1	602,778.12	602,778.12
Mountain Property	6,620.00	6,620.00
Wilcox Well	71,312.70	71,312.70
Fairpoint St. Interconnect	14,203.27	14,203.27
Water Treatment Plant	172,055.97	158,200.11
Trans. & Dist. Plant Meters	54,732.59	54,732.59
Electrical/Electronic Equip.	189,620.60	177,898.56
Computer/Office Equipment	34,761.42	45,430.51
Trucks and Equipment	163,163.91	92,485.95
Water Company Facilities	39,079.20	36,590.26
Hidden Valley Office	51,362.92	51,362.92
Shaw Ranch	280,789.92	280,789.92
Dove Creek Project	487,383.87	487,383.87
Kinneloa Ridge Project	690,492.58	690,492.58
Eucalyptus Booster Station	471,817.81	471,817.81
Construction in Progress	128,391.75	128,391.75
Vosburg Booster	12,590.00	12,590.00
SCADA	164,211.91	135,075.52
Tanks and Reservoirs	82,569.25	82,569.25
Holly Tanks	181,113.76	181,113.76
Accum. Depreciation	(2,147,170.24)	(1,968,472.95)
Total Property and Equipment	3,736,903.46	3,748,523.72
Total Assets	4,839,862.12	4,879,790.81

**LIABILITIES AND
CAPITAL****2008****2007****Current Liabilities**

Accounts Payable	12,379.80	32,458.52
PERS Withholding-Employee	1,288.75	1,163.98
Medical/Dental Employee Withholding	502.80	249.96
Deposits-Construction Meters	1,700.00	850.00
Job Deposits		9,189.38
Job Deposits-Doyne Rd.	5,497.68	5,497.68
New York Drive Retention		10,743.00
Accrued Vacation	12,003.70	10,525.70

Total Current Liabilities 33,72.73 70,678.22

Long-Term Liabilities

Truck Lease Payable	86,671.63	
Total Long-Term Liabilities	86,671.63	0.00
Total Liabilities	120,044.36	70,678.22

Capital

Fund Balance	4,818,302.59	4,319,018.53
Net Income	(98,484.83)	490,094.06
Total Capital	4,719,817.76	4,809,112.59

Total Liabilities & Capital 4,839,862.12 4,879,790.81

The Year in Pictures

Holly On-Site Chlorine Generator



Holly Chlorinator Building



Holly Chlorine Generator

Replacement Trucks and New Generator



Unit 1



Pasadena Glen Reservoir Generator

Kinneloa and City of Pasadena Interconnections



Sierra Madre Villa Pipeline



Sierra Madre Villa, South of Barhite Street



Ranch Top Road Interconnection Project



Ranch Top Road Interconnection Valves



Cutting of KID 8" PVC Main for Interconnection



Line Stop to Facilitate Interconnection

Preventative Maintenance, Repairs and Upgrades



Delores Tunnel Pipeline Repair



Brown Reservoir SCADA Installation



K-3 Well Motor Repair



Replace Villa Knolls Service Lines



New Entrance Closure for House Tunnel



House Tunnel Outlet Pipe



POST OFFICE BOX 5578, PASADENA, CALIFORNIA 91117-0578
TELEPHONE (626) 797-6295 • FAX (626) 794-5552