

**PANOCHÉ WATER DISTRICT MEETING MINUTES
ADJOURNED REGULAR MEETING OF THE BOARD OF DIRECTORS
April 18, 2023, at 9:30 A.M.**

A meeting of the Board of Directors was held at 52027 West Althea Ave., Firebaugh, CA 93622. Those present at the meeting were:

Directors Present: Aaron Barcellos, President
Beau Correia, Vice-President
Steve Fausone, Secretary
Wayne Western, Director
Neill Callis, Director

Directors Absent: None

District Staff Present: Ara Azhderian, General Manager
Marlene Brazil, Treasurer
Lorena Chagoya, Ethics & Compliance Officer
Chris Carlucci, Maintenance Manager
Diana Moses, Risk Management Assistant

Others Present: Philip Williams, General Counsel
Palmer McCoy, Grassland Basin Authority
Steve Creighton, S3 Group
John Bennett, Bennett Ranches

ANNOUNCEMENT PURSUANT TO GOVERNMENT CODE SECTION 54952.3

Pursuant to Government Code Section 54952.3, Water Code sections 34740 and 34741, and the District's Bylaws, let it be known that Board members may receive either: A \$100.00 stipend as compensation for participation in today's meeting and for each day's service rendered as a Director, not to exceed a total of \$600.00 in any calendar month, or, as an Executive Officer of the District, a \$500.00 per month stipend as compensation for their service to the District.

CALL TO ORDER

President Barcellos called the regular meeting to order at 9:30 a.m.

REVIEW OF AGENDA

There were no changes to the Agenda.

ROLL CALL

A quorum of the Board and presence of the District's Officers were confirmed.

POTENTIAL CONFLICTS OF INTEREST

Directors Barcellos and Correia announce recusal from Agenda Item 16 due to existing landlord/tenant relationships.

PUBLIC COMMENT

General Manager Azhderian noted that this would be his last meeting as General Manager of the Panoche Water District. He thanked the Board for their continuing support and committed to help the District through the transition to a new general manager over the coming months. The Board thanked Azhderian for his service and continued support.

PROPOSED 2023-2024 WATER RATES AND LAND-BASED CHARGES PUBLIC HEARING

Pursuant to Proposition 218, President Barcellos opened the public hearing to receive testimony regarding the proposed water rates and land-based charges. After waiting three minutes and receiving no testimony, President Barcellos closed the public hearing.

At approximately 9:35 a.m., President Barcellos suspended the Water District meeting and resumed the Drainage District meeting.

DIVISION REPORTS

Maintenance Manager Chris Carlucci provided the Board a report on the District's maintenance activities over the prior month. General Manager Azhderian reported the accounting staff had been focused on finalizing the Drainage District's FYE 2022 financial audit and FYE 2024 fiscal-year budget and rates. They had also been developing FYE 2024 budgets and rates for the Mercy Springs Water District and Charleston Drainage District. With budgets and rates now adopted, staff would be turning to preparing landowner and water users billings as well as working to closeout the FYE 2023 books and preparing for the next round of audits, Azhderian said. Ethics & Compliance Officer Lorena Chagoya updated the Board on the District's risk management activities. She reported on one worker's compensation claim in which no wages were lost. She also reported the District's 2022 4th quarterly safety inspection received the highest score since 2018, scoring 99%. Lastly, Chagoya reported that all annual employee evaluations had been completed as of March and the job advertisement for the General Manager had been posted and that the District had received five applications by the April 13th deadline.

PANOCHÉ WATER & DRAINAGE DISTRICTS' JOINT CLOSED SESSION

General Counsel Williams announced that the Panoche Water and Drainage Districts Boards would meet jointly in closed session for a conference with legal counsel on anticipated litigation pursuant to Government Code Section 54956.9, Subdivision (d), Paragraphs (2) or (3).

At approximately 10:20 a.m., President Barcellos called the joint closed session to order.

At approximately 11:28 a.m., President Barcellos adjourned the joint closed session.

JOINT CLOSED SESSION REPORT

General Counsel Williams reported the Boards met jointly with legal counsel in closed session and no reportable action was taken.

CLOSED SESSION

General Counsel Williams announced that the Panoche Water District Board would meet in closed session for a conference with legal counsel on anticipated litigation pursuant to Subdivision (a),

Paragraphs (1), (2), or (3) of Subdivision (d) of Government Code Section 54956.9; to conference with Real Property Negotiators regarding the potential purchase of irrigation water; and to conference with legal counsel regarding Labor Negotiations and Recruitment pursuant to Government Code Sections 54957.6 and 54957(b)(1), respectively.

At approximately 11:30 a.m., President Bennett called the closed session to order.

At approximately 11:54 a.m., President Bennett adjourned the closed session.

CLOSED SESSION REPORT

General Counsel Williams reported the Board met with legal counsel in closed session and took no reportable action.

At approximately 12:00 p.m., Director Fausone departed the meeting.

CONSENT CALENDAR

General Manager Azhderian presented the Board with the Consent Calendar, which included the Quarterly Investment Report for the period ending March 31, 2023; the monthly financial statements for the period ending March 31, 2023; and the Director’s Monthly Credit Card Usage Report. After consideration, on a motion by Director Callis, seconded by Director Western, the Board accepted the Consent Calendar as presented.

The vote on the matter was as follows:

Ayes:	Barcellos, Correia, Western, Callis
Nays:	None
Abstain:	None
Absent:	Fausone

THE BOARD TO REVIEW AND CONSIDER AUTHORIZING EXECUTION OF A RECLAMATION REFORM ACT SECTION 215 WATER CONTRACT WITH THE BUREAU OF RECLAMATION

General Manager Azhderian presented the Board a memo and reported that with the filling of San Luis Reservoir, Reclamation was making Section 215 Water available from the Delta and that a small number of growers had expressed interest in receiving some. Azhderian explained the dilemma with satisfying this request is the risk the delivery of 215 Water places on the potential loss of the District’s \$4.9M worth of Rescheduled water. Rescheduled water is to be the first water used by the District, he said, though there is an exception for contractors that can demonstrate the 215 Water “will satisfy additional demand”. Azhderian said this poses two issues for the District. First, those requesting 215 Water generally do not have any or much Rescheduled water; therefore, the risk of loss of Rescheduled is not put upon the requester but is shifted to other growers and the District. Second, the exception provided for in Reclamation’s Rescheduling Guidelines requires the District to demonstrate the use of 215 water is to meet “additional demand”. The District currently has no mechanism to meet this requirement, he noted. Given the abundance of 2023 CVP Contract water and a cost differential of only +\$13.04 per acre-foot, Azhderian recommended the District promote the use of 2023 Contract water instead of 215 Water and protect some, if not all, of its 2022 Rescheduled water from loss. After consideration, the Board elected to follow the recommendation and took no action to authorize execution of a 215 Water contract.

THE BOARD TO REVIEW AND CONSIDER AUTHORIZING NEGOTIATION OF A CONVEYANCE AGREEMENT WITH WEST STANISLAUS IRRIGATION DISTRICT

General Manager Azhderian reported he had been meeting with West Stanislaus General Manager Bobby Pierce to frameup conceptual points of agreement for a multi-year conveyance agreement that would allow Panoche to convey water from the San Joaquin River to the Delta-Mendota Canal. He presented the Board a draft term sheet and reviewed the reviewed the concepts thus far agreed upon. After consideration, on a motion by Director Western, seconded by Director Correia, the Board authorized staff to negotiate a multi-year Conveyance Agreement with West Stanislaus.

The vote on the matter was as follows:

Ayes: Barcellos, Correia, Western, Callis
Nays: None
Abstain: None
Absent: Fausone

THE BOARD TO REVIEW AND CONSIDER AMENDING 1) THE 2023-24 FISCAL-YEAR BUDGET; 2) THE CENTRAL VALLEY PROJECT AND SUPPLEMENTAL WATER RATES; AND 3) THE 2023-24 OPERATIONS & MAINTENANCE RATES

General Manager Azhderian presented a memorandum addressing the actions to be considered by the Board. He explained the need to amend the fiscal-year budget stemmed from Reclamation’s increase in the 2023 CVP contract allocation and related reduction in the San Luis & Delta-Mendota Water Authority’s operations & maintenance rates. He said the need to reconsider the water rates, which were originally set on March 1, was the fact that 75% of the District’s supplemental supply had yet to be purchased and that the District’s multi-year agreements would start requiring payments beginning in May. Lastly, Azhderian stated that following the successful outcome of the Proposition 218 “majority protest” process in which no protests were received, the Board now needed to set operations and maintenance rates for the 2023-24 fiscal-year. After consideration, on a motion by Director Callis, seconded by Director Western, the Board: 1) amended the FYE 2024 budget to reflect the recent changes in water costs; 2) directed staff to retract allocations made in March and refund the payments made for supplemental water then invoiced and reallocate water based upon a blending of CVP and supplemental water supplies assuming 45,000 acre-feet of demand, and bill for the blended rate in two installments, half in May and the second half in September; and 3) established a 2023-24 Operations and Maintenance water rate and land-based charge based upon the just amended budget of \$110.47 per acre-foot and \$21.22 per acre, with the water rate to be billed monthly following usage and the land-base rate to be billed in two installments, half in June and the second half in December. The Board also determined that the amount of water allocated could be customized on a grower-by-grower basis, with each able to elect to take more or less water than their allocation and to encourage growers to shut off their wells and let the groundwater aquifer recover for the next dry period.

The vote on the matter was as follows:

Ayes: Barcellos, Correia, Western, Callis
Nays: None
Abstain: None
Absent: Fausone

THE BOARD TO REVIEW AND CONSIDER AUTHORIZING EXECUTION OF A CONSULTING SERVICES AGREEMENT WITH WATER & LAND SOLUTIONS

Directors Barcellos and Correia recused themselves from the meeting. General Counsel Williams presented a draft agreement to engage Water & Land Solutions, and in particular Chase Hurley, to serve as Interim General Manager until a permanent replacement for Mr. Azhderian could be seated. The remaining Directors reviewed the proposals, discussed the anticipated needs of the District, and directed staff to work with Mr. Hurley to finalize an agreement around the proposed Scenario 3 Fee Structure and to return a final draft for further consideration at the May 9th Board meeting. No further action was taken on the matter.

THE BOARD TO REVIEW AND CONSIDER AUTHORIZING EXECUTION OF AN AGREEMENT FOR PROFESSIONAL SERVICES WITH ARA AZHDERIAN

General Manager Azhderian recused himself from the meeting. General Counsel Williams presented the Board a draft agreement for professional services to be rendered by Ara Azhderian on a consultant basis to aid the District and its leadership as it transitions to a new full-time General Manager. In return for his delivery of certain identified tasks, materials, and other deliverables, the District would compensate Mr. Azhderian a total of \$50,000.00 on a schedule to be later determined by mutual written agreement of the parties. President Barcellos was provided authority to execute the agreement in accordance with these terms.

After consideration, on a motion by Director Correia, seconded by Director Callis, the Board approved entering the contract on these terms and delegated authority to President Barcellos to negotiate and execute the agreement in accordance with the terms presented to the Board.

The vote on the matter was as follows:

- Ayes: Barcellos, Correia, Western, Callis
- Nays: None
- Abstain: None
- Absent: Fausone

THE BOARD TO REVIEW AND CONSIDER ADOPTING A RESOLUTION UPDATING THE DISTRICT’S RETIREMENT PLAN TRUSTEE(S)

General Manager Azhderian presented the Board the draft Resolution and explained it was to remove him as an authorized designee to administer the District’s retirement plan and to add Director Correia and Treasurer Brazil as authorized Trustees. After consideration, on a motion by Director Western, seconded by Director Callis, the Board adopted the Resolution as presented.

The vote on the matter was as follows:

- Ayes: Barcellos, Correia, Western, Callis
- Nays: None
- Abstain: None
- Absent: Fausone

THE BOARD TO REVIEW AND CONSIDER ADOPTING A RESOLUTION UPDATING DISTRICT REPRESENTATIVES AUTHORIZED TO EXECUTE LOCAL AGENCY INVESTMENT FUND (LAIF) TRANSACTIONS

General Manager Azhderian presented the Board the draft Resolution and explained it was to remove him as an authorized designee to administer the District’s Local Agency Investment Fund and to

add Director Correia and Treasurer Brazil as authorized agents. After consideration, on a motion by Director Callis, seconded by Director Western, the Board adopted the Resolution as presented.

The vote on the matter was as follows:

Ayes:	Barcellos, Correia, Western, Callis
Nays:	None
Abstain:	None
Absent:	Fausone

THE BOARD TO REVIEW AND CONSIDER APPROVING REVISIONS TO CERTAIN DISTRICT HEALTH AND SAFETY POLICIES

General Manager Azhderian explained that over the past few years as the District has worked to develop and implement mandated compliance and safety programs, it has worked with a number of different vendors to explore the scope, quality, and cost of services while working deliberately to develop in-house expertise. As the effort has progressed, the need for external services has diminished, he said. Ethics & Compliance Officer Chagoya reported the District's contract with California Safety Training Corporation is set to expire in May and that the plan was to not renew, which would save the District at least \$15,000 annually. She explained that staff training, along with resources provided by the ACWA Joint Powers Insurance Authority, were now capable of providing the District the necessary level of service. However, Chagoya went on, a number of the health and safety programs the District has been relying upon are CTSC copywritten material so, to facilitate the departure, she has been redrafting the necessary policies to ensure continuing compliance with the numerous laws and regulations. Today's tranche of policies, Chagoya reported, were the first in a series that the Board would need to review as part of the transition. After consideration, on a motion by Director Correia, seconded by Director Callis, the Board adopted the Policies as presented.

The vote on the matter was as follows:

Ayes:	Barcellos, Correia, Western, Callis
Nays:	None
Abstain:	None
Absent:	Fausone

THE BOARD TO REVIEW AND CONSIDER APPROVING REVISIONS TO CERTAIN DISTRICT FINANCE AND ADMINISTRATION POLICIES

General Manager Azhderian presented the Board a number of related Policies and explained the proposed changes were aimed at addressing his imminent departure as well as that of former Controller JP Otollo. He explained that as of April 24th, the only remaining employee with authority to use a District credit card would be Water Resources Manager Juan Cadena and that the proposed changes would expand that authority to include Maintenance Manager Chris Carlucci and Ethics & Compliance Officer Lorena Chagoya, both of whom have legitimate needs and reasons to make purchases on the District's behalf. After consideration, on a motion by Director Callis, seconded by Director Western, the Board adopted the Policies as presented.

The vote on the matter was as follows:

Ayes:	Barcellos, Correia, Western, Callis
Nays:	None
Abstain:	None
Absent:	Fausone

THE BOARD TO REVIEW AND CONSIDER APPROVING PAYMENT OF BILLS

General Manager Azhderian presented the Board with the District’s accounts payable. After consideration, on a motion by Director Western, seconded by Director Callis, the Board approved payment of the bills as presented.

The vote on the matter was as follows:

Ayes:	Barcellos, Fausone, Western, Callis
Nays:	None
Abstain:	None
Absent:	Correia

FINANCIAL REPORTS

No report was given.

REPORTS UNDER DISTRICT POLICIES

No report was given.

GENERAL MANAGER’S REPORT

No report was given.

REPORTS ON OTHER ITEMS PURSUANT TO GOVERNMENT CODE SECTION 54954.2(A)(3)

No report was given.

FUTURE MEETING DATES

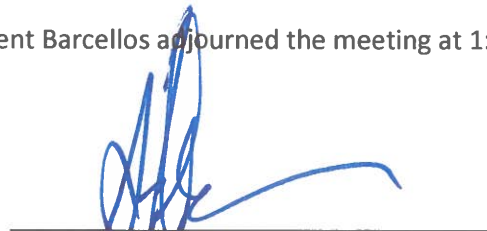
The next regular meeting of the Board was scheduled for 9:30 a.m. on May 9, 2023.

ADJOURNMENT

With no further business on the agenda, President Barcellos adjourned the meeting at 1:15 p.m.



Aaron Barcellos, President



Steve Fausone, Secretary