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# Annual Report

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## 2019

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

February 18, 2020

## Letter from the General Manager

February 18, 2020

On behalf of the staff of the Kinneloa Irrigation District, I am pleased to present the 2019 Annual Report to the Board of Directors.

The mission of the Kinneloa Irrigation District is to provide a safe and reliable source of water to our 587 customers. In order to fulfill our mission in the years ahead, the District continues to carry out projects as part of our *Water Master Plan*; replace capital assets when needed; and perform preventative maintenance on buildings, wells, water tunnels, pumps, tanks and reservoirs. Some of the major projects started or completed in 2019 are summarized below:

1. Water Treatment Plant – The obsolete equipment for chlorination of water from the Far Mesa Tunnel was replaced with a new building, storage tank and metering pump at the Glen Reservoir.
2. Water Meters and Transmitters – Along with the purchase of replacement water meters, we started a test of the next generation transmitters that send meter readings and other data via the cellular network to our office or any Internet-connected location. These devices provide near real-time water usage and leak notifications to the customer and to the District.
3. Water Main Replacement and Improvement Projects – Design work was started on the new East Tank Connector Pipeline and the Brown-Glen Replacement Pipeline. These projects will increase flow during fire events and provide operational improvements to these two pressure zones and are part of our emergency preparedness plan.
4. SCADA Equipment – Seventeen obsolete communications radios were replaced at District facilities. These radios are a key component of the system that controls wells, pumps and reservoir levels and provides the historical data on water production.

We have captured in pictures many of the capital and planned maintenance projects that were completed in 2019 and they are presented in Exhibit A.

An unaudited financial summary for the calendar year of 2019 and 2018 is presented in Exhibit B.

The financial highlights for the year of 2019 are as follows:

1. The District ended the year in sound financial condition with favorable financial results with respect to the budget.
2. Total revenues were \$1,688,334.
3. The net income for the year was \$345,076.
4. Capital and planned maintenance projects in the total amount of \$190,722 were completed.
5. The net surplus added to reserves for future capital and planned maintenance projects was \$154,354

As we look back on the accomplishments of 2019 in this report, we also look forward to our plans for 2020 and beyond. 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 periodic droughts are a great concern to the District and its customers. The following issues are continuing to be addressed in 2020:

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 50 to 85% of our groundwater supply depending on rainfall and our tunnel supplies. Our water rights are meaningless if the levels decline below the pumping level of our current wells. The Raymond Basin Management Board (RBMB) has approved a 30% reduction in this supply source to help stabilize the level for the benefit of Kinneloa and other agencies. However, this reduction is still not enough to prevent a further decline and several scenarios are being discussed to further reduce pumping and find a source of replenishment water. Imported water may not be available at a reasonable cost to replenish the Raymond Basin and stabilize the level.
2. Our man-made water tunnels, which collect water percolating down through the San Gabriel Mountains, provide 15 to 50% of our groundwater supply. The quantity from these sources is totally dependent on the long-term average rainfall and maintenance of the pipelines. In periods of drought these sources decline significantly.
3. The availability of imported water is not guaranteed if we ever need to supplement our local supply. Reductions in pumping on the State Water Project and the Colorado River Aqueduct during certain times of the year and due to regulatory actions have made this source uncertain and more costly. Furthermore, the District does not have a pipeline to receive water from Foothill Municipal Water District, the wholesale source of imported water from the Metropolitan Water District of Southern California (MWD).
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. 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.
6. 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 approximately 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 may also need to be considered to finance alternative water supply projects.

Water Sales for 2013 through 2019 are shown in Exhibit C.

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

# Exhibit A

## The Year 2019 in Pictures

Far Mesa Tunnel Chlorinator at  
Glen Reservoir



Chlorinator Building



Chlorine Storage Tank



Chlorine Metering Pump

SCADA Radio Replacement



Replacement radios installed at 17 locations

Water Meter and Transmitter for Automated Meter Reading



Water Meter and LTE Cellular Transmitter for Automated Meter Reading (AMR) and Leakage Notifications



LTE Cellular Transmitter for Advanced Meter Analytics (AMA)

## Preventative Maintenance, Repairs and Upgrades



Installation of new radios at three sites for the agriculture and pumping interruption (API) rate reduction program



Broken House Tunnel supply line discharging water into the canyon



The House Tunnel supply line pulled apart at a bell and spigot joint





Preparation for the repair of the House Tunnel supply line



Completed repair of the House Tunnel supply line



Leak repair on Villa Knolls Drive water main



Leak repair on Villa Knolls Drive water main



Cause of water main leak on Mesaloe Lane



Completed repair on Mesaloe Lane water main



Replacement of leaking butterfly valve at West Tank



Completed replacement of butterfly valve at West Tank

**Exhibit B**  
**Financial Summary for Year Ended**  
**December 31, 2019 and December 31, 2018**

# Kinneloa Irrigation District

## Net Income Statement for Years Ending December 31, 2019 and December 31, 2018

	Year of 2019	Percentage	Year of 2018	Percentage
<b>Revenues</b>				
4000 Water Sales	\$ 1,515,910.52	89.79	\$ 1,579,233.20	92.09
4015 Wholesale Water Sales	97,182.94	5.76	92,049.25	5.37
4020 Service/Installation Charges	23,518.54	1.39	19,449.48	1.13
4035 Interest-Reserve Fund	45,752.39	2.71	13,250.04	0.77
4070 Misc. Income	5,969.27	0.35	10,844.53	0.63
<b>Total Revenues</b>	<b>1,688,333.66</b>	<b>100.00</b>	<b>1,714,826.50</b>	<b>100.00</b>
<b>Expenses</b>				
5000 Leased Water Rights	63,135.00	3.74	63,135.00	3.68
5005 Electricity	122,047.78	7.23	127,199.07	7.42
5010 Maintenance/Repair Supplies	52,443.94	3.11	35,425.46	2.07
5011 Material and Labor for Install	0.00	0.00	1,480.77	0.09
5012 Safety Equipment	1,956.42	0.12	362.46	0.02
5015 Operations Labor	192,070.79	11.38	168,868.83	9.85
5016 Operations OT	19,434.94	1.15	8,123.32	0.47
5020 Stand-by Compensation	10,830.00	0.64	7,350.00	0.43
5022 Training/Certification	1,265.22	0.07	850.00	0.05
5025 Water Treatment/Analysis	24,007.59	1.42	22,540.17	1.31
5030 Maintenance/Repair Contract	164,782.48	9.76	114,815.85	6.70
5034 Equipment Maintenance	20,228.24	1.20	9,001.91	0.52
5035 Vehicle Maintenance	11,683.21	0.69	8,218.97	0.48
5036 Fuel	14,665.14	0.87	11,711.64	0.68
5045 Insurance-Workers Comp.	24,574.00	1.46	14,299.97	0.83
5046 Insurance-Liability	14,717.87	0.87	14,285.01	0.83
5048 Insurance-Property	1,464.48	0.09	1,766.53	0.10
5049 Insurance-Medical	84,051.34	4.98	77,370.20	4.51
6000 Engineering Services	26,916.50	1.59	4,770.00	0.28
6005 Watermaster Services	10,567.00	0.63	10,740.48	0.63
6015 Administrative Salary	137,868.24	8.17	134,291.48	7.83
6017 Administrative Travel	1,060.06	0.06	1,399.33	0.08
6020 Board Compensation	5,000.00	0.30	5,000.00	0.29
6021 Administrative & Board Exp.	237.61	0.01	0.00	0.00
6022 Board of Directors Election	0.00	0.00	81.28	0.00
6024 Customer/Public Info. Prog.	1,421.95	0.08	1,688.06	0.10
6025 PERS - KID	32,135.63	1.90	(146,549.73)	(8.55)
6030 Social Security - KID	27,638.50	1.64	24,807.39	1.45
6031 Medicare - KID	6,490.55	0.38	5,837.31	0.34
6035 Office/Computer Supplies	6,823.40	0.40	6,406.21	0.37
6036 Postage/Delivery	4,708.28	0.28	2,883.46	0.17
6040 Professional Dues	13,984.38	0.83	10,644.00	0.62
6045 Legal Services	9,251.61	0.55	8,425.29	0.49
6050 Telephone	4,352.66	0.26	4,275.69	0.25
6051 Mobile Telephone	772.97	0.05	919.93	0.05
6052 Pagers	451.69	0.03	340.46	0.02
6053 Internet Service	783.76	0.05	1,204.96	0.07
6059 Computer Software Maint.	6,971.25	0.41	14,832.25	0.86
6061 Office Equipment Maint.	747.89	0.04	0.00	0.00
6065 Accounting Services	7,100.00	0.42	6,750.00	0.39
6070 Office & Accounting Labor	92,911.75	5.50	93,934.02	5.48
6075 Professional/Contract Serv.	30,971.72	1.83	28,996.19	1.69
6080 Administrative Fees	9,462.85	0.56	8,470.07	0.49
6081 Permits/Fees	8,752.50	0.52	7,307.92	0.43
6086 Taxes - Sales	38.90	0.00	84.00	0.00
6088 Interest Expense	64,800.74	3.84	71,289.66	4.16
6120 Bank Service Charges	7,677.19	0.45	6,545.70	0.38
<b>Total Expenses</b>	<b>1,343,258.02</b>	<b>79.56</b>	<b>1,002,180.57</b>	<b>58.44</b>
<b>Net Income</b>	<b>345,075.64</b>	<b>20.44</b>	<b>712,645.93</b>	<b>41.56</b>

Unaudited - For Management Purposes Only

**Kinneloa Irrigation District**  
**Balance Sheet as of December 31, 2019 and December 31, 2018**

	2019 Balance	2018 Balance
<b>ASSETS</b>		
Checking-Wells Fargo Bank	368,703.18	776,920.77
Reserve Fund-LAIF	125,623.40	122,547.67
Reserve Fund-CalTRUST	1,719,990.08	1,157,917.93
Unrealized Gain (Loss)-CalTRUST	(13,117.23)	5,848.71
Accrued Interest-LAIF	721.67	1,151.22
Accts. Receivable-Water Sales	43,879.68	50,041.17
Accts. Receivable-Service Charges	494.19	263.84
Employee Loans	903.35	0.00
Allowance for Bad Debts	(771.48)	(771.48)
Inventory	20,000.00	20,000.00
Accrued Water Sales	128,279.30	134,662.28
Prepaid Insurance	11,137.64	9,720.48
Prepaid Expenses	29,793.38	21,444.82
	2,435,637.16	2,299,747.41
<b>Total Current Assets</b>	<b>2,435,637.16</b>	<b>2,299,747.41</b>
<b>Property and Equipment</b>		
Water Rights	52,060.41	52,060.41
Land Sites	96,700.08	96,700.08
Water Mains	3,584,517.77	3,584,517.77
Water Tunnels	729,074.60	729,074.60
K-3 Well	89,543.06	89,543.06
Improvement District #1	602,778.12	602,778.12
Mountain Property	6,620.00	6,620.00
Wilcox Well/Wilcox Booster	94,030.98	94,030.98
Interconnections	14,203.27	14,203.27
Water Treatment Plant	191,625.82	187,388.28
Water Meters	112,592.71	104,486.33
Electrical/Electronic Equip.	256,918.72	256,918.72
Computer/Office Equipment	75,922.12	75,205.63
Vehicles & Portable Equipment	242,548.91	242,548.91
Water Company Facilities	70,422.20	70,422.20
KID Office	54,741.36	54,741.36
Shaw Ranch	280,789.92	280,789.92
Dove Creek Project	487,383.87	487,383.87
Glen Reservoir/Booster	24,190.86	24,190.86
Kinneloa Ridge Project	690,492.58	690,492.58
Eucalyptus Booster Station	532,342.43	532,342.43
Vosburg Booster	1,647,215.66	1,647,215.66
SCADA Equipment	350,158.34	307,897.92
Tanks and Reservoirs	119,491.90	119,491.90
Holly Tanks	181,113.76	181,113.76
Tools	6,273.13	6,273.13
Accumulated Depreciation	(4,926,201.76)	(4,926,201.76)
	5,667,550.82	5,612,229.99
<b>Total Property and Equipment</b>	<b>5,667,550.82</b>	<b>5,612,229.99</b>

	2019 Balance	2018 Balance
Other Assets		
PERS-Deferred Outflows	99,141.00	99,141.00
Total Other Assets	99,141.00	99,141.00
<b>Total Assets</b>	<b>8,202,328.98</b>	<b>8,011,118.40</b>

## LIABILITIES AND CAPITAL

Current Liabilities		
Accounts	32,192.24	35,244.30
Job Deposits	900.00	900.00
Deposits-Water Customers	255.02	255.02
Accrued Vacation	19,935.60	19,935.60
Total Current Liabilities	53,282.86	56,334.92
Long-Term Liabilities		
Installment Purchase	1,733,076.13	1,868,477.35
PERS- Net Liability	255,916.96	271,328.74
PERS- Deferred Inflows	36,648.00	36,648.00
Total Long-Term Liabilities	2,025,641.09	2,176,454.09
Total Liabilities	2,078,923.95	2,232,789.01
Capital		
Fund Balance	5,778,329.39	5,398,495.20
Net Income	345,075.64	379,834.19
Total Capital	6,123,405.03	5,778,329.39
<b>Total Liabilities &amp; Capital</b>	<b>8,202,328.98</b>	<b>8,011,118.40</b>

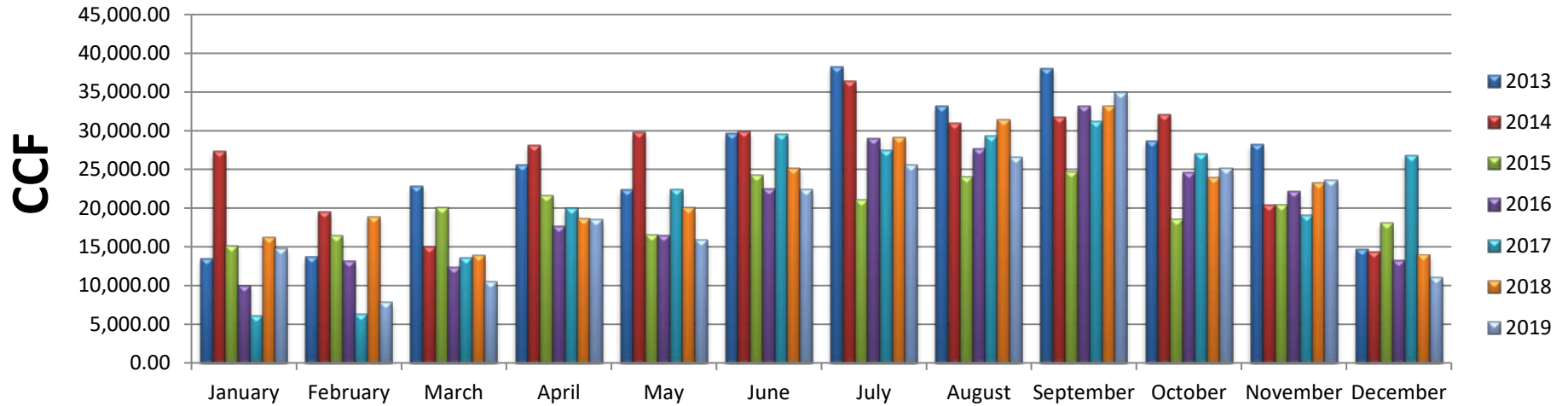
## Other Expenditures for 2019

Water Treatment Plant	4,237.54
Water Meters	8,106.38
Computer/Office Equipment	716.49
SCADA Equipment	42,260.42
Installment Purchase Agreement	135,401.22
<b>Total Other Expenditures</b>	<b>190,722.05</b>



## Exhibit C

### Water Sales January 2013 through December 2019



Month\Year	2013	2014	Percentage 2014 vs. 2013	2015	Percentage 2015 vs. 2014	2016	Percentage 2016 vs. 2015	2017	Percentage 2017 vs. 2016	2018	Percentage 2018 vs. 2017	2019	Percentage 2019 vs. 2018	Percentage 2019 vs. 2013
January	13,433.84	27,346.09	50.9%	15,139.14	-44.6%	9,976.03	-34.1%	6,087.44	-39.0%	16,209.81	166.3%	14,799.07	-8.7%	10.2%
February	13,647.60	19,531.19	30.1%	16,426.97	-15.9%	13,087.06	-20.3%	6,260.89	-52.2%	18,825.09	200.7%	7,814.78	-58.5%	-42.7%
March	22,864.75	14,992.66	-52.5%	20,017.80	33.5%	12,329.17	-38.4%	13,607.67	10.4%	13,905.15	2.2%	10,428.68	-25.0%	-54.4%
April	25,580.22	28,144.68	9.1%	21,618.07	-23.2%	17,691.97	-18.2%	19,985.39	13.0%	18,676.28	-6.6%	18,528.34	-0.8%	-27.6%
May	22,344.18	29,731.87	24.8%	16,540.07	-44.4%	16,451.27	-0.5%	22,399.45	36.2%	20,065.74	-10.4%	15,942.43	-20.5%	-28.7%
June	29,605.73	29,878.35	0.9%	24,248.07	-18.8%	22,444.33	-7.4%	29,548.21	31.7%	25,095.13	-15.1%	22,403.98	-10.7%	-24.3%
July	38,314.11	36,366.62	-5.4%	21,045.33	-42.1%	28,938.82	37.5%	27,507.42	-4.9%	29,171.12	6.0%	25,606.25	-12.2%	-33.2%
August	33,199.17	31,022.84	-7.0%	24,001.09	-22.6%	27,685.37	15.4%	29,322.57	5.9%	31,398.23	7.1%	26,596.35	-15.3%	-19.9%
September	38,084.37	31,754.34	-19.9%	24,753.39	-22.0%	33,175.96	34.0%	31,192.59	-6.0%	33,153.90	6.3%	34,990.24	5.5%	-8.1%
October	28,679.52	32,084.57	10.6%	18,597.68	-42.0%	24,632.13	32.4%	27,026.88	9.7%	23,936.21	-11.4%	25,178.15	5.2%	-12.2%
November	28,223.52	20,371.82	-38.5%	20,412.15	0.2%	22,153.05	8.5%	19,043.64	-14.0%	23,302.79	22.4%	23,561.50	1.1%	-16.5%
December	14,695.84	14,383.35	-2.2%	18,124.47	26.0%	13,295.95	-26.6%	26,845.02	101.9%	13,968.63	-48.0%	10,982.31	-21.4%	-25.3%
<b>Total</b>	<b>308,672.85</b>	<b>315,608.38</b>	<b>2.2%</b>	<b>240,924.23</b>	<b>-23.7%</b>	<b>241,861.11</b>	<b>0.4%</b>	<b>258,827.17</b>	<b>7.0%</b>	<b>267,708.08</b>	<b>3.4%</b>	<b>236,832.08</b>	<b>-11.5%</b>	<b>-23.3%</b>