

MINUTES

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS
TOPIC: STRATEGIC PLANNING WORKSHOP
March 26, 2018 1:00 P.M.
22901 Banducci Road, Tehachapi, CA 93561**

Item 1. Call to Order and Roll Call

Directors Present: Pack, Prel, Worden and Zanutto

Absent: Hall

Staff in Attendance: Lori Bunn, Troy DePriest, LaMinda Madenwald and Tom Neisler

Item 2. Comments by any Party on Items of Interest and Within the Subject Matter Jurisdiction of the Legislative Body

None

Item 3. Strategic Planning Workshop

1. Introductions and Presentation of Topics and Format

Tom Neisler, General Manager, introduced the Board of Directors and Staff to the audience. He then asked the audience members to state their names. Members of the audience included: Ted Wyman, Harry Cowan, Trent Sherman and Robert Schultz. Mr. Neisler thanked everyone for attending and said this is an open discussion and all input is welcome.

2. Purpose of Strategic Plan

Mr. Neisler said the purpose of the Strategic Planning Workshop is to develop a schedule of goals to accomplish in the future. Through this process the path to achieve the District's vision and mission will be defined. This will also guide the District's priorities, use of resources and set our standards of excellence. We will work to provide methods to cope with uncertainty and changed conditions and we hope to provide a basis of controlled evaluation.

3. Mission Statement

- a. Mr. Neisler read the District's Mission Statement. After reading the statement he said the Mission Statement should describe the District's purpose, identify the scope of our operations, who we serve and where we serve. It should also focus and direct the organization.

Mr. Neisler said his goal is to revisit the mission statement at the end of the discussion to see if the Board wants to revise it. Mr. Neisler made comments about including core values and vision for the organization in the mission statement.

4. Process to Develop

Mr. Neisler said the process he wants to utilize for this workshop is called Vision, Alignment and Execution.

5. Vision/Alignment/Execution Format

Mr. Neisler explained that he is proposing to use the Vision/Alignment/Execution format for this series of workshops and presented a video that described this process. Director Worden made comments supporting the concept.

Mr. Neisler reviewed each step of the process: 1) Vision: Great vision elevates our work, gives us something to strive for and is synonymous with goals. Once the vision is crafted, it becomes easier to identify the milestones to reach the goal. In order to be achieved, the Vision must be measurable and must be able to be tracked; 2) Alignment: Alignment integrates the Vision with the resources to achieve the goal; 3) Execution: Execution is the plan to achieve the goal.

Mr. Neisler recommended the SWOT Analysis tool (Strengths, Weaknesses, Opportunities and Threats) to analyze where we are in the organization. Mr. Neisler reviewed the definitions of each step. He said as the Board and Staff work through the SWOT Analysis, the ideas that will turn into visions will become evident. Challenges that will need to be considered in Alignment will be identified and the process that we will need to use or acquire in execution will be developed from these. Mr. Neisler continued by reviewing the remainder of this process and said this will be a planning tool for operating the District going forward.

6. Major Business Areas

Mr. Neisler reviewed the business areas to be investigated.

a. Human Resources

Mr. Neisler said the District's employees are the most valuable resource. He reviewed the values within the Human Resource area:

i. Safety

Mr. Neisler described the District's Safety Program and implementation of safety procedures. Mr. Neisler said he and Mr. DePriest have a strong background in safety. He also said the District received the LaBounty Safety Award two years ago for implementing suggestions our team members came up with. Mr. Neisler described the Stop Work Authority procedure, Mr. DePriest's efforts in upgrading the District's signage used in safety sensitive situations, open communication policy and the District's Safety Incentive Program.

ii. Technical Expertise

Mr. Neisler said the District has an excellent staff. Long serving and well trained on the District's equipment and systems and he reviewed the specialized skill sets that staff has developed to work on the Superior engines and engine control systems. A list of trusted vendors has been developed by staff and these vendors were reviewed. Mr. Neisler added that the District supports all training opportunities and there is an education reimbursement for employees that want to pursue higher education.

iii. Resource Allocation

The District employees are a resource and the tools provided to do their job, such as vehicles, are very important from the standpoint of safety and efficiency. He reviewed some of these resources provided to the employees. Mr. Neisler described the project tracking software that is being used by senior management and explained the benefits of using this type of software. Director Worden commented about the employees being on board and made favorable comments about working with this type of project management software.

Mr. Neisler said that maximizing the District's resource allocations has consistently allowed staff to meet the budget and revenue projections. No budget revisions were necessary this year because the Board provided an adequate budget and the Business Manager and the Operations Manager did a good job tracking expenses.

In addition, new production goals were set for the system and the District in 2017 and staff was able to meet those goals. Last year a total of 10,453 acre feet was imported into the District. This is an example of maximizing our resources.

iv. Workforce Aging

Mr. Neisler said that Workforce Aging is a problem throughout the industry. He said the average age of the District employees is more than 51 years old. Replacing these people is an important goal. Training and hiring with succession in mind is a key goal. Mr. Neisler suggested that the remainder of this discussion be continued after the entire presentation is complete.

In response to a question from Director Worden, Mr. Neisler reviewed the remainder of the process for the Strategic Planning Workshop.

b. Water Supply

i. SWP

Mr. Neisler said the District's water supply is the most vulnerable source. All of the District's imported water comes from the State Water Project. He reviewed the decreasing long-term delivery forecast. Mr. Neisler said that if the long-term average exceeds 54%, the District will be able to meet the demand. If not, staff will have to find additional water or reduce the goals.

Robert Schultz asked if there was a specific reason for the reduction. Mr. Neisler explained that it was primarily due to environmental regulations. Mr. Schultz asked if global warming was considered in the forecast. Mr. Neisler responded affirmatively. Mr. Schultz asked what percentage of the estimated reduction could be attributed to climate change. Mr. Neisler said he did not have that information.

Mr. Neisler said the long-term forecast on the State Water Project will not meet the District's requirements. Consideration needs to be given to the requirements, or the supply. The best opportunity to get the required supply, short of more storage, is the California WaterFix. Mr. Neisler reviewed the California WaterFix project and the benefits to the District.

ii. Groundwater

Mr. Neisler explained that the District manages three groundwater basins: Brite, Cummings and Tehachapi Basins. Only the Tehachapi Basin has prescribed rights. The remaining basins operate on overlying water rights. He reviewed the operations in Cummings Basin and reviewed the matter of the safe yield in Cummings Basin. He also explained the District is pursuing a course of action to obtain a compromise agreement with the stakeholders to take before the judge. If that is not possible, the Board has authorized staff and legal counsel to proceed with taking the adjudication before the judge, along with the adjusted safe yield. Because these three basins are adjudicated, these three basins have been exempted from SIGMA requirements.

Mr. Neisler explained that the District, as Watermaster, is required to file an annual report with the Court on extraction management and regulation of the Tehachapi and Cummings Basins. No reporting is required for the Brite Basin, because the basin is full.

Mr. Neisler said the District needs to maximize the importation and recharge efforts to supplement the groundwater supplies. He described the District's recharge and conjunctive use operations.

Trent Sherman asked if it would be beneficial for the District to form a GSA. Mr. Neisler said that the benefits do not justify the action.

Future Potential Resources

Mr. Neisler described potential sources of water including: storm water capture and recharge; indirect potable recharge; CCI Recycled Water Project treated water supply for municipal/industrial use; exchange/transfer agreements for Article 21 water and Lower Kern River Water; and the California WaterFix.

iii. Water Importation System

a. Pumping Plants

Mr. Neisler said that the pumping plants are the backbone of the system. He reviewed the engine upgrade project at Pump Plant 1 and the California Air Resources Board limitations. He explained that the engine upgrade was necessary to meet emission standards and to increase pumping capacity. Pump Plant 1 operates under the San Joaquin Valley Air Pollution Control District. Pump Plants 2, 3 and 4 operate under East Kern Air Pollution Control District.

Mr. Neisler gave a detailed report on the District's imported water system, starting at the California Aqueduct, outside Edmonston Pumping Plant. He said there were four engines at each plant and he described the engines' operations. He said at Plants 2 and 3, there are eight Superior 2406 lean-burn engines in operation. These engines have been out of production for years and the parts supply is diminishing. The way staff has dealt with this is by requesting the Board to allocate funds through the last three fiscal year budgets to stockpile these parts on the premises. The District has enough parts to rebuild three of the engines. The goal is to keep these engines in operation until we retire the debt incurred for the Pump Plant 1 engine replacement project in 2023. The District has a very experienced, skilled maintenance staff and they have bought into this goal.

The operations at Pump Plant 4 were reviewed. There is one Waukesha F-18 engine and three Superior engines. Mr. Neisler said that he would like to replace all four of these engines at the same time the engines at Plant 2 and 3 are replaced.

Pump Plant 5 operations were reviewed. Mr. Neisler explained this plant is used to pump water to Cal-Portland Cement Company. This plant was funded by Cal-Portland. Mr. Neisler reported that there will be a claval installed on this line and he explained the purpose of the installation.

b. Pipeline

Mr. Neisler described the details of the mainline pipeline, including diameter and discharge pressure. Mr. Neisler described the leaks that have occurred in recent years. He reported that the District contracted with PURE Technologies

to complete a multi-phase inspection of the pipeline. The cost of this inspection of 7.2 miles of pipeline was over \$500,000. Mr. Neisler described each phase of the inspection, the findings of the inspection and action taken to address the issues that were discovered. As a result of the inspection, the estimated service life of the pipeline is thirty years.

Extraction Wells

Mr. Neisler said the District owns extraction wells in the Tehachapi Basin. The wells are used to serve wheeled water to parties owning water rights or leased rights. He said these wells also allow the District to extract water and place it into our system for the City of Tehachapi or Golden Hills CSD. With the conjunctive use agreements in place, the District can take water from these agencies and reimburse them for the cost of that water. He said there is good cooperation between the agencies. Both the City and GHCSO can flush their high nitrate wells into the District's system when it is necessary.

Mr. Neisler said there are no extraction wells in Cummings Basin. We do have a limited ability to get water from Bear Valley CSD and Stallion Springs CSD through agreements with them. They also have the ability to flush their wells into our system, if necessary.

c. Reservoir (Jacobsen Reservoir)

This is the District's only surface storage facility with a maximum storage capacity of 1,865 acre feet. The minimum storage amount necessary to provide the gravity flow to Tehachapi Basin is 400 acre feet. This allows a usable supply of 1,450 acre feet. Mr. Neisler reviewed the planned operations for 2018.

d. Recharge Facilities

Mr. Neisler described the locations of the recharge sites in the Cummings Basin (19-acre site and Cummings Ponds). He reviewed the operations for each site and the operations for 2017.

The recharge sites in Tehachapi Basin were reviewed: Antelope Dam, Blackburn Dam and Gravel Pit.

Mr. Neisler said the expansion of recharge sites in Cummings Basin is a high priority. The upgrade in the capacity of the imported water system and the low cost of natural gas make this possible.

Trent Sherman asked if Jacobsen Reservoir was designed for recharge. Mr. Neisler said the intended use for the reservoir is storage.

iv. Support Systems

a. Office Complex

Troy DePriest addressed this portion of the presentation. He reviewed the projects that have been completed: Board Room Remodel Project; the new warehouse; and the new administrative offices. He reviewed potential projects: updating the parking lot, remodeling the current pump plant foreman's office, addition of a restroom facility for the pipeline and pump plant crews, additional

storage area, replacement of two heating and air conditioning units on the main office, security system updates and upgrades.

b. Vehicles and Equipment

Mr. DePriest reported that the vehicle fleet is in excellent condition. The program of replacing vehicles needs to be continued, to promote efficiency and safety. The equipment fleet is in adequate condition. There are a couple of older pieces that are out of emissions compliance and will have to be updated. He reviewed the list of recommended additional equipment for the District which included: a loader, integrated tool carrier and an excavator.

Mr. Neisler reviewed the equipment that has been purchased in recent years and added comments on the use of the equipment and meeting emissions requirements. He said the purchase of this new equipment could not be justified without some dedicated use defined. He suggested that the cost of purchasing and the cost of renting the equipment would have to be compared.

Ted Wyman commented on training personnel to use new equipment. Mr. Neisler agreed with his comment, but said he does not see the District purchasing brand new (Tier 4) equipment.

v. Financial Resources

a. Budget

LaMinda Madenwald addressed the Board to review the Financial Resources. She started by reviewing the budget process. She said the budget is the foundation for the District's financial planning and control and she described each step of the budget process, including the mid-year budget review.

b. Reserves

Ms. Madenwald said one of the most important determinations of the budget process is funding the reserves. She said the reserves policies are one of the most critical items that could be addressed through the Strategic Planning Workshop. Ms. Madenwald reviewed the development of the Reserves Policy and the purpose of each reserve fund. She said the most critical funds are the Capital Improvements Reserves Fund and Equipment Replacement Reserves Fund.

c. Projections

Ms. Madenwald said projections are necessary to allow effective strategies to cope with unforeseen changes in circumstances. She said the District needs to have reserve funds and related policies to maintain a prudent financial position and provide for the future. Expenses and revenue streams need to be continually assessed. Some of the challenges include: regulatory fees and charges, energy costs and uses, capital expenditures and financing.

Questions were taken from the audience. Trent Sherman asked if the District was eligible for state funding programs. Ms. Madenwald responded that the District strives to stay aware of grants/funding that may be available. Mr. Sherman asked if the adjudication had any affect on grant funding. Mr. Neisler explained that the District is currently participating in a Prop. 84 grant process and the District does actively pursue grant opportunities, but the benefit has to exceed the cost.

Ted Wyman asked if the District had the equivalent of a sinking fund. Ms. Madenwald explained the process of funding these reserves, including financing and investments. He also asked when the long-term budgeting is reviewed, are the changes in demographics in the area of influence considered. Ms. Madenwald answered affirmatively and added there are so many unknowns that have to be considered.

Robert Schultz asked if the reserve funds are protected from the State taking them. Mr. Neisler responded the intent of developing the long-term capital improvement plan and creating and funding these reserves is to protect that money. Mr. Schultz asked if putting these funds into reserves locked them away from the State. Mr. Neisler explained that it does not lock the funds away. The goal is to attempt to show that these funds are for a dedicated purpose. Mr. Schultz expressed his concern that these funds could be taken from the tax base, funded by the taxpayers. Mr. Neisler explained that the District funds being discussed are revenue from the District's share of the 1% property tax base and the revenue from water sales. The ad valorem property tax money is collected for a specific reason (State Water Contract payment). Mr. Neisler explained the process involved in setting the tax rate for this reserve fund. Some discussion continued on this topic.

Mr. Neisler said that this completes the presentation portion of the workshop.

Director Worden suggested the Board take public comments at this time.

Ted Wyman said he asked about the hack that occurred on the District's SCADA system. Mr. Neisler addressed this issue and explained the steps taken to prevent this type of problem in the future. He said the District suffered no damage as a result of this incident.

Trent Sherman asked how the District aligns their plans and implementation of sustainable groundwater management with the other stakeholders, particularly the City of Tehachapi and what their plans are for future expansion. Mr. Neisler responded that the City of Tehachapi is located in the adjudicated Tehachapi Basin, which has prescribed rights. He then explained that in the State of California, if you are proposing a development, you have to have a source for a 20-year water supply. President Zanutto said that the City of Tehachapi has the Greater Tehachapi Specific Plan, which includes water and development. Mr. Neisler added that there is also a joint Regional Urban Water Management Plan, which is updated every 5 years.

Mr. Wyman asked if the District would have interest, or input in the County's 40-year general plan. Mr. Neisler said that it has not been distributed for public agency comment yet, but staff will review it and participate as necessary.

President Zanutto asked the audience if they are aware of any weaknesses that the Board should address.

Trent Sherman asked how strong the public engagement is and if they provide any feedback. Mr. Neisler responded that the District gets very good coverage from the local newspapers. He added that the District has a website that is kept updated and a Facebook page. The annual pump plant tour is scheduled for April 19 and that will be publicized in the papers as well. He said that staff makes every effort to promote public engagement.

Ted Wyman expressed concern because there were no representatives from the large ag users present at the meeting. Mr. Neisler responded to his comment.

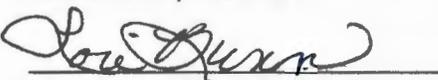
Gary Burgeis asked how many residents of Golden Hills and the City know about the District. Mr. Neisler agreed with his comments. He said we have seen the public engagement increase. He said the pump plant tour last year had over 36 people. He said he is hopeful that public engagement will continue to increase.

Discussion took place on scheduling the second half of the Strategic Planning Workshop. President Zanutto suggested that the directors review their calendars and suggest that date at the regular meeting on April 18, 2018. Director Worden said he wanted to have the next meeting on April 30.

Item 4. Adjournment

The meeting was adjourned at 5:07 p.m. on a motion made by Director Zanutto, seconded by Director Pack and unanimously carried. Ayes: Pack, Prel, Worden and Zanutto; Noes: None; Abstain: None; Absent: Hall.


Rick Zanutto, President


Lori Bunn, Secretary