

AGENDA

**PANOCHÉ WATER DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING**

March 23, 2021 – 9:00 a.m.

52027 West Althea Avenue, Firebaugh, CA 93622

**IN ACCORDANCE WITH EXECUTIVE ORDERS N-25-20 AND N-29-20,
DIRECTORS AND THE PUBLIC MAY CHOOSE TO PARTICIPATE FROM ANY LOCATION,
WITHIN OR WITHOUT THE BOUNDARIES OF THE DISTRICT.**

**DIRECTORS AND MEMBERS OF THE PUBIC MAY CHOOSE TO PARTICIPATE
IN THE OPEN SESSION PORTION OF THE MEETING
FROM YOUR COMPUTER, TABLET OR SMARTPHONE
THROUGH THE FOLLOWING MEANS:**

<https://global.gotomeeting.com/join/631835029>

AND PLEASE DIAL

Conference call in number: 844 783-6236 Passcode: 209 364 6136

- 1. CALL TO ORDER**
- 2. REVIEW OF AGENDA:** The Board will consider corrections to the Agenda.
- 3. ROLL CALL:** A quorum will be confirmed and the Board will consider appointment of an acting officer(s) in the event the President, Vice-President, and/or Secretary is absent from the Directors' meeting.
- 4. POTENTIAL CONFLICTS OF INTEREST:** Any Board member who has a potential conflict of interest may now identify the Agenda Item and recuse themselves from discussing and voting on the matter. [Government Code Section 87105]
- 5. PUBLIC COMMENT:** The Board of Directors welcomes participation in Board meetings. The public may address matters under the jurisdiction of the Board that have not been posted in the Agenda. The public will be given the opportunity to address the Board on any item in the Agenda at this time or before the Board's consideration of that item. If members of the public desire to address the Board relative to a particular Agenda item at the time it is to be considered, they should so notify the President of the Board at this time. Please note, California Law prohibits the Board from taking action on any matter during a regular meeting that is not on the posted Agenda unless the Board determines that it is an emergency or one of the other situations specified in Government Code Section 54954.2. During a special meeting, the Board may not take action on any matter that is not on the posted Agenda. The President may limit the total amount of time allocated for public comment on particular issues to 3 minutes for each individual speaker.

ACTION ITEMS

- 6. The Board to review and consider adopting a Disclosure Policy (Azhderian – Tab 2);
- 7. The Board to review and consider accepting as FINAL the DRAFT Bartle Wells Associates Proposition 218 Engineer’s Report (Azhderian/Dove – Tab 3);
- 8. The Board to review and consider ratifying and/or adopting positions on SB 222 (Dodd), SB 223 (Dodd), and SB 323 (Caballero) (Azhderian – Tab 4);
- 9. The Board to review and consider authorizing an increase to the District’s wire transfer limit (Azhderian – Tab 5).

REPORT ITEMS

- 10. Fiscal-Year 2021-2022 Budget.

11. PANOCHÉ WATER DISTRICT-ONLY CLOSED SESSION

A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant Exposure to Litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9:

Number of Cases: Three

12. REPORT FROM PANOCHÉ WATER DISTRICT-ONLY CLOSED SESSION

At approximately 10:15 a.m., it is anticipated President Bennett will call a 15-minute recess and then resume the Panoche Drainage District meeting for a JOINT meeting of the Panoche Water and Drainage Districts.

13. JOINT CLOSED SESSION: Conference with Legal Counsel.

A. CONFERENCE WITH LEGAL COUNSEL – EXISTING LITIGATION
(Paragraph (1) of subdivision (d) of Section 54956.9)

Name of Cases:

- i. Stephen W. Sloan vs. Panoche Water District
Fresno County Superior Court Case No. 18CECG00511;
- ii. Imani Percoats & Chris Bettencourt vs. Panoche Water District
Fresno County Superior Court Case No. 18CECG01651;
- iii. Jeffrey Moore vs. Panoche Water District
U.S. Eastern District Court Case No. 1:20-cv-00143-DAD-EPG

B. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

Significant Exposure to Litigation pursuant to paragraph (2) or (3) of subdivision (d) of Section 54956.9:

Number of Cases: Ten

14. REPORT FROM JOINT CLOSED SESSION (GOVERNMENT CODE SECTION 54957.1)

15. FUTURE MEETING DATES

- A. Board to Consider Taking Action to Set Special Meeting Date(s): *No staff requests.*
- B. Next Regular Meeting Date: April 13, 2021.

16. ADJOURNMENT

- ❖ Items on the Agenda may be taken in any order.
- ❖ Action may be taken on any item listed on the Agenda.
- ❖ Writings relating to open session: Agenda items that are distributed to members of the Board of Directors will be available for inspection at the District office, excluding writings that are not public records or are exempt from disclosure under the California Public Records Acts.

Americans with Disabilities Act of 1990: Under this act, a qualifying person may request that the District provide a disability-related modification or accommodation in order to participate in any public meeting of the District. Such assistance includes alternative formats for the agendas and agenda packets used for any public meetings of the District. Requests for assistance shall be made in person, in written form, or via telephone at (209) 364-6136. Requests must be received at least 18 hours prior to a scheduled public meeting.

PANOCHÉ WATER DISTRICT POLICY FOR DISCLOSURE PROCEDURES

PURPOSE

The purpose of these Disclosure Procedures (the “Procedures”) is to memorialize and communicate key principles and procedures in connection with obligations, including notes, bonds and certificates of participation, issued by the Panoche Water District (the “District”) so as to ensure that the District continues to comply with all applicable disclosure obligations and requirements under the federal securities laws.

BACKGROUND

The District from time-to-time issues certificates of participation, revenue bonds, notes or other obligations (collectively, “Obligations”) to fund or refund capital investments, other long-term programs and working capital needs. These Obligations may be issued directly by the District, on behalf of the District by the Panoche Water District Financing Corporation or the Panoche Financing Authority (collectively, the “Issuer”). In offering Obligations to the public, and at other times when making certain reports, the District and/or the Issuer (if other than the District) must comply with the “anti-fraud rules” of federal securities laws. (“Anti-fraud rules” refers to Section 17 of the Securities Act of 1933 and Section 10(b) of the Securities and Exchange Act of 1934, and regulations adopted by the Securities and Exchange Commission under those Acts, particularly “Rule 10b-5” under the 1934 Act.)

The core requirement of these rules is that investors and potential investors in Obligations must be provided with all “material” information relating to the offered Obligations. The information provided to investors and potential investors must not contain any material misstatements, and the District and/or the Issuer (if other than the District) must not omit material information which would be necessary to provide to investors a complete and transparent description of the Obligations and the District’s financial condition. In the context of the sale of securities, a fact is generally considered to be “material” if there is a substantial likelihood that a reasonable investor would consider it to be important in determining whether or not to purchase the securities being offered or alter the total mix of available information.

When the District issues Obligations, the two central disclosure documents which are prepared are a preliminary official statement (“POS”) and a final official statement (“OS”, and collectively with the POS, “Official Statement”). The Official Statement generally consists of (i) the forepart (which describes the specific transaction including maturity dates, interest rates, redemption provisions, the specific type of financing, the leased premises (in certificate of participation financings) and other matters particular to the financing, (ii) a section which provides information on the District, including its financial condition as well as certain operating information (“District Section”), and (iii) various other appendices, including the District’s audited financial report, form of the proposed legal opinion, and form of continuing disclosure undertaking. Investors use the Official Statement as one of their primary resources for making informed investment decisions regarding the Obligations.

DISCLOSURE PROCESS

When the District determines to issue Obligations, the General Manager requests the involved departments to commence preparation of the portions of the Official Statement (including particularly the District Section) for which they are responsible. While the general format and content of the Official Statement does not normally change substantially from offering to offering, except as necessary to reflect major events, the General Manager is responsible for reviewing and preparing or updating certain portions of the District Section which are within their particular area of knowledge. Once the Official Statement has been substantially updated, the entire Official Statement is shared with the Board of Directors, General Manager and General Counsel for review and input. Additionally, all participants in the disclosure process are separately responsible for reviewing the entire Official Statement. The Board of Directors and staff of the District are requested to inform the financing team of any and all material changes that takes place up to and including the closing date of the transaction for review and input.

Members of the financing team, including the Bond Counsel and the District's Municipal Advisor with respect to the Obligations, assist staff in determining the materiality of any particular item, and in the development of specific language in the District Section. Members of the financing team also assist the District in the development of a "big picture" overview of the District's financial condition, included in the District section. This overview highlights particular areas of concern. Bond Counsel has a confidential, attorney-client relationship with officials and staff of the District.

The General Manager or a member of the financing team at the direction thereof schedules one or more meetings or conference calls of the financing team (which includes District officials, Bond Counsel, the District's Municipal Advisor, the underwriter of the Obligations, and the underwriter's counsel), and new drafts of the forepart of the Official Statement and the District Section are circulated and discussed. Such communications may occur via electronic means rather than by meetings or conference calls. During this part of the process, there is substantial contact among District staff and other members of the financing team to discuss issues which may arise determine the materiality of particular items and ascertain the prominence in which the items should be disclosed.

Prior to distributing a POS to potential investors, there is typically a formal conference call which includes District officials involved in the preparation of the POS, members of the financing team and the underwriters and the underwriter's counsel, during which the POS is reviewed in its entirety to obtain final comments and to allow the underwriters to ask questions of the District's senior officials. This is referred to as a "due diligence" meeting.

A substantially final form of the POS is provided to the District Board of Directors in advance of approval to afford the Board of Directors an opportunity to review the POS, ask questions and make comments. The substantially final form of the POS is approved by the Boards of Directors which generally authorizes certain senior staff to make additional corrections, changes and updates to the POS in consultation with General Counsel and Bond Counsel.

At the time the POS is posted for review by potential investors, senior District officials execute certificates deeming certain portions of the POS complete (except for certain pricing terms) as required by SEC Rule 15c2-12.

Between the posting of the POS for review by potential investors and delivery of the final OS to the underwriter for redelivery to actual investors in the Obligations, any changes and developments will have been incorporated into the POS, including particularly the District Section, if required. If necessary, to reflect developments following publication of the POS or OS, as applicable, supplements will be prepared and published.

In connection with the closing of the transaction, one or more senior District officials (and under certain circumstances the Issuer) execute certificates stating that certain portions of the OS, as of the date of each OS and as of the date of closing, does not contain any untrue statement of material fact or omit to state any material fact necessary to make the statements contained in the OS in light of the circumstances under which they were made, not misleading. General Counsel also provides an opinion letter advising the underwriters that information contained in the section of the OS relating to the District and its operations (or specified portions thereof) as of its date did not, and as of the date of the closing, does not contain any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. General Counsel does not opine on any financial, statistical, economic or demographic data or forecasts, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, and certain other customary matters.

DISTRICT SECTION

The information contained in the District Section is developed by personnel under the direction of the General Manager, with the assistance of the financing team. In certain circumstances, additional officials will be involved, as necessary. The following principles govern the work of the respective staffs that contribute information to the District Section:

- District staff involved in the disclosure process is responsible for being familiar with its responsibilities under federal securities laws as described above.
- District staff involved in the disclosure process should err on the side of raising issues when preparing or reviewing information for disclosure. Officials and staff are encouraged to consult General Counsel, Bond Counsel or members of the financing team if there are questions regarding whether an issue is material or not.
- Care should be taken not to shortcut or eliminate any steps outlined in the Procedures on an ad hoc basis. However, the Procedures are not necessarily intended to be a rigid list of procedural requirements, but instead to provide guidelines for disclosure review. If warranted, based on experience during financings or because of additional SEC pronouncements or other reasons, the District should consider revisions to the Procedures.
- The process of updating the District Section from transaction to transaction should not be viewed as being limited to updating tables and numerical information. While it is not anticipated that there will be major changes in the form and content of the District Section at the time of each update, everyone involved in the process should consider the need for revisions in the form, content and tone of the sections for which they are responsible at the time of each update.

- The District must make sure that the staff involved in the disclosure process is of sufficient seniority such that it is reasonable to believe that, collectively, they are in possession of material information relating to the District, its operations and its finances.

TRAINING

The Procedures shall be provided to all members of senior staff and any other member of the District staff that is involved in the District's disclosure obligations.

Periodic training for the staff involved in the preparation of the Official Statement (including the District Section) is coordinated by the finance team and the General Manager. These training sessions are provided to assist staff members involved in identifying relevant disclosure information to be included in the District Section. The training sessions also provide an overview of federal laws relating to disclosure, situations in which disclosure rules apply, the purpose of the Official Statement and the District Section, a description of previous SEC enforcement actions and a discussion of recent developments in the area of municipal disclosure. Attendees at the training sessions are provided the opportunity to ask questions of finance team members, including Bond Counsel concerning disclosure obligations and are encouraged to contact members of the finance team at any time if they have questions.

ANNUAL CONTINUING DISCLOSURE REQUIREMENTS

In connection with the issuance or execution and delivery of Obligations, the District has entered into a number of contractual agreements ("Continuing Disclosure Certificates") to provide annual reports related to its financial condition (including its audited financial statements) as well as notice of certain events relating to the Obligations specified in the Continuing Disclosure Certificates. The District must comply with the specific requirements of each Continuing Disclosure Certificate. The District's Continuing Disclosure Certificates generally require that the annual reports be filed no later than 270 days after the end of the District's fiscal year, and event notices are generally required to be filed within 10 days of their occurrence. Filing is centralized on the MSRB's Electronic Municipal Market Access ("EMMA") web site and portal.

Specific events which require "material event" notices are set forth in each particular Continuing Disclosure Certificate.

The General Manager shall be responsible for preparing and filing the annual reports and material event notices required pursuant to the Continuing Disclosure Certificates. Particular care shall be paid to the timely filing of any changes in credit ratings on Obligations (including changes resulting from changes in the credit ratings of insurers of particular Obligations).

An amendment to Securities and Exchange Commission (the "SEC") Rule 15c2-12 (the "Rule") becomes effective as to underwriters of publicly offered municipal securities on February 27, 2019 (the "Effective Date"). As a result, we would expect that with respect to any debt offered publicly by the District or the Issuer after the Effective Date to which the Rule applies, the District will be required to enter into a continuing disclosure certificate pursuant to which it will agree to provide notice on the EMMA electronic reporting system ("EMMA") of the incurrence of any "financial obligation" if material and will be obligated to disclose default on and certain other information with respect to any "financial obligation" regardless of when the financial obligation was incurred.

The Rule provides a general definition of a “financial obligation.” While the impetus for the proposed changes to the Rule was a perception by the SEC and others that municipal issuers were increasingly entering into bank or other private placement debt, the final amendment to the Rule defines “financial obligation” more broadly to include “a debt obligation, derivative instrument ... or a guarantee of either a debt obligation or a derivative instrument.”

To date the SEC has provided limited guidance on the specific application of the definition of “financial obligation”. The SEC release accompanying the final amendment does suggest a key concept is that a “financial obligation” involves the borrowing of money. In public comments representatives of the SEC have declined to provide a definition of a “guarantee” but did indicate that the SEC will not look to state law definitions of a “guarantee” or “debt”.

The District will need to monitor agreements or other obligations entered into by the District or the Issuer after the Effective Date, and any modifications to such agreements or other obligations, carefully to determine whether they constitute “financial obligations” under the Rule and, if material, would need to be disclosed on EMMA within 10 business days of execution or incurrence.

In addition, if the District or the Issuer receives a notice of default or an event of default or of an acceleration, termination event, modifications of or other similar event on any agreement or other obligation after the Effective Date, the District will need to determine whether such obligation constitutes a financial obligation (regardless of when originally incurred) and whether such default or other event reflects financial difficulty (i.e., reduction in overall liquidity, creditworthiness or debt owner’s rights).

Types of agreement or other obligations which are likely to be “financial obligations” under the Rule include:

- 1 Bank loans or other obligations which are privately placed;
- 2 State or federal loans
- 3 Commercial paper or other short-term indebtedness for which no offering document has been filed on EMMA.
- 4 Letters of credit, surety policies or other credit enhancement with respect to the District’s publicly offered debt;
- 5 Letters of credit, including letters of credit which are provided to third parties to secure the District or Issuer’s obligation to pay or perform (an example of this is a standby letter of credit delivered to secure the District’s obligations for performance under a mitigation agreement);
- 6 Capital leases for property, facilities, fleet or equipment; and
- 7 Agreements which guarantee the payment or performance obligations of a third party (regardless of whether the agreements constitute guarantees under California law);

Types of agreements which could be a “financial obligation” under the Rule include:

- 1 Payment agreements which obligate the District or the Issuer to pay a share of another public agency’s debt service (for example, an agreement with a joint powers agency whereby the District or the Issuer agrees to pay a share of the joint powers agency’s bonds, notes or other obligations);
- 2 Service contracts with a public agency or a private party pursuant to which the District or Issuer is obligated to pay a share of such public agency or private party’s debt service obligation (for example, certain types of P3 arrangements);

- 3 Water purchase, water banking or other similar agreements pursuant to which the District or the Issuer is obligated to pay amounts expressly tied to the other party's debt service obligations, regardless of whether service is provided or not; and
- 4 Water purchase, water banking or similar agreements which include a rate component that expressly passes through debt service or capital obligation of the other party.

Types of agreements which may be a "financial obligation" subject to the Rule include:

- 1 Any agreement the payments under which are not characterized as an operation and maintenance expenses for accounting purposes if such agreement could be characterized as the borrowing of money;

Debt management staff will continue to work with General Counsel and bond counsel to refine the definition of financial obligation going forward based on future SEC guidance, if any.

INFORMATION/STATEMENTS AVAILABLE TO THE PUBLIC

The OMS released a bulletin on February 7, 2020 which states that, in the view of the OMS, the antifraud provisions of SEC Rule 10b-5 apply to all municipal issuer statements that provide information that is reasonably expected to reach investors and the trading markets regardless of the intended primary audience and the medium of delivery. The following sections provide guidance to District staff and officials with respect to information and statements relating to the District that could reach the investment market outside of the context of Official Statements or in Annual Reports.

1. Information on the District Website. The SEC Commission has noted that, in circumstances where it is not apparent to the reasonable person that the posted materials or statements on a public company's website speak as of a certain date or earlier period, previously posted materials or statements that have been put on a public company's website should be separately identified as historical or previously posted materials or statements, and located in a separate section of the website.

When placing or updating information or reports on the District website, historical information should be clearly identified and located in separate section of the website. For example, when uploading the District's annual Comprehensive Annual Financing Reports, the most recent Comprehensive Annual Financing Report should be clearly identified and posted in a separate section from prior year Comprehensive Annual Financing Reports.

Hyperlinks to third-party websites on the District's website should be avoided when possible. If hyperlinks to third-party websites are included on the District's website, an appropriate disclaimer to the effect that the District has not verified and is not responsible for the information on such third-party website should be included. In addition, statements as to why the District is including the hyperlink on its website, the nature of the hyperlink, and use of disclaimers, "exit notices," or "intermediate screens" should be included or employed, as appropriate. District staff are encouraged to reach out to debt management staff and General Counsel for guidance with respect to the inclusion of hyperlinks to third-party websites on the District's website.

In summaries of events or developments with respect to the District included on the District's website, consideration should be given as to whether such summaries provide sufficient context so as to

not be misleading. If additional information is necessary to provide sufficient context to the summary, a hyperlink to such information should be used.

2. Public Reports. The SEC has cited certain reports, including those that are produced by the District (Comprehensive Annual Financing Reports, budgets, and other financial reports), as information reasonably expected to reach investors and the trading markets, and therefore subject to the antifraud provisions, even if not filed with EMMA.

Reports produced by the District, including staff reports for agenda items and those that may be provided to other governmental bodies or regulators should include appropriate disclaimer language. District staff should contact debt management staff and General Counsel for disclaimer language before any reports that could reasonably reach investors are finalized and made available to the public.

3. Statements Made by District Officials. When making public statements, including verbal statements, District elected officials and staff should give consideration as to whether such statements can reasonably be expected to reach investors and if so, whether such statements could be materially misleading. District officials are encouraged to clearly identify when a public statement relating to the District is a personal expression of opinion. District elected officials and staff should contact debt management staff and General Counsel for guidance if there is a question as to whether statements, including verbal statements, can be reasonably expected to reach investors and whether such statements could be materially misleading.

CERTIFICATION AND RECEIPT OF UNDERSTANDING

I certify that I have received a copy of the Panoche Water District Policy for Disclosure Procedures. I have reviewed and understand its contents and agree to abide by the principals and requirements in the Disclosure Procedures.

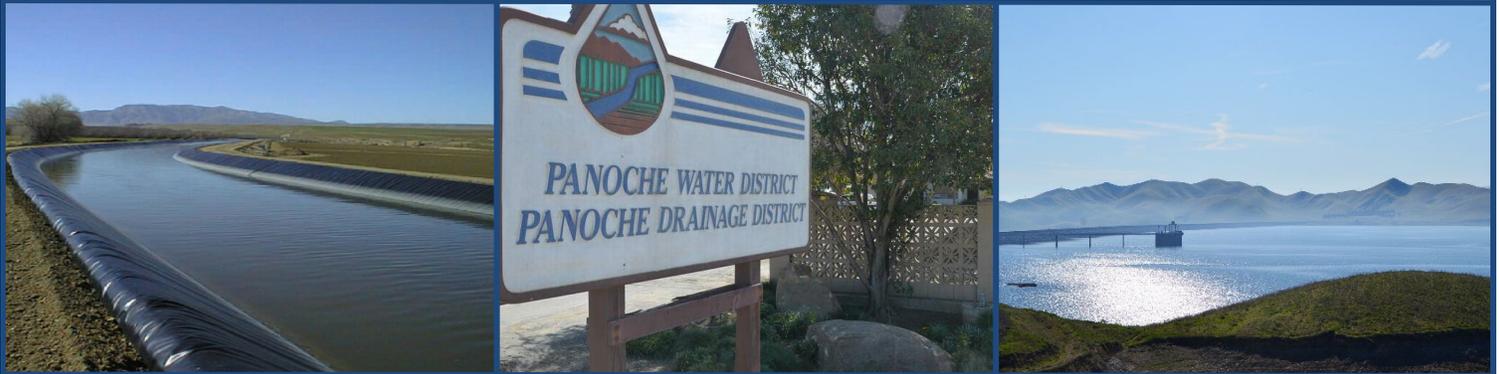
BACK

Name: _____

Title: _____

Date: _____

DRAFT



Panoche Water District

2021 Engineer's Report
in Support of Proposition 218
Assessment Ballot Proceeding

Final Draft

March 23, 2021

Date Signed _____



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SECTION 1: Report Summary

This Panoche Water District 2021 Engineer's Report in support of Proposition 218 Assessment Ballot Proceeding (Engineer's Report) is provided in compliance with Articles XIII C and XIII D of the California Constitution, otherwise known as Proposition 218.

The Panoche Water District (the District or PWD) has identified three special benefits that will be received by lands within the District and is therefore proposing an assessment. Those three special benefits are:

- USBR Capital Obligation Repayment,
- USBR Agreement Implementation, and
- Modernization Projects.

Since 1950, the District has had a Central Valley Project (CVP) water service contract with United States Bureau of Reclamation (USBR or the Bureau). For the past twelve years, the water service contract has been interim, requiring renewal every two years. In addition to other conditions, the water service contract results in certain provisions of the Reclamation Reform Act (RRA) being imposed on the District, its landowners, and water users, most notably acreage limitations, full-cost water rates, and reporting requirements.

In December 2016, the Water Infrastructure Improvements for the Nation Act ("WIIN Act", Public Law 114-322, Section 4011) was signed by President Obama. Among other things, it provided CVP contractors like the District the opportunity to convert water service contracts to repayment contracts. Repayment contracts are an alternative form of agreement under the RRA that have different conditions, including the elimination of acreage limitations, being applied to the District, its landowners, and water users.

To improve certainty, reduce irrigation costs, and minimize administrative costs, the Board of Directors authorized the District to negotiate a repayment contract with the United States. In January, the USBR executed a CVP repayment contract with the District, certain provisions of which will become effective upon the payment of the existing capital costs proportionally allocated to the District for the construction of the CVP. There are numerous benefits gained from the repayment contract including:

- The District will have a perpetual right to receive CVP water service, based on performance.
- The USBR water rates will be reduced.
- Several provisions of the RRA, including acreage limitations and full-cost water rates, will no longer be applicable, saving the District, its landowners, and water users significant administrative costs.
- The District will avoid future contract renewal negotiation costs and time commitments.

It is important to note that the repayment contract is subject to the same yearly shortage provisions as the water service contract.

To fully implement the repayment contract, the District must pay its existing portion of the capital debt for construction of the CVP system (USBR Obligation Repayment) and pay an agreed amount to compensate the USBR and others for water diverted from the Delta-Mendota and San Luis Canals between 2009 and 2015 (USBR Agreement Implementation).

The District also is seeking the authority to assess up to \$22.13 per acre to pay for water system modernization projects it will later identify and which will be designed to produce a high return on investment (Modernization Projects). The Modernization Projects will improve operational efficiency, reduce energy usage, and increase automation to reduce operational costs. The District will notify growers of any proposed Modernization Projects prior to implementation and imposition of future assessments. Authorizing the ability to assess for future Modernization Projects now will reduce future administrative cost associated with the Proposition 218 process by up to \$200,000 per election.

Table 1 illustrates the total amounts the District owes for the USBR Obligation Repayment and the USBR Agreement Implementation (USBR Related Special Benefits). The table also shows the requested maximum annual assessment for future Modernization Projects.

Table 1: USBR Debt and Contract Compliance Obligations

USBR Related Special Benefits	Total Repayment	Acres
USBR Obligation Repayment	\$11,172,832	38,410
USBR Agreement Implementation	\$8,261,461	38,410

Modernization Projects Special Benefit¹	Maximum Annual Assessment per Acre	Acres
Modernization Projects	\$22.13	38,410

1- The District may assess up to this amount for projects it later identifies that provide special benefit to water users

SECTION 2: History & General Description of District Services

PWD is located on the western side of the San Joaquin Valley in both Merced and Fresno Counties. It supplies water to agricultural users spanning over 38,000 acres. PWD was formed in 1950 and is authorized by its principal act (Water Code 34000-38500) to operate and keep in repair the necessary works for the production, storage, transmission, and distribution of water for irrigation, domestic, and industrial purposes, as well as to enter contracts with the federal government and others for the acquisition of water. The climate and soils within PWD provide for some of the best agricultural production in the world.

In the early 1950’s the Bureau constructed the Delta-Mendota Canal (DMC), a major feature of the CVP. The San Luis Unit of the CVP was constructed during the 1960’s and included the construction of the San Luis Canal (SLC), by and through which the Bureau also delivers CVP water to the District. The construction

of the DMC, the SLC, and other features of the CVP was intended to bring the District, and others, a reliable source of surface water to mitigate the impacts of groundwater overdraft and support future agricultural development throughout the CVP service area to provide food and fiber for the nation.

SECTION 3: Proposition 218 Requirements

In November 1996, the California voters approved Proposition 218, the "Right to Vote on Taxes Act", which added Articles XIII C and XIII D to the California Constitution. Proposition 218 imposes requirements for the levying of assessments by public agencies, including the District. Before a public agency can levy a new or increased assessment, the following requirements must be met:

- 1) Preparation of a detailed engineer's report by a registered engineer certified by the State of California that identifies special benefits enjoyed by parcels within the jurisdiction of a public agency and then calculates the proportional value of that special benefit and details the proposed assessment for each parcel.
- 2) The record owner of each parcel must be given written notice by mail of the proposed assessment, the total amount chargeable to the entire District, the amount chargeable to the owner's particular parcel, the duration of the payments, the reason for the assessment as a special benefit, and the basis upon which the amount of the proposed assessment was calculated.
- 3) Notice to the record owner must include the time, date, and location of the public hearing on the assessment. Each notice must also include a summary of the procedures applicable to the completion, return, and tabulation of the ballots, and a disclosure statement that a majority protest will result in the assessment not being imposed.
- 4) Each notice mailed to parcel owners must contain a ballot including the agency's address for receipt of the completed ballot by any owner receiving the notice. The ballot form must include the owner's name, reasonable identification of the parcel, and his or her support or opposition to the proposed assessment.
- 5) A public hearing to consider protests and tabulate the ballots must be conducted not less than 45 days after mailing the notice to landowners.
- 6) The agency shall not impose an assessment if there is a majority protest. A majority protest exists if the ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment. In tabulating the ballots, the ballots must be weighted according to the proportional financial obligation of the affected property.
- 7) The assessment may include an annual adjustment tied to a cost inflator such as the Consumer Price Index (CPI).

The proposed assessment calculated in this engineer's report was developed pursuant to Article XIII D of the California Constitution.

SECTION 4: Special Benefit Analysis

4.1 Special Benefits Provided by the District

In order to levy an assessment on lands within the District, the District must identify those parcels in the District which receive a "special benefit" for which the proposed assessment will be levied. Under Proposition 218, a "special benefit" is defined as "a particular and distinct benefit over and above general benefits conferred on real property located in the District or to the public at large."

The parcels receiving special benefits from the proposed 2021 Assessment are those with acres eligible for annual allocations by the District of CVP water provided by the Bureau repayment contract (Irrigable Acres). The District's allocation is based on the amount of CVP water the Bureau allocates to the District and the number of acres associated with each eligible parcel. The maximum agricultural allocation is up to 2.45 acre-feet per acre. Actual allocations issued from USBR can range from 0 to 100 percent in a given water year. Special benefits for which the proposed assessment will be levied are as follows:

4.1.1 USBR Obligation Repayment (WIIN ACT Contract Conversion)

The District currently receives an annual allocation of CVP water from USBR in accordance with its interim renewal water service contract. Capital costs assigned by USBR to the District for construction of the CVP are currently recovered in the water service rates charged by the Bureau. As provided for by the WIIN Act, the District requested to convert its water service contract to a repayment contract and has executed that repayment contract with the Bureau. The District has determined that converting the water service contract to a repayment contract will benefit the District's customers for the following reasons:

- No termination date provides more certainty,
- Preserves existing contractual quantities, requirements, O&M responsibilities, and title transfer opportunity,
- Eliminates some RRA obligations, including acreage limitations, full-cost water rates, and reporting obligations, upon full payment of the District's capital obligation (for additional information regarding the WIIN Act and the Reclamation Reform Act of 1982 visit <https://www.usbr.gov/mp/wiin-act/docs/wiin-act-faqs.pdf>),
- Avoids future contract renewal negotiation uncertainties and administrative costs,
- Addresses construction cost additions and reallocations, and
- Generally – provides much greater certainty of CVP water contract provisions.

Contract conversion will lower the cost of CVP water and make it more secure. These benefits are only conferred to property owners with Irrigable Acres within the District and are therefore special benefits. The payment of existing CVP capital can be achieved over four years, as provided by the repayment contract, or by financing over thirty years, which lowers the annual per acre cost.

4.1.2 USBR Agreement Implementation

The District's Board of Directors voted unanimously to accept a Settlement Agreement (the Agreement) with the federal government with respect to certain outstanding claims. Through the Agreement, the District agreed to compensate the Bureau for water diverted from the Delta Mendota and San Luis canals between 2009 and 2015. The Agreement marks a fair and equitable conclusion of nearly three years of negotiations with the federal government.

The District has determined that the Agreement will benefit the District's landowners for the following reasons:

- Resolving outstanding claims with USBR through the Agreement was necessary to facilitate the CVP contract conversion,
- The Agreement ends the dispute with the federal government regarding certain water distribution activities of the District, and
- The Agreement avoids the cost and uncertainty of potential litigation with the federal government about those activities.

The Agreement facilitated completion of the WIIN Act contract conversion, which will lower the cost of CVP water and make it more secure. The Agreement accounts for water delivered through the District's water system, which benefitted all water customers. The amount agreed upon by the District can be paid over five years through water rates or financed over thirty years, which lowers the annual per acre cost. As all benefits of the Agreement are related to the water system, the special benefit is provided only to property owners with Irrigable Acres.

4.1.3 Modernization Projects

Much of the District's infrastructure is 50-70 years old. The District will identify, design, and prioritize Modernization Projects with a high return on investment. Improvements may consist of some or all of the following:

- Increase operational efficiency
- Reduce spills
- Implement SCADA (computer automation)
- Reduce operating costs

These improvements to the District's water system will provide special benefits to property owners with Irrigable Acres.

SECTION 5: Method of Assessment Apportionment

Consistent with the requirements under Article XIII D, the proposed assessments are to be apportioned upon all assessable lots or parcels of land that are assessed. The following statutory requirements are met based on the proposed assessment structure:

- 1) The charges are distributed in proportion to the estimated benefit attributable to each lot or parcel.
- 2) Each parcel’s assessment shall not exceed the reasonable cost of the proportional benefit to each parcel.
- 3) Revenues derived from the assessments may only be used for the purpose for which the assessment is imposed.
- 4) The assessment is for special benefits that that are available to the property owner.

5.1 Benefit Costs

Table 2 illustrates the total payoff amounts for the USBR Obligation Repayment and the USBR Agreement Implementation. It also shows the proposed maximum annual assessment per acre for the Modernization Projects.

Table 2: Lump-Sum Payoff and Financing Amounts

USBR Related Special Benefits	Total Repayment	Acres
USBR Obligation Repayment	\$11,172,832	38,410
USBR Agreement Implementation	\$8,261,461	38,410

Modernization Projects Special Benefit¹	Maximum Annual Assessment per Acre	Acres
Modernization Projects	\$22.13	38,410

¹- The District may assess up to this amount for projects it later identifies that provide special benefit to water users

As an alternative to District financing, the District is offering landowners a lump-sum pre-payment option. Table 3 illustrates the calculation of the annual assessment for the eligible acres that choose to have the District finance their portion of the USBR Related Special Benefit costs. For parcels choosing the financed option, the assessment will recover all financing related expenses the District incurs including principal, interest, debt service reserve, 1.1x debt coverage, coverage test compliance, and annual disclosures. For this Engineer’s Report, the District is assuming that 80% of eligible acres will choose to have the District finance their portion of the USBR Related Special Benefit costs over thirty years while the other 20% of the eligible acres will choose to pay their portion as a lump sum.

Table 3: Financing Costs

USBR Related Special Benefits	Percentage	Amount
USBR Obligation Repayment	57.49%	\$11,172,832
USBR Agreement Implementation	<u>42.51%</u>	<u>\$8,261,461</u>
Total USBR Related Amount	100.00%	\$19,434,293

Projected Borrowing	30 Year Debt
Net Proceeds Needed (80% Financed)	\$15,547,434
Repayment Term (years)	30
Interest Rate	4.5%
Issuance Costs	3.3%
Issuance Cost	\$512,510
Debt Service Reserve	\$1,050,000
Total Debt Issue Size	\$17,109,944
Estimated Annual Debt Service	\$1,050,000
1.1x Debt Service Coverage	\$105,000
<u>Annual Compliance Cost</u>	<u>\$8,500</u>
Estimated Financed Annual Assessment Amount	\$1,163,500

Financed Assessment Components	Debt Service %	Annual Assessment Amount
USBR Obligation Repayment	57.49%	\$668,896
USBR Agreement Implementation	42.51%	\$494,604

The calculation for the annual assessment for USBR Related Special Benefits is derived by taking the annual assessment amount from Table 3, divided by the number of acres choosing the debt financing option. After the 30-year debt is repaid, the USBR Related Special Benefit portion of the assessment will be exhausted.

Table 4: Annual Assessments for Financing Option

Proposed Special Benefits	Annual Assessment Amount	Benefit Acres	Annual Assessment per Acre
Financed Special Benefits ^{1,2,3}			
USBR Obligation Repayment	\$668,896	30,728	\$21.77
USBR Agreement Implementation	<u>\$494,604</u>	30,728	<u>\$16.10</u>
Assessment for USBR Related Benefits	\$1,163,500		\$37.87
Requested Authorization for Modernization Projects			
Modernization Projects	\$850,023	38,410	\$0 to \$22.13
Total Proposed Assessment	\$2,013,523		\$60.00

¹Assuming 80% of acres choose to finance

²Estimated interest rate of 4.5%

³Includes 1.1x delinquency mitigation

The District will allow parcels to pay their portion of the USBR Related Special Benefits assessment as a lump sum. Paying this lump sum amount will only exhaust the USBR Related Special Benefits portion of the assessment as it relates to those participating parcels. Regardless of participation, all parcels will still be responsible for their portion of the annual Modernization Project assessment.

Table 5: Lump Sum Assessments for USBR Related Special Benefits

USBR Related Special Benefits	Total Assessment Amount	Benefit Acres	Lump Sum Assessment per Acre
USBR Obligation Repayment	\$11,172,832	38,410	\$290.89
USBR Agreement Implementation	<u>\$8,261,461</u>	38,410	<u>\$215.09</u>
Assessment for Financed Benefits ¹	\$19,434,293		\$505.98

¹Customers will still be charged the modernization assessment amount if they chose to pay the lump sum amount for the USBR related benefits

Table 6 Illustrates the difference between the lump sum and the financed assessment options for USBR Related Special Benefits. With both options the District will have the ability to collect an annual assessment for Modernization Projects. However, if a parcel chooses to pay for its share of the USBR Related Special Benefits costs as a lump sum in the first assessment year, the USBR Related Special Benefits portion of the assessment will be exhausted for that parcel after the lump sum is paid.

Table 6: Comparison of Assessment Options

Option 1: Lump Sum Payoff for USBR Related Special Benefits

Proposed Special Benefits	Acres	Total Assessment (Year 1)	Total Annual Assessment (Years 2+)
	<i>#</i>	<i>\$/ Acre/ Year</i>	<i>\$/ Acre/ Year</i>
USBR Obligation Repayment	38,410.5	\$290.89	\$0.00
USBR Agreement Implementation	38,410.5	\$215.09	\$0.00
Modernization Projects	38,410.5	\$0 to \$22.13	\$0 to \$22.13

Option 2: Financed USBR Related Special Benefits

Proposed Special Benefits	Acres	Total Assessment (Year 1)	Total Annual Assessment (Years 2+)
	<i>#</i>	<i>\$/ Acre/ Year</i>	<i>\$/ Acre/ Year</i>
USBR Obligation Repayment	38,410.5	\$21.77	\$21.77
USBR Agreement Implementation	38,410.5	\$16.10	\$16.10
Modernization Projects	38,410.5	\$0 to \$22.13	\$0 to \$22.13

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SECTION 6: Vote Tabulation

The District will mail the notices and ballots for the proposed assessment to the record owner of each affected parcel. The District will schedule a public hearing at least 45 days after the mailing to open and count the ballots. Ballots may be returned until the public hearing is closed. Ballots are weighted according to the proportional financial obligation of the affected property - the larger the financial obligation, the greater the weight assigned to that property. For a ballot to be valid it must comply with the instructions included with the ballot. If a weighted majority of valid, returned ballots is opposed to the assessment it cannot be imposed.

SECTION 7: Conclusion

The assessment amounts described in this engineer's report are recommended for Panoche Water District to recover all costs associated with USBR Obligation Repayment, USBR Agreement Implementation and authorize the District to collect up to \$22.13 per irrigable acre to fund Modernization Projects. The proposed assessment as developed within this engineer's report is affirmed to be appropriate.

Sincerely,



Douglas R. Dove

Certified Independent Public Municipal Advisor (CIPMA)
Registered Professional Engineer (PE) in California (PE# 45642)

Appendix A: 2020 USBR Allotment Acres by Parcel Panoche Water District

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Appendix B: Example Ballot
Panoche Water District

[BACK](#)

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OUTREACH ALERT

LEGISLATIVE/ SB 222 and SB 223
March 4, 2021

Members Urged to Join Coalitions, Contact Legislators to Oppose SB 222 (Water Affordability) and SB 223 (Water Bill Debt Forgiveness/Shutoffs)

ACWA is urging member agencies to join coalitions and contact legislators in opposition to two separate but related bills, SB 222 and SB 223, that are scheduled for their first Senate policy committee hearing on March 15.

SB 222 (Dodd) would require the State Water Resources Control Board to create an overly broad and costly water and wastewater affordability program that would be implemented in part by public water systems.

ACWA's State Legislative Committee has taken an oppose-unless-amended position. ACWA believes a water and wastewater low-income rate assistance program, designed in a reasonable, efficient and effective manner and funded with a progressive funding source, is the right approach.

SB 223 (Dodd) would require water agencies to forgive the entire balance of a customer's unpaid water debt if the customer enters into an arrearage management plan. It would also re-write the restrictions on discontinuation of residential water service that the enactment of SB 998 (Dodd, 2018) put into place and that have only been implemented for two months (February and March of 2020).

ACWA agrees with Senator Dodd that the process for, and requirements on, the discontinuation of service are important. ACWA member agencies have a good track record of working with financially challenged customers on payment plans. ACWA's State Legislative Committee has taken an oppose-unless-amended position in part because the illegal and excessive mandates proposed in SB 223 would have significant financial consequences for public agencies and harm their ability to provide reliable service.

ACWA OUTREACH ALERT

Take Action Now

The bills have been referred to both the Senate Energy, Utilities and Communication Committee and the Senate Environmental Quality Committee. The first hearing of the two bills will be on March 15 at the Senate Energy, Utilities and Communication Committee.

1. **Join Two Coalitions.** Let ACWA know that you want your agency to be listed on two separate coalition letters by emailing ACWA State Relations Analyst [Soren Nelson](#). The coalition letters will be similar to ACWA’s SB 222 [position letter](#) (with ACWA’s [proposed amendments](#) attached) and SB 223 [position letter](#) (with ACWA’s [proposed amendments](#) attached). All the documents have already been submitted to the Senate Energy, Utilities and Communications Committee. Please include your agency’s logo in a PNG or JPG file with your email.
2. **Contact your local legislator(s)** to share your agency’s concerns with both bills. ACWA has provided [talking points](#) to assist in those conversations. Legislators’ contact information can be found on the California Legislature’s [website](#).

Member agencies with local representatives serving on the Senate’s Energy, Utilities and Communication Committee and Environmental Quality Committee (see rosters below) are especially encouraged to take action.

Senate Committee on Energy, Utilities and Communications

Senator Ben Hueso (Chair)

Phone: 916-651-4040

Fax: 916-651-4940

Email: senator.hueso@senate.ca.gov

Senator Andreas Borgeas

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Senator Brian Dahle (Vice Chair)

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Fax: 916-651-4901

Email: senator.dahle@senate.ca.gov

Senator Steven Bradford

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Senator Josh Becker

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Email: senator.becker@senate.ca.gov

Senator Bill Dodd

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Email: senator.dodd@senate.ca.gov

ACWA OUTREACH ALERT

Senator Susan Talamantes Eggman

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Senator Shannon Grove

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Senator Robert M. Hertzberg

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Senator Mike McGuire

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Senator Susan Rubio

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Senator Henry I. Stern

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Senate Committee on Environmental Quality

Senator Benjamin Allen (Chair)

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Senator Patricia C. Bates (Vice Chair)

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Senator Nancy Skinner

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Senator Brian Dahle

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Senator Henry I. Stern

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Email: senator.stern@senate.ca.gov

OUTREACH ALERT

Senator Bob Wieckowski
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Fax: 916-651-4910
Email: senator.wieckowski@senate.ca.gov

Questions

For questions about SB 222 (water affordability), please contact ACWA Deputy Executive Director for Government Relations Cindy Tuck at cindyt@acwa.com or (916) 441-4545.

For questions about SB 223 (water bill debt forgiveness/shutoffs), please contact ACWA Legislative Advocate Kristopher Anderson at krisa@acwa.com or (916) 441-4545.

ACWA ADVISORY

LEGISLATIVE | RATES

March 10, 2021

Hearing Date for ACWA-Sponsored SB 323 Moved to March 25

ACWA-sponsored SB 323 is now set to be heard at the Senate Governance and Finance Committee hearing on March 25 and the deadline to join ACWA's [coalition letter](#) in support of the bill has been extended to March 17. ACWA's [recently distributed alert](#) noted the hearing date on March 11 and the deadline to join the coalition by March 5.

SB 323, authored by Senator Anna Caballero (D-Salinas), would provide financial stability for public agencies by providing public agency water and sewer service rates the same protections already afforded to fees and charges that fund other essential government services.

In addition to the extended coalition deadline, there is still time for member agencies to contact local senators and assembly members. Legislators' [contact information](#) can be found on the California Legislature's website and a [fact sheet](#) is available to assist with conversations.

ACWA members interested in signing on to the coalition letter, or being named as a bill supporter in ACWA's testimony at the March 25 hearing, can contact ACWA Legislative Advocate [Kristopher Anderson](#).

Questions

For questions about SB 323 (Caballero), please contact ACWA Legislative Advocate Kristopher Anderson at krisa@acwa.com or (916) 441-4545.

BACK

PANOACHE WATER DISTRICT

52027 WEST ALTHEA AVE, FIREBAUGH, CA 93622
TELEPHONE (209) 364-6136 • FAX (209) 364-6122



MARCH 23, 2021, SPECIAL BOARD MEETING MEMORANDUM

TO: BOARD OF DIRECTORS

FROM: ARA AZHDERIAN, GENERAL MANAGER

SUBJECT: AGENDA ITEM 9
WIRE TRANSFER LIMIT

DATE: MARCH 22, 2021

CC: MARLENE BRAZIL, ACCOUNTING SUPERVISOR

BACKGROUND: The District's current daily wire transfer limit is \$500,000. For years, the District has made its water payments to the Bureau of Reclamation and San Luis & Delta-Mendota Water Authority via check but with recent reliability issues with the United Postal Service, we started making these payments via wire transfer. The water payments, as well as Local Agency Investment Fund transfers, can exceed the daily limit; therefore, to improve administrative efficiency, staff is requesting the daily wire transfer limit be increased to \$1,000,000.

RECOMMENDATION: The Board authorize increasing the daily wire transfer limit to \$1,000,000.

BACK

