

**MINUTES**

**TEHACHAPI-CUMMINGS COUNTY WATER DISTRICT  
SPECIAL MEETING OF THE BOARD OF DIRECTORS  
March 7, 2023, 3:00 P.M.  
22901 Banducci Road, Tehachapi, CA 93561**

**CALIFORNIA DPH RECOMMENDS ALL PERSONS CONTINUE WEARING MASKS INDOORS IN PUBLIC SETTINGS**

- Item 1. Call to Order and Roll Call**  
**Directors Present:** Ables, Hall, Sasia, Schultz, Zanutto  
**Legal Counsel:** Robert Kuhs via Zoom  
**Staff in Attendance:** Catherine Adams, Jon Curry, LaMinda Madenwald, Judy Negrete, Tom Neisler
- Item 2. Announcement**  
 President Schultz announced this meeting is being audio recorded, including all Board, Staff, and Public comments.
- Item 3. Flag Salute**  
 The Pledge of Allegiance was led by President Schultz.
- Item 4. Approval of Agenda**  
 Ms. Adams requested to add an item for “Return to Open Session and Report on Action Taken” as it was mistakenly left off the agenda. Director Zanutto requested to add an item for “Board Comments”. The agenda was amended as follows: Item 8. Board of Director Comments, Item 9. Closed Session, Item 10. Return to Open Session, and Item 11. Adjournment.

Director Hall moved to approve the agenda as amended. President Schultz seconded the motion, and it was carried on the following vote: Ayes: Ables, Hall, Sasia, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None. Motion passed.
- Item 5. Comments by any Party on Items of Interest and Within the Subject Matter Jurisdiction of the Legislative Body**  
 None.
- Item 6. Public Hearing and Approval of Cummings Basin Groundwater Allocations in Accordance with Amended and Restated Judgment**  
President’s Opening Remarks:  
 President Schultz stated this is a Special Meeting of the Board of Directors for the purpose of considering approval of 2023 Cummings Basin Groundwater Allocations in accordance with the Amended and Restated Judgment. The public hearing was declared in session at 3:04 p.m.

Staff Report:  
 Mr. Neisler stated the Amended and Restated Judgment (ARJ) requires Irrigation Allocations be recalculated on an annual basis. This went into effect last year and pumpers in the basin submit allocation requests to the District each year. All the requests have been collated and Staff has prepared the proposed Irrigation Allocation list for 2023. The 2023 allocation is 0.76 AF of water per acre of irrigated land, which is a slight reduction from last year. The M&I Allocation increased slightly to 1,070 AF. The adjudicated Native Safe Yield is 2,990 AF per year and this year we will allocate 2,991 AF as we cannot hit that target exactly due to rounding. The draft list has been posted on the District’s website and

this hearing allows for any questions or concerns to be heard today. The list is Attachment A to the Staff Report, and he displayed it on the screen, offering to answer any questions.

President Schultz opened it up for questions and Director Zanutto inquired about Bear Valley CSD's (BVCS D) irrigated acres and their tenants. Mr. Neisler stated he and the District's attorney, Robert Kuhs, as well as Bear Valley's attorney have spoken at length about this and explained the tenant's operations, recycled water, and usage. He stated that the entire irrigator's allocation for the parcels owned by BVCS D and leased to tenant farmers, has been assigned to BVCS D. The District will ensure that more than 335 AF (allocation) of native water is applied to those irrigated acreages combined. Director Zanutto stated his concern was whether that water is transferred to their other properties as his understanding of the ARJ is that the allocation had to be utilized on the acreage being irrigated. Mr. Neisler stated they have treated this like other customer's situations where as long as there is adequate native water (full use of allocation granted) applied to the particular parcel or cumulative parcels (that the allocation was derived from), we have granted that.

There being no additional comments, President Schultz declared the hearing closed at 3:16 p.m. and returned to the Special Board Meeting.

Director Sasia moved that the Board of Directors, in their role as Watermaster of the Cummings Basin, approve the list of groundwater allocations for 2023 in accordance with Attachment A, as posted on the TCCWD website. Director Zanutto seconded the motion, and it was carried on the following vote: Ayes: Ables, Hall, Sasia, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None. Motion passed.

**Item 7. Adopt Resolution 03-23 to Engage Financing Team for the 2023 Engine Replacement Project**

Mr. Neisler commented that there are consultants coming in from out of the area to do a presentation and due to traffic delays, they will be arriving at the meeting later than expected. President Schultz stated if they have not arrived when Ms. Madenwald finishes her portion, he will call for a break.

Ms. Madenwald stated the Board will consider adopting Resolution 03-23 to Engage a Financing Team for the 2023 Engine Replacement Project which provides authorization for the completion of all actions necessary and appropriate to present the Certificates of Participation and related agreements, and the official statement to the Board for approval at a future meeting. The report contains updated information about financing options for the \$12 million project to replace all eight engines in Pump Plants (PP) 2 and 3. In 2017, the District completed its Pump Plant 1 Engine Replacement Project, and planning began for the next three phases of that project. The current PP1 annual debt service amount is \$766,300 and will be fully satisfied in December of 2023. To finance the estimated \$12 million for the Pump Plant 2 and 3 Engine Replacement Project, Staff requested Oppenheimer and Ridgeline Municipal Strategies, LLC to investigate several different financing options. The options are a public bond sale with 15-, 20- or 30-year terms or private placement bank loans with 15- or 20-year terms. She presented the details of the financing table as included in the Staff Report.

In the current market environment, the bond market offers more cost-effective options compared to bank loans. The annual bond sale debt service increase compared to the Pump Plant 1 Engine Replacement Project loan is estimated to be approximately -\$49,300 (30-year term), \$101,000 (20-year term), or \$265,000 (15-year term). At the February 15<sup>th</sup> Board Meeting, the Board authorized Staff to assemble the financing team for the project and we will be hearing from two of those members today. The recommended three financing members are: Bond/Disclosure Counsel- Stradling Yocca Carlson & Rauth, Municipal Advisor- Ridgeline Municipal Strategies, LLC, and Underwriter/Placement Agent- Oppenheimer & Co. Inc. The Board's authorization is required to formally engage these members of the financing team and to execute their agreements. The fiscal impact of the options presented, payable over 15-30 years, will have annual debt services of approximately \$717,000 (30-year term), \$867,000 (20-year

term) or \$1,031,500 (15-year term). The debt service on this new debt will be considered when the Board investigates a rate adjustment. The cost of bond issuance is estimated at approximately \$135,000 which includes the fees of bond/disclosure counsel and the municipal advisor, the fee for the rating agency, underwriter's counsel, bond trustee, and other miscellaneous costs. All of these fees are contingent upon the closing of the financing, with the exception of the rating agency fee (estimated at \$22,000), which is due regardless of whether the financing closes or not.

Director Hall inquired about the Indicative Interest Rate and Ms. Madenwald explained that means what the rate was on February 28<sup>th</sup> can be used to estimate what the rate will be but that rate changes almost daily. Mr. Neisler added it is the effective interest rate including the discount and stated the representatives can explain this further in their presentation. Director Hall discussed looking into the present value of the loan and considering inflation calculations.

Mr. Jeff Land, Oppenheimer & Co. Inc., introduced himself and stated they specialize in working with local governments in California on funding Capital Improvements Projects and he worked with this District around 10 years ago on another loan. They are also the financial consultants to the CSDA Finance Corporation. His role in this project is to give the District access to the capital marketplace; they underwrite the bonds and sell them to investors. He described the current market and its volatility. Director Zanutto asked if the bonds can be called and Mr. Land responded yes, the standard time is 10 years before you can call or refinance it. He explained that before bonds are issued, he will come back to this Board with a Resolution that will authorize the offering documents and establish a not to exceed rate. President Schultz asked Mr. Neisler what the life expectancy is of these new engines and Mr. Neisler stated over 20 years and they had further discussion on proposed emission standards and regulations that may hinder the use of natural gas engines in the future. At this time President Schultz called for a short break in the meeting.

The meeting resumed at 4:04 p.m. and Mr. Dmitry Semenov of Ridgeline Municipal Strategies who will serve as the Municipal Advisor began a PowerPoint presentation (slides included in Staff Report). He will act as the fiduciary to ensure the best interests of the District are kept in the forefront. TCCWD has a good financial position in the marketplace attributed to the fact that it provides an essential resource and the District's funding source includes tax revenues. He explained the most common financing structure for water system improvements is Net Revenue Pledge (Gross Revenues – O&M Expenses = Net Revenues). There are two financial covenants. The Rate Covenant requires the District to set water rates to ensure debt service coverage ratio of no less than 1.25. The second is Additional Debt Test which allows additional debt, as long as the Rate Covenant is maintained. Currently, the District is close to 5 times the debt service coverage ratio. He presented examples of similar financing they completed with other local water agencies. They have investigated the loan options; Public Sale (Bond), Private Placement (Bank Loan) and Government Loan and explained how these work and what the advantages and disadvantages are of each option. As Ms. Madenwald explained earlier, the bond option is the most beneficial and Mr. Semenov explained the process of selling the bonds and when the interest rate will be set. Director Hall inquired about the bidding process and Mr. Land explained the order period, the preliminary pricing scale, and what happens if they are oversubscribed.

Director Hall asked if we only have to meet the debt service coverage ratio once and Mr. Semenov explained the District will have to meet that every year. He stated the property tax revenue the District gets is very strong and does not vary like water sales do and that will help the District to continue to meet the ratio. President Schultz asked questions on their calculations for the Annual Debt Service and Mr. Semenov explained the background. Discussion took place on how Rate Stabilization Funds can be established to help maintain the debt service coverage ratio and Mr. Neisler explained the District's current Rate Stabilization Fund and how there would have to be a catastrophic before this District would have to worry about not having sufficient debt coverage as we are currently at 500% and we only need to

be at 125%. The Directors asked further questions and discussed the preference for a 15-year loan as they felt the District can afford the slightly higher payment (\$1,031,500/year), it would provide a break before another replacement project is needed, there are some unknowns in California with natural gas, and it would save the District and taxpayers a lot of money in net interest as the 15-year loan has a net Interest cost of \$3,275,000 versus \$5,138,00 for 20-year or \$9,303,000 for a 30-year loan. They consulted Ms. Madenwald for her knowledge of the District being able to afford the 15-year payment based on what she has seen with the ups and downs with the District. She stated she cannot see any reason why the District could not meet the \$265,000 more per year, than the District is currently paying. They consulted with Mr. Neisler to see if he foresees anything coming up in the future or any reason why this would not be a good idea. Mr. Neisler stated he strenuously supports the 15-year term.

Mr. Don Marsh, City of Tehachapi, inquired as to whether there will be a rate increase or increase in taxes to cover these additional costs. Mr. Neisler responded that the Ad-Valorem Tax Rate is recalculated annually, and a rate increase is yet to be determined; that will be considered at the time the Board investigates a rate increase. The current debt service is covered by the rate structure. President Schultz commented that there are items in the future that are unknown and the most important is natural gas prices. They have been extremely volatile, so if the natural gas prices continue to be high, we can't guarantee that the rates wouldn't have to change. Mr. Marsh asked how much of the 125% debt assurance is covered by property tax versus water sales revenues. Mr. Neisler responded that approximately two-thirds of the cost of the water that we import is covered by two tax sources and one-third by water rates. Mr. Neisler commented that the District is long overdue to look at the rate structure and they are planning to do that, and the increased debt service will be a topic of that investigation. Director Zanutto commented that they need to keep in mind that if the Delta Conveyance Project (DCP) moves forward, there will be more payments due. Mr. Neisler clarified that the DCP is a function of the Statement of Charges from the KCWA and that is covered by the Ad-Valorem Tax.

President Schultz moved that the Board of Directors adopt Resolution 03-23, authorizing the engagement of the financing team members and authorizing the Board President to execute the financing team agreements subject to legal counsel review and acceptance and he further moved that the Certificates of Participation be investigated for a 15-year term. Director Sasia seconded the motion, and it was carried on the following vote: Ayes: Ables, Hall, Sasia, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None. Motion passed.

President Schultz thanked Mr. Land and Mr. Semenov for their presentations and being here today to answer questions as it was very helpful to their decision making process.

**Item 8. Board of Director Comments**

Director Zanutto commented that the current allocation is 35% and we need approximately 41% to meet the needs this year, so he asked what the District plans are, if the allocation increases and if we will be able to do some recharging. Mr. Neisler clarified the different types of recharges and stated that at 35% they can begin to meet some of the Conjunctive Use Recharge and if the allocation reaches 50%, they will be able to meet all the mandatory recharge requirements and have some water available for Voluntary Recharge. Currently the importation system is not running and in order import 10,000 AF of water, the system would need to have been running since the first of February, and starting the system early requires the District pay spot prices for natural gas which can be up to \$10/mmbtu (the District has gas purchased beginning April 1<sup>st</sup>). Things are changing often, and he hopes to provide an updated report soon. Currently, they plan to start the system the last week of March and run through October as well as utilize a 3 engine system to try to pump as much water as they can. Mr. Neisler is working on two potential banking deals down in the valley and is reactivating discussions on Article 21 water and Lower Kern River water. DWR is scheduled to announce an updated allocation before the end of this month.

President Schultz discussed a Voluntary Banking Agreement document that is generalized and could be used for agricultural customers and asked if Mr. Neisler and Mr. Kuhs have been able to develop that. Mr. Neisler stated the template exists but contains some specifics to a certain customer and Mr. Kuhs has removed those and is working on a more generic template. President Schultz asked for it to be made available on the website when it's ready and stated he is interested in this because he has found some customers do not know this is an option and it would be nice for there to be an agreement available for them to look at and they can decide if they want to come to the District to further discuss the option. Mr. Neisler stated that is an excellent point and we will make sure it gets placed on the website but cautioned that it is not as simple as filling out a form, there is a lot that goes into it, and the water has to be paid for upfront.

Director Hall referred to the question about the District setting the tax rate and commented, the District does not have a lot of flexibility with that rate. The Ad-Valorem Tax Rate is based on the cost of the District's share of the water on the aqueduct and it can only be used for that.

**Item 9. 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, TCCWD v. City of Tehachapi, *Et al.*

The Board adjourned to Closed Session at 5:11 p.m.

**Item 10. Return to Open Session**

The Board returned to Open Session at 6:18 p.m.

**Report Action Taken in Closed Session:**

- a. No reportable action.

**Item 11. Adjournment**

The meeting was adjourned at 6:19 a.m. on a motion made by Director Hall, seconded by Director Sasia, and carried on the following vote: Ayes: Ables, Hall, Sasia, Schultz, Zanutto; Noes: None; Abstain: None; Absent: None. Motion passed.

  
Robert W. Schultz, Board President

  
Catherine Adams, Board Secretary



**CLOSED SESSION ITEM DESCRIPTIONS**

(Gov. Code § 54954.5)

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

Description of Property: \_\_\_\_\_  
Proposed District Negotiator: \_\_\_\_\_  
Negotiating Parties: \_\_\_\_\_  
Subject of Conference: \_\_\_\_\_

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

1. Existing Litigation: KCSC No. BCV-21-102184 KCT  
Name of Case: TCCWD v. City of Tehachapi *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: \_\_\_\_\_