

## MINUTES

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
November 19, 2018 3:00 P.M.  
22901 Banducci Road, Tehachapi, CA 93561**

**Item 1. Call to Order and Roll Call**

**Directors Present:** Hall, Pack, Worden, and Zanutto

**Directors Absent:** Prel

**Staff in Attendance:** Catherine Adams, Troy DePriest, LaMinda Madenwald and Tom Neisler

**Item 2. Flag Salute**

The Pledge of Allegiance was led by Director Worden.

**Item 3. Approval of Agenda**

The agenda was approved on a motion made by Director Hall, seconded by President Zanutto and carried on by the following vote: Ayes: Hall, Pack, Worden, Zanutto; Noes: None; Abstain: None; Absent: Prel.

**Item 4. Comments by any Party on Items of Interest and Within the Subject Matter Jurisdiction of the Legislative Body**

Mr. Tony Chessick with Integrated Energies-Wind approached the Board to discuss why he thinks wind energy would be a good option for the District. He spoke about his proposal and provided paperwork to the Board Secretary that she passed out to Board members and staff. President Zanutto requested Mr. Chessick make an appointment to meet with the General Manager to discuss this and if he feels it's warranted, he can put an item on the agenda for Board discussion.

There were no other comments.

**Item 5. Consent Calendar - Consent items are considered routine and are intended to be acted upon as a single item, without discussion. During this portion of the meeting, the Consent Calendar will be read aloud. Prior to approval, the President will give the Board the opportunity to remove any item from the Consent Calendar to be discussed and voted on individually. The President will also give staff and the public the opportunity to request any item be discussed individually, in which case the President will determine whether the item will be removed from the Consent Calendar. The remaining calendar will be acted upon. Any removed items will then be heard and acted upon individually.**

- a. Approve Minutes of the Regular Board Meeting of October 17, 2018
- b. Approve Quarterly Investment Report, Financial Report and Payment of Bills
- c. Cancel Regular Board Meeting scheduled for November 21, 2018

Director Hall pulled Item 5. a. and Director Worden pulled Item 5. b. and Item 5. c.

Item 5. a. - Director Hall stated that in Item 7 of the minutes, on page 4, the statement, "Antelope Valley Recharge project" should be corrected to state, "Antelope Dam Recharge project".

Director Hall made a motion to approve Item 5. a. Minutes of the Regular Board Meeting of October 17, 2018 as corrected. The motion was seconded by Director Pack and it was carried on the following vote: Ayes: Hall, Pack, Worden, Zanutto; Noes: None; Abstain: None; Absent: Prel.

Item 5. b. - Director Worden asked for details on the following checks:

Check 4452- Mr. Neisler explained this is a progress payment on a budgeted, Capital Improvements expense for the GIS system.

Check 4474- Mr. DePriest clarified this Mead & Hunt check for inundation studies mapping is a progress payment and he believes there will be one more. This also includes Emergency Action Plans that are required by the State of California. Mead & Hunt are consultants from Sacramento who are experts in computer modeling for flood, inundation, and dam construction. These maps have been submitted to DWR for approval. The inundation maps show the impact if Jacobsen Dam water was released. The budget amount is around \$51,000 for this item. Mr. Neisler added that Mr. DePriest has applied for a grant to cover those costs and he's passed the first round of the grant review. If the District is able to receive this grant, the reimbursement would be put back into the general fund.

Check 4478- Director Worden commented that oil prices have really gone up. Mr. Neisler agreed, and stated it is going to get worse. He stated staff will take a good look at this at the mid-year budget review. The current budget is \$160,000.00 for the year, so costs should stay within that budget.

President Zanutto asked if any other Board members had questions on the warrants and there were none. When staff was asked, Mr. Neisler asked to make a comment. He referenced the add-on check register that was distributed to the Board members and explained the 3 checks on it. One is a voided check; the other two checks were processed between the October and November Board meetings. President Zanutto was asked to come in and sign those. The first check (4436), was an oversight by staff. The invoice was presented in a timely manner and should have been presented at the October Board meeting. It was overlooked, and the vendor was incensed about that amount of money not being paid since the product had already been delivered. So that invoice was honored. Since that first invoice was being paid, Mr. Neisler made the decision to honor a forwarded invoice from Chicago Title that came through Kuhs & Parker for the title work that was performed for the Cummings Valley adjudication process that was already 45 days out when the office received it. At Mr. Neisler's request, President Zanutto came in and signed those two checks. Mr. Neisler is asking that the Board approve those two warrants as well with this item and apologized for having to handle them this way. Director Worden asked about the Chicago Title check and Mr. Neisler explained that Kuhs & Parker would have paid the invoice, however, they would then bill the District for the amount with a mark-up. Mr. Neisler felt it was better to pay the invoice directly to avoid the higher cost. Director Worden expressed his appreciation for considering the option that saved the District money.

Director Worden made a motion to approve Item 5. b. Approve Quarterly Investment Report, Financial Report and Payment of Bills. The motion was seconded by Director Hall and it was carried on the following vote: Ayes: Hall, Pack, Worden, Zanutto; Noes: None; Abstain: None; Absent: Prel.

Item 5. c. – Director Worden requested clarification on this item as he thought it had been handled at last month's Board meeting. Mr. Neisler explained that the Board needs to officially cancel the Regular Board meeting on November 21, 2018 and this could not take place at the last meeting because it was not on the agenda.

Director Hall made a motion to approve Item 5. c. Cancel Regular Board Meeting scheduled for November 21, 2018. The motion was seconded by Director Pack and it was carried on the following vote: Ayes: Hall, Pack, Worden, Zanutto; Noes: None; Abstain: None; Absent: Prel.

**Item 6. General Manager's Report**

Mr. Neisler reported on the following matters:

- He included a picture of the Board room set up as a polling location and mentioned the poll workers were appreciative of the new surroundings. There was a high turnout.
- Proposition 3 on the ballot impacts the District and it failed. That was the water bond that would benefit water purveyors in the state, so that will leave a funding gap for some critical projects. That, alongside the new administration coming in, has left things at the state level even more uncertain than they were.
- The Camp Fire, as horrific as it is, does not present any danger to Oroville Dam or the repairs that were completed there. Ongoing construction work is shut down until that fire is fully contained. The power companies have enacted new regulations for when transmission facilities are potentially impacted by natural disasters, they proactively shutdown the power to avoid more damage than is necessary. The repairs on the emergency spillway are not complete.
- DWR reported they will keep the level in Oroville artificially low again this year. Regardless of how much rain there is, they are not going to let it fill to the levels it should. This is storage the District pays for and is entitled to, however are not getting it due to DWR. It's very likely this will result in a lower allocation than would be expected, regardless of precipitation this year. The first allocation should be out the first part of December. Mr. Neisler expects it to be no more than 10%.
- The District imported 9997.6 AF; Mr. Neisler was concerned about shutting the system down without exceeding the amount of water the District has available, to avoid dealing with problems with the DWR.
- Staff anticipates some changes in agricultural operations this coming year that may impact the amount of agricultural demand the District meets (nothing is finalized at this point). Some of those changes were seen this year and it is a positive development. More discussion will take place in the future as plans come to fruition. Regardless of what happens there, staff will project another 10,000 AF of imports next year to meet the goal of the Board's direction.
- The system was shut down on November 13, 2018 as there was no more water to pump.
- A graph of Brite Lake was shown on the screen and Mr. Neisler explained the lake is dropping like a rock and that was the goal. Recharge operations are scheduled to shut down some time in the first part of December to let them rest through the winter period. Things are operating as predicted.
- Next week is the Fall ACWA JPIA Conference in San Diego. Director Hall and Mr. Neisler will be attending and will report back to the Board in December.
- This month Mr. Neisler attended the Water Association of Kern County Annual Dinner at the Doubletree Hotel. It is a good occasion and gave Mr. Neisler the opportunity to speak to some senior staff members in the agency and other districts in a more unstructured social setting.
- The WaterFix will be discussed in Closed Session.
- On November 9<sup>th</sup>, Michael Booker from C.A.S.E. came in and provided active shooter training to all the staff. It was informative, staff was very engaged, and Mr. Neisler feels staff is much better prepared to deal with that event if it were to occur. He heard nothing but positive responses from staff.
- Mr. Neisler pulled the current Reservoir Conditions graph up on the screen. It shows Lake Shasta at 80% of normal capacity, and Lake Oroville is at 51%. Relatively similar hydrology, characteristics, and rain fall amounts from last year, yet one is very much lower than the other. San Luis Reservoir is at 106% of normal and 59% of capacity. The water is not getting through the project to get down to the users who need it in Central and Southern California.
- The precipitation charts are included with the staff report and the totals haven't changed so the percentages continue to go down as the year progresses and no more precipitation is received.

Director Worden commented that he thought it was good for the staff to go through that training and he thinks it would be good for the Directors to go through that training as well. Mr. Neisler agreed and added that the maximum capacity for the class was 20 people and there were 20 employees in attendance so there simply wasn't capacity in the class to accommodate any additional attendees and that's the only reason the Directors were not included. He discussed it with the consultant and he was not comfortable going beyond 20 people.

Director Pack suggested that training on bomb threats may be something to consider as well.

**Item 7. Operations Manager's Report**

Mr. DePriest reported on the following matters:

- Now that the system is shut down for the season, maintenance tasks are being started such as engine rebuilds and installing new valves and heat exchangers at Pump Plant 4.
- There are numerous projects to complete, including one involving GE and the replacement of the EMS 1 units at PP 1.
- Training with Allen Instruments to operate the Trimble data collectors was effective. Some data collection test-runs have been done.
- Document preparation continues for submitting information on the three dams to the regulatory agencies. Work on the Emergency Action Plans was discussed earlier in the meeting.
- Staff is trying to maximize groundwater recharge; approximately 4300 GPM (19 AF per day) is being pumped collectively to the recharge facilities.
- He attended a seminar at Meyers Nave Law Firm in Los Angeles for public works contracting requirements. Subjects discussed included prevailing wage, public works project registration, and drafting contract language.
- In October, a Dept. of Fish and Wildlife inspection was successfully completed. The District holds a Lake or Streambed Alteration Agreement with the DOW and is required to report maintenance activities at various streambed locations. The District received approval to extend the alteration permit for another 5 years.
- On October 13<sup>th</sup>, Brite Lake elevation was 4,352.2 feet and the volume was 1075.4 AF.
- There is a "recall" of the Engine System Manager 1 (ESM 1) units on four engines at Pump Plant 1. GE technicians are scheduled for December 3<sup>rd</sup> to begin replacing the ESM 1 units with the ESM 2 version. The ESM communicates with the Emission Control Unit (ECU). The ESM 1 is essentially the computer control for the engines. The HMI on the Engine Control Consoles have also been replaced. This upgrade will be at no cost to the District. A staff member will be overseeing the work and the project should take about 4 weeks.
- Condition Monitoring Services (CMS) from Las Vegas was onsite collecting vibration data from 6 engines, gearheads, and pumps; that's two each at PP1, PP2, and PP3. This exercise was to collect baseline vibration data prior to performing engine alignments as part of off season and ongoing preventative maintenance. Vibration data will continue to be collected when pumping begins again in February. In the future, staff hopes to collect this data in house and only employ CMS to analyze the data and do alignments. Keto/Bakersfield Machine Co. is manufacturing two new drive couplings; the photo on the staff report is one of them. This is another upgraded component factoring into our goal of improving alignment and reducing vibration in the system. The pipeline department has completed work on a leak on the corner of Highline and Tucker. They are also working on the pump plant road to improve the condition of it before the winter months. The Board previously approved \$20,000.00 for the road base/surfacing as part of the Capital Expenditure Budget.
- He described the photos attached to his staff report.

President Zanutto asked if when they change over these emission control units, if they start up the engines and run tests since there is no water running. Mr. DePriest answered that they will not be able to run water through the system yet. Mr. Neisler added that they will come back once the District commences operations in 2019 and do the fine tuning. He clarified that they are not emission control units, they are engine control units.

**Item 8. Authorize TCCWD Representative to JPIA Board of Directors to Vote District's Desire on Insurance Captive Proposal**

Mr. Neisler introduced the item by saying at both the Fall 2017 and Spring 2018 JPIA Conferences, JPIA Executive Director, Andy Sells, made presentations about this insurance captive concept. As the process moved forward, JPIA conducted a more detailed and thorough presentation at the water agency headquarters on November 7<sup>th</sup> of this year. Director Hall and Mr. Neisler attended that presentation and feel they are well versed on the concept. The basic idea of an insurance captive is to invest assets more aggressively to provide higher returns. In addition, some of those assets can be used to self-insure amounts higher than what JPIA is allowed under California regulations. JPIA's approach is to create a new joint powers authority headquartered out of state and take a portion of their assets (\$50 million) and put it into investments that are intended to provide higher returns.

The purpose of this item is for the Board to direct Director Hall to vote (aye or nay) on the insurance captive proposal at the JPIA Board of Directors meeting on November 26, 2018. Director Hall is the District's long-time JPIA Board representative, he is well versed on these ideas, and has expertise in this field as well as in how JPIA operates, so Mr. Neisler turned it over to Director Hall for a presentation.

Director Hall referred everyone to the PowerPoint slides on the screen and mentioned they are included in the staff report for reference. He stated that by shifting some of the insurance operations to Utah, JPIA can have more flexibility and freedom than what they have in California. He explained that a Captive Regulator is when the very business that the agency is supposed to regulate, is controlling the regulator. So, it's possible that some of these things are not purely in the public interest for Californians, but in the interest of California insurance companies. Utah has laws regulating insurance agencies the captive will be bound by, and there will be a Utah Board member which will be a lawyer in Utah and the other 4 would come from JPIA. Two things that JPIA will be able to do in Utah, that they are not able to do now, are to self-insure higher amounts and secondly, increase investment earnings. Director Hall feels that the biggest advantage is the less-stringent investment opportunities that the Utah company would have. Following the California laws for insurance companies, JPIA can only get a lower return on fixed investments whereas if it shifted to the Utah laws controlling insurance investments, they would be able to conceivably get a higher return utilizing a mix of fixed and equity investments. JPIA's approach is to go in small and let things build up so that the insurance captive cannot cause a catastrophic loss. Director Hall thinks JPIA knows what they are doing and are not the first company to do something like this.

Director Hall suggests that the Board vote "yes" in favor of the insurance captive proposal.

The Directors had many questions and discussion took place on the financial details, the risks involved, and the positive and negative effects of moving to a captive. There were various opinions from the Directors.

Director Worden asked Mr. Neisler to share his thoughts on this. Mr. Neisler stated JPIA has \$168 million they want to put some percentage of into this program. JPIA has about 330-member units and if he divides \$168 million by 330, assuming everyone was the average size, the District's share of the pie would

be about \$0.5 million. So, the District has about \$12 million in capital reserves, and he would be leery of embarking on this type of proposal with the District's money. He is leery of JPIA's projections as he feels they are cherry picked. He thinks that today, rates of return are much closer together; the difference between the fixed assets and equity assets are probably not 4.5% over the next 10 years. Director Hall makes an excellent point, that since the Great Depression, the best investment has been the United States stock market. The long-term prognosis for the stock market is good. The two reserve funds they are using to fund this approach are the Rate Stabilization Fund and the Catastrophic Reserve Fund. Basically, those are insurance, on top of insurance, on top of insurance so they are not mission critical. However, the District is operating in California, and the prospect of forming a corporation with a Board that is comprised of four JPIA members and an attorney from Utah, controlling over a third of the assets of the organization, seems a little suspect to Mr. Neisler. Mr. Neisler's other concern is, what happens when California gets wind of the fact that these groups of public agencies (taxpayer's money), are going outside of the state to get around California's regulations. He would prefer to err on the side of caution.

Director Hall commented to clarify the goal of the fund would *become* a third, but it's only going to start at \$12 million. It may end up at a third if it grows that much, and in that case it's somewhat free money they've earned. Having extra money is the best insurance of all; you can write out against it. Another point about California regulation is they have the power to take money from agencies through reducing the amount of taxpayer funding going to the agency and this has happened to the District in the past. Some of the people think with this money in Utah, the State (California) wouldn't be able to get at it so quickly. Director Pack asked if the State has ever taken money from JPIA, and Director Hall answered not that he is aware of however JPIA is owned by agencies that the state regulates.

Director Hall addressed Mr. Neisler's concern about the State coming in and stopping captives. He stated if that happens, they will fold the corporation and the assets will be distributed to the shareholder. This question was asked (at a conference) and that is the answer given from JPIA.

More discussion took place. Mr. Neisler pointed out that he gave his opinion because it was asked of him, but he is not part of this decision, it is a Board decision and Director Hall has made a strong case.

President Zanutto moved that the Board of Directors direct Director Hall to vote "aye" on the insurance captive proposal at the JPIA Board of Directors meeting. The motion was seconded by Director Hall and the following votes were cast: Ayes: Hall, Zanutto; Noes: Pack, Worden; Abstain: None; Absent: Prel. The motion failed, and the Board directed Director Hall to "abstain" at the JPIA meeting.

**Item 9. Presentation of Draft Strategic Plan**

Mr. Neisler stated the purpose of bringing the draft Strategic Plan to the Board at this meeting is to allow the current Board to review the work they spent so much time on. The intent is to allow Directors the next full month to review and digest this information. He pointed out this is not intended to be a final document. He is trying to develop the narrative and supporting tables that go along with it. He did all the work in house and saved the cost of a consultant. He envisions the final draft looking much more professional with several photographs and different typefaces; all the things that make these documents appealing and hopefully encourage people to review them. This draft document is the result of a series of four public workshops the Board held throughout 2018. It is Mr. Neisler's interpretation of what happened there, he spent time reviewing all the minutes, and tried to capture what he understood the Board was directing staff to do in this project. He feels the driving force behind the entire project is the Capital Improvement Plan which is included as Appendix C.

This document will be discussed at the next Board meeting and he would like to allow the existing Board to submit their comments to the General Manager prior to or during the Comments section of the December Board meeting. This will be further discussed in the next item. If there are significant comments that take place in December, he can bring the plan back for discussion at the next meeting. If that happens, he encourages input from the outgoing Board members even after the change takes place, as they've invested time in this project.

Mr. Neisler stated his intent is to present this draft plan publicly and request comments from the Board. He encouraged the Board to make whatever comments they feel are justified, and they will not hurt his feelings. The goal of this document is to represent the goal and desire of the Board, not the General Manager.

Director Worden commented he felt this was a good way to handle it; to allow outgoing and incoming members time to review the document and have a part in the discussion.

**Item 10. Discussion of Transition to New Board of Directors**

Mr. Neisler stated the Board is typically seated after the election results from the general election are confirmed. In this case, the District had four seats up for re-election, only one candidate filed for each of those seats, and the incoming Board is as follows:

- Division 1: Kathleen Cassil replacing Vice President Worden, her term will expire in 2022
- Division 2: Jonathan Hall, he was not up for re-election, his term will expire in 2020
- Division 3: James Pack, he was reappointed, his term will expire in 2022
- Division 4: Rick Zanutto, he was reappointed, his term will expire in 2020
- Division 5: Robert Schultz, Jr. replacing Director Prel, his term will expire in 2022

The proposed plan is to seat the new Board at the December 19<sup>th</sup> regular Board meeting in conjunction with the procedure outlined in Attachment A. Mr. Neisler is happy to entertain any revisions to this that the Board may desire. He reviewed and discussed the procedure. He pointed out that both outgoing and incoming Directors will need to complete their respective Form 700- Disclosure of Economic Interests. The forms must be completed within 30 days of the transition. He also noted that those forms are kept on file at the District office. They are not required to be sent off to the State, they are kept in a locked, fireproof cabinet in the vault.

President Zanutto commented that the minutes should be separated from the consent calendar for the December meeting and Mr. Neisler agreed.

Director Hall commented that he's never seen a transition take place this way; usually the old Board is not seated at the December meeting, only the new Board. Director Worden stated this is a slightly different situation this time and he doesn't see a problem with what Mr. Neisler is proposing. Mr. Neisler clarified his desire is to let the existing Board make official comments on the Strategic Plan as Board members. He's not trying to create a policy or change anything, he just felt this was the most efficient way to do this. Director Hall stated he understands his reasoning and has no objections.

The Board directed Mr. Neisler to proceed with his proposed Board transition procedure.

**Item 11. Adjourn to Closed Session**

President to reference Closed Session items as presented on Agenda, then Board to adjourn to Closed Session

- a. In Accordance with Exhibit A Attached Hereto, DWR v. All Persons Interested in Authorization of WaterFix Revenue Bonds et al.
- b. In Accordance with Exhibit B Attached Hereto, Kern County Superior Court Case 97209, Tehachapi-Cummings County Water District, a Body Corporate and politic vs. Frank Armstrong et al.

The Board went into Closed Session at 5:20 p.m.

**Item 12. Return to Open Session**

The Board returned to Open Session at 5:45 p.m.

**Report Action Taken in Closed Session:**

- a. No reportable action.
- b. No reportable action.

**Item 13. Adjournment**

The meeting was adjourned at 5:45 p.m. on a motion made by Director Hall, seconded by Director Worden and unanimously carried. Ayes: Hall, Pack, Worden, Zanutto; Noes: None; Abstain: None; Absent: Prel.

  
Richard Zanutto, Board President

  
Catherine Adams, Board Secretary



TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

CLOSED SESSION ITEM DESCRIPTIONS

(Gov. Code § 54954.5)

A. CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Gov. Code, § 54956.8.)

Description of Property: \_\_\_\_\_

Negotiating Parties: \_\_\_\_\_

Subject of Conference: \_\_\_\_\_

B. CONFERENCE WITH LEGAL COUNSEL (Gov. Code, § 54956.9.)

1. Existing Litigation: \_\_\_\_\_  
Name of Case: DWR v. All Persons Interested in Authorization of WaterFix  
Revenue Bonds et al.

2. Anticipated Litigation:  
Gov. Code § 54956.9 (b): \_\_\_\_\_  
Gov. Code § 54956.9 (c): \_\_\_\_\_

C. PUBLIC EMPLOYEES (Gov. Code, § 54957.)

1. Appointment: \_\_\_\_\_  
Title: \_\_\_\_\_

2. Employment: \_\_\_\_\_  
Title: \_\_\_\_\_

3. Performance Evaluation: \_\_\_\_\_  
Title: \_\_\_\_\_

4. Discipline/Dismissal/Release: \_\_\_\_\_

D. CONFERENCE WITH LABOR NEGOTIATOR (Gov. Code, § 54957.6.)

Agency Negotiator: \_\_\_\_\_

Employee Organization: \_\_\_\_\_

Unrepresented Employee: \_\_\_\_\_

TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT

CLOSED SESSION ITEM DESCRIPTIONS

(Gov. Code § 54954.5)

A. CONFERENCE WITH REAL PROPERTY NEGOTIATOR (Gov. Code, § 54956.8.)

Description of Property: \_\_\_\_\_

Negotiating Parties: \_\_\_\_\_

Subject of Conference: \_\_\_\_\_

B. CONFERENCE WITH LEGAL COUNSEL (Gov. Code, § 54956.9.)

1. Existing Litigation: Case No. 97209  
Name of Case: Tehachapi-Cummings County Water District  
a Body Corporate and politic, vs. Frank Armstrong et. al.

2. Anticipated Litigation: \_\_\_\_\_  
Gov. Code § 54956.9 (b): \_\_\_\_\_  
Gov. Code § 54956.9 (c): \_\_\_\_\_

C. PUBLIC EMPLOYEES (Gov. Code, § 54957.)

1. Appointment: \_\_\_\_\_  
Title: \_\_\_\_\_

2. Employment: \_\_\_\_\_  
Title: \_\_\_\_\_

3. Performance Evaluation: \_\_\_\_\_  
Title: \_\_\_\_\_

4. Discipline/Dismissal/Release: \_\_\_\_\_

D. CONFERENCE WITH LABOR NEGOTIATOR (Gov. Code, § 54957.6.)

Agency Negotiator: \_\_\_\_\_

Employee Organization: Not applicable

Unrepresented Employee: \_\_\_\_\_