

**MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF THE
KINNELOA IRRIGATION DISTRICT
AUGUST 26, 2011**

+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 0835 hours. He noted that there was a quorum present. The Agenda was unanimously approved as presented.

PUBLIC COMMENT: No members of the public were present.

PRESENTATION AND DISCUSSION OF YEAR 2012 PROPOSED BUDGET:

The General Manager submitted the following documents for review by the Board.

- The 2012 Budget Worksheet
- Budget Financial Summary for the years 2002-2011
- 2012 Proposed Budget.

He reviewed the worksheet providing detailed notes regarding the variances between the 2011 approved budget and the proposed 2012 budget noting that the total proposed revenue is reduced by \$56,450 from the 2011 year mainly due to --

- continued customer conservation efforts without a change in the rate
- decreased interest income due to lower reserve fund balance
- unknown wholesale water sales at this time
- no capacity charge as project delayed

and the proposed expenditures are increased by \$71,769 from the year 2011 mainly due to --

- increase in medical insurance, supplies, fuel, vehicle maintenance, profession dues
- purchase of replacement billing system (software)
- design work for the proposed 2013-2015 projects (Vosburg Booster Station, East-West Line)
- leased water rights

Director Barkhurst questioned whether the billing system should not be included in the Capitol Projects area and depreciated over several years noting that it would make the operating budget a little more in line. **Director Sorell** replied that the auditor may move that item because of the dollar size but probably only part of the cost would be transferred because some of the costs include the annual renewal fee, etc.

Director Griffith questioned whether there would be electrical rate increases and the **General Manager** stated that he does not expect any increases.

Director Sorell questioned maintaining the amount for Maintenance Contractors the same as in 2011 and **Director Barkhurst** noted that each year the system gets older and therefore more vulnerable. The **General Manager** explained this item now also includes the Tank Maintenance Contract and this skews the picture in reviewing years since 2002 since that was added in 2004.

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Director Griffith questioned whether the trucks had been paid off and the **General Manager** replied that there are two more years to go.

Director Sorell questioned the amount allocated for engineering services and the **General Manager** explained that some of the expenditures get transferred to the project when it is done and that the category was originally intended for non project engineering such as distribution system maps, fire flows, etc.

Director Barkhurst questioned why the engineering design work is scheduled so far in advance of the project and the **General Manager** explained that the engineering design takes a very long time and it is needed in order to estimate the cost and build up the reserve necessary to fund the project. The **General Manager** explained that this budget reflects sort of an off year for projects so that this will give an opportunity for the reserve to build back up.

Director Sorell noted that this is a break even budget and therefore the reserve will not be increased or decreased.

Director Eldridge questioned where the funds will come from to do the project if the reserve is not going to increase and the **General Manager** explained that the money will have to be borrowed or the rates will need to be increased however he is hopeful that additional income will come from selling leased water.

Director Eldridge expressed concern as to how the continued emphasis on conservation could effect the income from customer sales and **Director Barkhurst** noted that in the future the District may have to increase wholesale water sales if leased pumping rights are available at a favorable cost.

It was M/S/C (Barkhurst/Kilburn-5/0) – **“That the Board accept the proposed budget as submitted for final consideration at the next Regular Meeting”**.

ADJOURNMENT:

The meeting was adjourned at 1000 hours.

Respectfully submitted,

Shirley Burt
Secretary to the Board