

## MINUTES

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT  
REGULAR MEETING OF THE BOARD OF DIRECTORS  
December 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, Zanutto, and Prel arrived at 3:15 p.m.

**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**

Mr. Neisler asked that Item 14, Receive and File June 30, 2018 Audited Comprehensive Annual Financial Report, be moved after Item 7 and before Item 8 as the auditor is present and he has a long trip home after this meeting.

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

**Item 4. Approve Minutes of the Regular Board Meeting of November 19, 2018**

Ms. Adams announced that she had passed out revised copies of the minutes in which the date contained in the header was corrected.

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

**Item 5. Comments from Outgoing Board Members on Draft Strategic Plan**

Mr. Neisler stated he wanted to give the two Board members, that will be stepping down today, the opportunity to provide comments on the strategic plan narrative that was presented at the regular Board meeting on November 19<sup>th</sup>. There is a similar item later in the agenda, after the new Board members are seated, that will be appropriate for the public to comment.

Director Worden stated that generally this document reflects what everyone worked together on building. He would like to see the new Directors review this document and he feels there are a lot of accomplishments in this document that may not be necessary for a strategic plan. Overall, he thinks it looks very good. Mr. Neisler informed everyone that he is always open to comments and if the outgoing Directors have something subsequent to this meeting, feel free to contact him.

Director Prel was not present at this time to provide his comments so the Board proceeded with the meeting and planned to allow Director Prel to make any comments upon his arrival.

**Item 6. Seating and Swearing In of New Board of Directors**

The new Board members, Kathleen Cassil and Robert W. Schultz, took their seats at the dais. Ms. Adams administered the Oath of Office to Kathleen Cassil, James Pack, Robert W. Schultz, and Richard Zanutto. The Directors then signed their County forms.

- a. President Zanutto presented Director Worden a plaque in appreciation of over 4 years of service to the District. Director Worden thanked everyone, wished the District well and offered his help if

needed in the future. President Zanutto presented Director Prel with a plaque in appreciation of over 23 years of service to the District. Director Prel said it has been a pleasure serving the District over the years and expressed his thanks.

**Item 7. Election of Officers**

Mr. Neisler explained the process for the election and stated the office of the President should be filled first, and then the President will conduct the rest of the elections and the remainder of the meeting.

President

Director Hall nominated Director Zanutto for President. There was no second.

Director Pack nominated Director Cassil for President and she respectfully declined.

Director Cassil nominated Director Pack for President. Director Hall seconded the nomination.

Director Schultz stated he will second the nomination for Director Zanutto for President. Director Zanutto explained that there was no second when the nomination was on the floor, therefore, he would proceed with voting on the nomination for Director Pack at this time.

Director Pack was elected as Board President by the following votes: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

Vice President

President Pack asked for nominations to fill the office of Vice President.

Director Schultz nominated Director Cassil for Vice President. There was no second.

Director Cassil nominated Director Schultz for Vice President. Director Zanutto seconded the nomination.

Director Schultz was elected as Vice President by the following votes: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

Secretary

Director Hall nominated Cat Adams for Secretary. Director Schultz seconded the nomination.

Ms. Adams was elected as the Secretary by the following votes: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

Treasurer

Director Cassil nominated LaMinda Madenwald for Treasurer. Director Hall seconded the nomination.

Ms. Madenwald was elected as the Treasurer by the following votes: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

**Item 14. Receive and File the June 30, 2018 Audited Comprehensive Annual Financial Report**

Ms. Madenwald introduced Greg Fankhanel, who presented the auditor's report. He mentioned all the required audit reports have been completed. In the previous year, the District received a prestigious award for financial reporting from the Government Finance Officer's Association (GFOA) and it will be applied for again this year. Not every government agency gets this award and the auditors anticipate the District will receive the award again this year. He explained that the first section of the report is the overview of their findings and they have issued an unmodified (clean) opinion. This section also includes information on new accounting guidance that was implemented this fiscal year, as was required for all governments. It relates to post employment benefits other than pensions, and that added approximately \$80,000 to the long-term debt of the District. This amount is small compared to a lot of agencies. The District doesn't have a lot of debt. The net pension liability increased about \$400,000 and is subject to

estimation by CalPERS every year. The District also paid off other debts thus, there was a decrease in long-term debt.

He spoke about the report on internal control and compliance. This would be the section where auditors would disclose any material weaknesses. The audit standards require the auditors to report findings if they are significant or material. He stated there were no findings that need discussed in the report; it's another clean opinion. He expressed appreciation for all the work the staff did during the audit.

Director Zanutto mentioned the net position looks very good. Mr. Neisler commented that the GFOA award is not an easy task, it is significant and is something for the Board to be proud of. He mentioned this is the last year of the contract with the Van Lant & Fankhanel firm so staff will be soliciting auditing proposals for the next 3 years as required by regulations. Ms. Madenwald asked Mr. Fankhanel to explain the process for soliciting new auditors. He stated there were new State laws recently put into place regarding audit partner rotation and if one audit partner has been in charge for the last 6 years, they cannot be in charge of the next audit. The regulations require a rotation of the partners, not necessarily the firm.

Ms. Madenwald pointed out some highlights of the report. The transmittal letter is important to the District. When preparing the budget and interim budget, and when setting the ad-valorem tax rate, the reserves and reserve targets are discussed and estimations are made as to where the District will end up. When the annual audit is done, the actual numbers for the actual reserves are brought in for the fiscal year and that table shows that the District did in fact meet all of the reserves by June 30, 2018.

In the management discussion and analysis (page 4), the District's total combined cash balance increased \$877,000, the restricted cash increased almost \$520,000, and the unrestricted cash increased \$357,000. The District's total combined net position was \$19,574,242 at June 30, 2018 and that is a 12% increase. Operating revenues decreased slightly, \$81,000, the operating expenses decreased \$538,000 and the total long-term liabilities decreased \$172,000. Ms. Madenwald feels the District is financially healthy and there is room to do some of the improvements discussed in the strategic planning process.

Director Schultz moved that the Board receive and file the audit report. The motion was seconded by Director Cassil and was carried on the following vote: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

**Item 8. Approval of Minute Order to Update Signature Card for Bank of the West**

Mr. Neisler explained that the signature card at the bank needs to be updated for who is authorized to sign on behalf of the District. Those parties are all five of the Directors, the General Manager, Secretary, Treasurer, and Accounting Assistant. There are also three representatives who are authorized to make changes to the account; that is the General Manager, the Treasurer, and Board President. Once this Minute Order is approved and provided to the bank, a new signature card will be issued and presented to the Board for signatures.

The Minute Order for updating the signature card was approved on a motion made by Director Hall, seconded by Director Schultz and carried on by the following vote: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

**Item 9. Comments by any Party on Items of Interest and Within the Subject Matter Jurisdiction of the Legislative Body**

Mr. Neisler introduced special guests in the audience; members of the Kern County Grand Jury Special Districts Committee. He cannot speak about what he has been working on with them, but he stated it has been a positive experience. The members thanked Mr. Neisler, Mr. DePriest, and Ms. Madenwald for their input and stated they are in the process of completing their final report and it has been a pleasure coming up here.

Director Cassil thanked the Grand Jury for their service.

Director Zanutto welcomed the two new Board members and stated he is looking forward to working with them.

Mr. Neisler asked Mr. Prel if he had any comments on the strategic plan, he was welcome to state those at this time. Mr. Prel did not have any comments at this time and Mr. Neisler stated if he does in the future, please feel free to contact him.

There were no other comments.

- Item 10. 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 Financial Report and Payment of Bills
  - b. Approve Consent to Sale of Certain Tax-defaulted Properties

Mr. Worden removed Item 10. a. and Director Hall removed Item 10. b.

For Item 10. a., Mr. Worden asked for details of check # 4543 and #4544 dealing with automotive parts and asked if there was an accident. Mr. DePriest clarified both were just preventative maintenance costs; there was no accident. He commented that the Kush & Parker bill reflects WaterFix work.

President Pack made a motion to approve Item 10. a. Financial Report and Payment of Bills. The motion was seconded by Director Hall and it was carried on the following vote: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

For Item 10. b., Director Hall asked what the yellow highlights indicated on the certain properties. Mr. Neisler explained those are the parcels within the District. Director Hall commented he couldn't ascertain that from the parcel numbers listed in the County's report. Mr. Neisler explained it is a tremendous amount of work for staff to research each of those parcel numbers, provide the accessors parcel information, and he determines if any of the parcels within the District have any benefit to the District. There were not any at this time.

Director Hall made a motion to approve Item 10. b. Approve Consent to Sale of Certain Tax-defaulted Properties. The motion was seconded by Director Cassil and it was carried on the following vote: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

**Item 11. General Manager's Report**

Mr. Neisler reported on the following matters:

- He attempted to show a video provided by ACWA. They are preparing a series of 10 short videos describing water in California to highlight exactly how important it is and some of the things ACWA member agencies do. The videos are not released to the public, but Mr. Neisler will work to get the formatting issues resolved so he can show them at future Board meetings.
- Currently, California has virtually no in-state natural gas storage. The largest natural gas storage facility in the world is the Aliso Canyon project. It developed a series of leaks and the PUC shut it down. It has been out of use for about two years. All of the natural gas that is produced and consumed in California comes from out of state and is delivered through a pipeline. This is a large, long, interstate pipeline with no storage capacity at the end of it. Therefore, the amount of supply is what is in the pipeline at any given moment. If there are maintenance outages, increases or decreases in demand, the supply exceeds the demand, or the supply is short of the demand, the prices will be erratic. On top of that, the suppliers require customers burn within 5% of what is ordered so they can have an idea of how much natural gas they have available at any given moment to sell. The District, in the overall scheme of the state, is a very small consumer and gas is purchased directly from Shell. Shell has a large cushion that they can accommodate any changes in the District's demands, but it is a problem at the statewide level. He showed a graph on the screen to show the dramatic range of gas prices. The spot price hit an all-time high in Southern California in December, \$13.85/mmbtu. The District's long-term contracts are less than \$3.00/mmbtu. Clearly, it's not cost advantageous to operate the system with \$14.00/mmbtu natural gas.
- There are two main concerns with starting up the system in February, the water allocation and the price of natural gas. Mr. Neisler's concern is that he can't purchase the natural gas because he is not sure he has the water to pump at this point. He will make an educated guess in the middle of January but he won't know before then because he doesn't know what the State will do in terms of allocation. At this point, it's questionable as to whether or not the system will be able to start up on February 4<sup>th</sup> as planned. He will keep the Board informed; this is not a situation the District has encountered before. The District can absorb prices in the \$4-5.00 range because the system is not at full production (only using two engines). It's important that operations begin so the level of the lake can be raised so the water is available when peak demand is reached. One option to accommodate that is perhaps, instead of running for two months with a two-engine system, run for one month with a three-engine system and then make-up whatever is short in the fall. There are two shoulder months in the spring and two shoulder months in the fall when operations use a two-engine system. There is the flexibility to make up that loss in production when the prices are more advantageous.
- Mr. Neisler refreshed the quotes from Shell and the fixed price for February is \$4.85/mmbtu on the Kern River system which is plants 1-3 and \$7.15/mmbtu on the SoCal Gas system which is at plant 4. For March, they quoted the same \$4.85/mmbtu on the Kern River system and \$4.63/mmbtu on the SoCal Gas system. This shows there is no consistency among the two suppliers. He would recommend to the Board to move forward with \$4.85/mmbtu however, not without knowing if the water will be available. If the District ends up with a 20% or 30% allocation, it might be best to back off of the 10,000 acre foot importation goal next year since that amount is more than enough to meet demand. At this point it's too early to make any of these decisions.
- DWR announced the initial 2019 allocation of 10%. They disclosed that at an annual forecasting workshop on November 27, and every year it conflicts with the ACWA conference so, most of the water professionals are not able to attend. Typically, they release information including their modeling, confidence levels, and their projected allocations based on those confidence levels in the modeling (25% exceedance factors, 50%, 75%, 90%). That gives staff some basis upon which to do the planning for the following year. This year they declined to release that information because the State

has been in negotiations with the Bureau of Reclamation on updating the Coordinated Operations Agreement (COA) between the two projects; the state project and the federal project.

- This has been a good water year so far, about 94% of average statewide precipitation. The precipitation graphs are included in the packet. The indications are that there will be a normal to above normal water year. What that means in terms of allocation is anyone's guess. As a reminder, last year was an 80% water year yet the allocation was 35%.
- There was 9,995 acre feet of imported water against a 10,000 acre foot goal and there is 48 acre feet of carryover water in San Luis Reservoir. To meet that goal, 3,150 acre feet of banked water was withdrawn from the San Joaquin Valley. The District received a great price on the extraction of that water; \$106/acre foot.

At this time Mr. Neisler opened it up for questions and Mr. Worden asked some details about the natural gas supply. Mr. Neisler stated the District has two-thirds of the supply of natural gas already purchased through 2020 and he's in the position to buy 2021 at any time, but he's been waiting for a dip in the market. He checks it every day but he needs to know he has water to pump. Director Schultz and Director Hall asked questions on the pricing of natural gas and Mr. Neisler discussed the monthly expenditures and how that correlates to whether it's worth the expenditure to pump the water.

- The Delta Stewardship Council (DSC) is another statewide agency that is tasked with the stewardship of the Delta. Every member of that council is appointed by the Governor. The Department of Water Resources (DWR) issued a Notice of Consistency that stated that the California WaterFix was consistent with the goals and objectives of the Bay Delta Plan. The Delta Stewardship Council disagreed with that notice; they said they did not provide enough information to make that determination. Ahead of the DSC taking that action, the DWR withdrew the Notice of Consistency. The approach is to, at a staff level, have DWR staff negotiate with the DSC staff to see if they can reach an agreement on a plan that will satisfy both entities. At this point there's no regulatory authority to move forward with the WaterFix based on the withdrawal of that notice. What that means to the agency cannot be discussed in Open Session and will be talked about in Closed Session.
- The State Water Project contracts are scheduled to expire in 2035, right around the corner in real terms. DWR cannot have debt obligations past the expiration of the contracts. Right now, they have debt that is due in 2075. All of that debt will be called due in 2035 if the contract extensions cannot be renegotiated. In addition, they cannot solicit any new debt (take on any more bond obligations) past 2035 without the contracts being extended. If the State is looking for \$20 billion to build the WaterFix, which won't even produce any water until 2033, the odds of paying off that debt by 2035 are very small. The statement of charges would go up immensely for our little agency. The debt for Oroville is tied up in that quandary and more will be discussed in Closed Session.
- Under the Coordinated Operations Agreement, the State Water Project and the Central Valley Project are operated by DWR and the Bureau of Reclamation, and are co-dependent in order to operate. They share the aqueduct and the Bureau doesn't have enough pumping capacity to import all the water that they would like. The State has excess pumping capacity so they have an agreement to allow the Bureau to use some of that pumping capacity in times of shortage. In exchange for that, the Delta outflow water is paid 75% by the Bureau and 25% by the State. There is a new agreement in place in which now the State will contribute 27% to the Delta outflow amount, rather than the 25%, bringing the Bureau's amount to 73%.
- The flow plan for the amount of water that needs to go through the Delta and needs to go out to the bay to satisfy environmental regulations is very complicated. It is a two-phase project, phase one is the San Joaquin River and its tributaries, and phase two is the Sacramento River and its tributaries. The State Water Resources Control Board was scheduled to make a determination on phase one on December 12<sup>th</sup>. At the beginning of December, the Brown and Newsom administrations

jointly requested that the State put that decision off until January. A couple days before the State Board hearing, the other public water agencies in the state announced they have a voluntary settlement agreement between the State and the Bureau as to how they want to operate the Delta that will meet the science requirements for outflow to the bay. The State claims that more flow equals more fish. Most of the peer reviewed scientific studies dispute that. For the last 20 years there has been no positive impact on the fish population. The number now varies between 12% and 25%, and the requirements want an average of 40%, 30% in a low year and 50% in a high year. The San Joaquin River system equates to about an addition 300,000 acre feet per year that never enters into the allocation formulas, it goes out into the bay. The State and the Bureau entered into a voluntary agreement that used adaptive management. The two administrations, as well as the public water agencies, submitted alternate approaches to the State, and the State rejected those and voted on December 12<sup>th</sup> to implement their recommendations for phase one. What happens in phase two is more critical to the WaterFix project and to us as downstream consumers than what's happening in phase one. The State has said that they will look at the voluntary settlement agreements that have been submitted by the public agencies before they make their decision on phase two. That decision is scheduled for some time in the first quarter of 2019.

-Mr. Neisler announced there will be a staff potluck on Friday at 1:30 p.m. and extended the invitation to everyone. He wished everyone a Merry Christmas and blessed New Year.

Director Hall asked Mr. Neisler what he thinks is causing the gas prices to fluctuate so much. Mr. Neisler answered that one factor is not having any storage and that exacerbates the swings. The first week of December, the weather was 15 degrees below normal across the entire state, so demand sky rocketed. Large power plants and energy companies do their maintenance and rehabilitation because their demand is less. So some of the pipelines are shut down for maintenance as well. With no storage available, there's no way to buffer those extremes.

#### **Item 12. Operations Manager's Report**

Mr. DePriest reported on the following matters:

- Off season work has commenced for the pump plants and the system in general.
- The District has entered into the contract with Superior Tank Solutions for the ongoing asset management program for the tanks owned by the District. This program will preserve the condition of the tanks over the next 11 years.
- Cummings Valley Recharge facilities were shut down on December 3<sup>rd</sup>, and on December 12<sup>th</sup>, the Tehachapi Valley Recharge facilities were shut down.
- As of November 30, the following amounts of water were recharged; 19 Acre Recharge 1,458.54 AF, Cummings Ponds 514.6 AF, Antelope Dam 1,250.30 AF, and Glider Port 416.21 AF. The total for the Golden Hills CSD/T5 Recharge Facility is approximately 403.28 AF. The total combined recharge total from January to November 30, 2018 is approximately 4,042.93 AF.
- Staff met with the City of Tehachapi Public Works staff and Eleven Western Builders Superintendent (Walmart Project) to identify a location for a water service line that will provide irrigation water to the Walmart facility on Tucker Road.
- In early December, the master meter was replaced with a newly calibrated meter for the upcoming 2019 pumping season. The master meter is the meter on the other side of the rotating screen and it is calibrated annually.
- The first Superior Tank Solutions project will be Tank 1 at the campground on the second week of January. A new manway will be installed and it will be washed out and inspected. A report will be provided to the State. Another project scheduled with Superior is a factory rehab of the East steel

bolted tank at Pump Plant 4. That will include the use of new tank components that will meet current industry and regulatory standards.

-On December 12<sup>th</sup>, the Brite Lake elevation was 4,344.2 feet and the volume was 589.8 AF.

- On December 3<sup>rd</sup>, GE and WPI arrived and began replacing the ESM 1 units with the ESM 2 version for the recall of ESM 1 units on the four engines at Pump Plant 1 that was discuss last month. They have completed the hard wire installation of Engines 1, 2 and 3 and are about halfway through Engine 4. Staff has started Engine 1 and Engine 2 and Engine 3 will be tomorrow and Engine 4 should be by Friday.

-Mechanics removed Pump Plant 3, Engine 4 gearhead due to a seal failure. That gearhead was shipped to Deran Gear in Texas for inspection and repair.

-The pipeline department responded to a leak on the corner of Highline and Tucker. The line was repaired and returned to service.

-Four new butterfly valves were installed at Pump Plant 4 and that was part of installing the four new heat exchangers.

-Mechanics are currently in the process of Pump Plant 3, Engine 2 rebuild and it is progressing nicely. They are also performing routine annual maintenance of the engines including inspections of crankshafts, camshafts, valves, performing compression tests, and installing calibrated engine couplers and drivelines at Pump Plant 2.

-The pipeline department is working on several projects including welding a new fence and gate at Pump Plant 1, the Cummings Pond Recharge automation project, and several other projects.

President Pack asked if Mr. DePriest felt there was any correlation between the leak at Highline and Tucker and the incident last year with a hydrant being runover there. Mr. DePriest stated there is a possibility as the leak was on the connection.

Director Zanutto asked if there were other tanks available for use at Pump Plant 1 when the bolted tank is taken out of service for the repairs. Mr. DePriest stated there are two other tanks and Mr. Neisler said that the tank can be isolated to continue to operate the system.

**Item 13. Adopt Resolution in Recognition and Appreciation of Directors Worden and Prel**

Mr. Neisler explained that when the District has had exemplary employees or Directors, the Board has formally recognized this by adopting a Resolution to that affect. There are Resolutions prepared for Director Prel and Director Worden to recognize their service.

The Board thanked Mr. Prel and Mr. Worden for their service.

Director Schultz moved that the Board adopt Resolution 16-18 Honoring Jean Prel. The motion was seconded by Director Zanutto and carried on the following votes: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

Director Schultz moved that the Board adopt Resolution 17-18 Honoring David Worden. The motion was seconded by Director Hall and carried on the following votes: Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

**Item 15. Report on ACWA/JPIA and ACWA Conference**

Mr. Neisler stated that on November 26<sup>th</sup> through 30<sup>th</sup>, he and Director Hall attended the Fall 2018 ACWA/JPIA and ACWA Conferences in San Diego. This one was a bit different than in the past but was full of good information and opportunities to network and talk about things that are going on. He attached

an outlined summary of his activities to the staff report for reference. He shared a couple highlights of his time there and significant people he met including Bruce Babbitt.

Director Hall stated the conference is in two parts, beginning with the JPIA portion on Monday and Tuesday. He stated he is the JPIA representative for this District and is a voting member of the 300 agencies that form the Joint Powers Insurance Authority (JPIA). The members voted allowing a new expansion of programs. He explained that at last month's meeting, he presented on the insurance captive proposal from JPIA and the official votes were cast at the conference and it passed overwhelmingly. The different programs of JPIA were discussed and there were seminars in effort to reduce claims. He discussed JPIA's efforts to encourage a team environment and working together. He went to the town hall and followed up on an old Resolution the District passed with regards to range voting. He gave his speech there and felt it may not have been well received but, during the rest of the conference people approached him and expressed their support. He will continue with that initiative in the future.

**Item 16. Discussion of Draft Strategic Plan**

Mr. Neisler explained this is an opportunity for the Board to submit comments or questions on the Draft Strategic Plan narrative that was distributed at the November Regular Board meeting. He brought the document up on the screen and explained that he has incorporated typographical corrections submitted by staff and Directors. There was a brief discussion at the last meeting about the Cummings Valley Adjudication. While that is discussed in the narrative, it's not included in the Capital Improvement Plan. He added an item in the Short-Term Capital Improvement Plan and assigned a cost to it even though it's not a goal, and even though it's not really a capital improvement, it is a significant expense and based on that conversation felt this was the best place to include it. He is open to changes.

If all of the discussion is concluded today, the Board can direct staff to proceed with finalizing the plan including formatting and dressing it up with some graphics, or if it needs to be brought back for further discussion he is happy to do that as well. Director Schultz stated he would like to bring it back for discussion to allow the new Directors more time to get their feet wet within the District and go through the plan in more detail. Mr. Neisler agreed that sounded reasonable. Ms. Cassil commented that when doing strategic planning, it makes sense to do long range strategic planning, and she wondered if the year 2035, when the contract expires, would be an important year to plan towards. She mentioned after listening to the General Manager's report, she realized it is a very complicated situation to try to plan for. Mr. Neisler agreed with the fact that it's very important. He added he cannot foresee a circumstance under which those contracts are not extended. Water delivery in California virtually ceases to exist if those contracts aren't extended. He stated he is happy to include whatever the Board would like him to include, but he doesn't see that as a realistic scenario.

Director Hall suggested adding a process for moving to fully documented procedures and manuals that go with all the things that are done and a method for documenting how incidents get reported and tracked. He feels there are already great things going with the GIS System and it's a very useful index. If it could be indexed by time and task, it would be a great record. Mr. Neisler asked Director Hall to submit his thoughts to him and he can incorporate them into the document for review.

Director Schultz asked how often the Strategic Plan will be up for review. Mr. Neisler stated it is at the Board's discretion and he suggests every other year should be sufficient.

President Pack commented that he felt this is a very good plan and is a good framework for goals for the future. It's a nice working document for the District to go forward with. Director Hall agreed and added his appreciation for all the work that has been put into this and feels it is very well thought out.

The Board would like to bring the Strategic Plan back for review in February. Director Schultz suggested people submit changes to Mr. Neisler in the interim and he can provide a revised draft to be distributed at the January meeting. The Board supported this idea.

**Item 17. Appoint Real Property Negotiator**

The Brown Act requires certain activities to take place for a public agency to negotiate any kind of real property transaction. Mr. Neisler has had some preliminary, informational meetings with a potential property purchaser in Cummings Valley and he feels there is a benefit to the District in moving forward with these negotiations. The Brown Act requires the negotiating party, the property in question, and the anticipated transaction be disclosed in Open Session. The Act also requires that Board appoint a real property negotiator to administer these negotiations on their behalf. There is no decision-making power associated with that position, it's just administrative lead. Typically, that is the General Manager and that's what he is suggesting in this case.

Mr. Neisler described three parcels; Superior Sod HQ and Well (20 acres), Parcel east of Superior Sod HQ (20 acres), and SSCDS CV Well No. 1. and their current status. He pulled up the GIS system to point out the properties in more detail. He stated Stallion Springs CSD has made an offer to purchase the two 20 acre parcels, and they currently own the well parcel. SSCSD would like to know if the District has any interest in these parcels. Mr. Neisler pointed out that the District could recharge water on portions of the 20 acre parcels and utilize the well on the other parcel. The pricing and terms that are more confidential will be discussed in Closed Session. Mr. Neisler feels this is a rare opportunity for the District to expand capabilities and operations in Cummings Valley and he proposes to go through a due diligence process to see if there is some benefit. This process would include doing borings on the potential recharge parcel, and looking at well reports and contamination reports.

This District has a significant amount of water banked in Cummings Basin to the District's credit, however there is no means now to extract that water if there is a use for it. If there is another long period of drought, there's no way for the District to extract that water itself and sell it to the customers. If there is an interruption in the system east of this location, there's no way to supplement the system. As demand increases over time, Mr. Neisler can envision a scenario where the District will need to bank water in the shoulder and winter months, and withdraw that water to supplement either the supply or pressure in the high demand summer months. This would enhance the Districts supply capability during peak demand periods in Cummings Valley. That is where the majority of the water is sold and it's a very desirable result.

Mr. Neisler reiterated that at this point, all he asking for is the authorization to move forward with discussions and negotiations. No decisions will be made by any parties except for the Board and he will keep the Board up to date in the process. The next step in the process would be to start the due diligence process.

The Directors asked questions to clarify their understanding of the parcels and proposed land uses.

Director Zanutto moved that the General Manager be appointed as the real property negotiator for potential transactions involving APN's 448-051-33-4, 448-051-34-2, and 448-052-33-2. It was seconded

by Director Hall and carried on the following votes: Ayes: Cassil, Hall, Zanutto; Noes: Schultz; Abstain: Pack; Absent: None.

**Item 18. Appoint Directors to Serve on 2019 Ad-Hoc Committees**

Mr. Neisler stated that every year there are appointments made to the Ad-Hoc committees that are anticipated to be required for the 2019 calendar year. He provided the list of the existing committees for reference. This does not require a motion and action by the Board, it is at the Board President's discretion to appoint committee members. There are also two other Board-appointed committees; the South Valley Water Resources Authority and the Joint Agencies Agreement Technical Advisory Committee.

President Pack opened it up for discussion and interest in the individual committees. He appointed the Directors as follows:

Audit Committee: Cassil, Pack

Budget Committee: Zanutto, Schultz

Water Priority Committee: Schultz, Hall

Water Rate Committee: Zanutto, Schultz

California WaterFix Committee: Cassil, Hall Alternate: Zanutto

President Pack directed the other Board-appointed committees to remain the same.

**Item 19. 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, Conference with Real Property Negotiator**

The Board went into Closed Session at 5:43 p.m.

**Item 20. Return to Open Session**

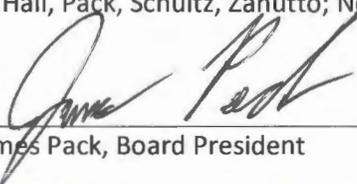
The Board returned to Open Session at 6:31 p.m.

**Report Action Taken in Closed Session:**

- a. No reportable action.
- b. Directed real property negotiator to commence due diligence investigation.

**Item 21. Adjournment**

The meeting was adjourned at 6:32 p.m. on a motion made by Director Hall, seconded by Director Cassil and unanimously carried. Ayes: Cassil, Hall, Pack, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None.

  
James Pack, 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: Case No. 97209  
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: Not applicable

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

Exhibit A

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: APNs 448-051-33-4, 448-051-34-2, 448-052-33-2  
Proposed District Negotiator: Tom Neisler, General Manager  
Negotiating Parties: Stallion Springs Community Services District  
Subject of Conference: Terms, Price and Conditions of Sale or Lease

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

1. Existing Litigation: \_\_\_\_\_  
Name of Case: \_\_\_\_\_
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: \_\_\_\_\_

Exhibit B