

MINUTES OF THE REGULAR
MEETING OF THE BOARD OF
DIRECTORS OF THE
SEMITROPIC, BUTTONWILLOW, POND-POSO,
AND WILDLIFE IMPROVEMENT DISTRICTS
OF SEMITROPIC WATER STORAGE DISTRICT

Convened at 11:00 a.m. on Tuesday,
October 9, 2018

The regular meeting of the Board of Directors was called to order by President Wegis on Tuesday, October 9, 2018, at 11:00 a.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: Jeff Fabbri, Phil Portwood, Tom Toretta,
Todd Tracy, Dan Waterhouse and Rick Wegis;

Directors Absent: Tim Thomson;

Others Present: General Manager, Jason Gianquinto;
District O & M Superintendent, John Lynch;
District Controller, Bobby Salinas;
District Engineer, Isela Medina;
District Contract Administrator, Becky Ortiz;
District Executive Secretary, Marsha Payne;
District's Consultants Will Boschman and John Jones;
District's Legal Counsel, Steve Torigiani;
District's Consulting Engineers, GEI Consultants,
Inc., Represented by Ron Eid;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Agua Via Representatives, Floyd Wicks,
Brian Allum & Hemang Shah;
John Hancock National Resources
Representative, Megan Chicoine; and,
District landowners John Wedel.

President Wegis opened the meeting with the flag salute, then introduced and welcomed all guests.

Public Comment Period

Floyd Wicks of Agua Via introduced Brian Allum, an associate of Jeremy Pelczer, Chairman of Agua Via Ltd. of London, England. Mr. Allum updated the Board on Agua Via's progress including, selecting well sites for the project; developing a good project description;

starting the CEQA process; planning for brine management; engineering studies; well testing for water quality; and weighing the options for energy, including solar power.

ACTION ITEMS

Approval of Agenda

There being no new items to consider, the Agenda for the October 9, 2018 Board of Directors' meeting was unanimously approved as posted on motion by Director Tracy, seconded by Director Toretta.

Minutes

The Minutes of the Regular Board Meeting on September 12, 2018 were presented for approval.

On motion by Director Tracy, seconded by Director Portwood, the Minutes of the Regular Board Meeting on September 12, 2018 were approved as presented.

The Minutes of the GSA Board Meeting of September 12, 2018 were presented for approval.

On motion by Director Tracy, seconded by Director Portwood, the Minutes of the GSA Board Meeting on September 12, 2018 were approved as presented.

Treasurer's Report

The Treasurer's Reports for September 2018 were presented for review and approval.

Director Waterhouse stated that he had not yet reviewed the Treasures Report and asked that they be resubmitted for approval at the next Board Meeting.

Financial Report

District Controller, Bobby Salinas, reviewed the Financial Reports along with the Actual and Projected Cash Flow Report. Mr. Salinas stated that the end-of-year cash balance projects \$16.5M at this time.

Accounts Payable

The Cash Disbursement List for October 9, 2018 was presented for review and payment. Discussion followed regarding the second payment for 2018 Yuba "dry year water supply" purchase through the Kern County Water Agency; and repairs and maintenance on the Wegis standtank.

On motion by Director Waterhouse, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the October 9, 2018 Disbursement List for Semitropic Water Storage District and Semitropic Improvement District. A copy of the Disbursement List presenting the payments that were approved is attached hereto as "Exhibit A."

Consider Resolution Directing Publication of Notice of Election of Directors

Manager Gianquinto reported that there are three Board Member positions whose term will expire and will require either appointment or elections on March 5, 2019, and that materials are available at the office for any interested landowner. They include:

Jeff Fabbri	Division 1
Dan Waterhouse	Division 3
Tim Thomson	Division 4
Todd Tracy	Division 6

On motion by Director Portwood, seconded by Director Toretta, the Board adopted Resolution ST 18-05:

DIRECTING PUBLICATION OF NOTICE OF ELECTION OF DIRECTORS OF THE SEMITROPIC WATER STORAGE DISTRICT AS PRESCRIBED BY THE PROVISIONS OF SECTION 41308 OF THE CALIFORNIA WATER CODE

Consider 2019 Budget, Set Water Rates and Adopt Related Resolutions

Manager Gianquinto reported that the Finance Committee met with staff to review the 2019 Budget. Controller Bobby Salinas reviewed the highlights of the 2019 Budget to the Board based on a 60% water allocation from the State and no banking activity. GASC & GPSC rates would remain the same as 2018. The 2019 cost of State Water Project Contract Water would be about \$8.3M.

It was the consensus of the Board that the Contract Water rates be set at \$107/AF (SWP Charge \$58 and Additional Water Use Charges \$49) and Noncontract Water rates at \$102/AF Winter, \$108/AF Summer and \$114/AF Allocated (based on 3.5AF/AC), subject to the hearing process to follow.

Director Waterhouse stated that the Finance Committee had reviewed the 2019 Budget and Water Rates with staff and recommended adoption of the Budget and Water Rates as presented.

On motion by Director Waterhouse, seconded by Director Toretta, the Board approved the 2019 Budget and adopted Resolution No. ST 18-02 and Resolution No. SID 18-05 in accordance with staff recommendations:

RESOLUTION ADOPTING 2019 BUDGET

On motion by Director Toretta, seconded by Director Waterhouse, the Board approved Resolution No. BW 18-05 and Resolution No. PP 18-05 pursuant to final review:

RESOLUTION FIXING PRELIMINARY SWP WATER CHARGE AND PRELIMINARY ADDITIONAL WATER USE CHARGE FOR 2019 AND SETTING NOTICED PUBLIC HEARING THEREON

Consider Resolutions to Adopt Annual Investment and Reserve Policies

Controller Bobby Salinas reported that the District’s Annual Investment and Reserve Policies have been reviewed and updated accordingly for 2019. There were no significant changes on either the Annual Investment or the Reserve Policies.

On motion by Director Waterhouse, seconded by Director Portwood, the Board adopted Resolution ST 18-03:

ADOPTING AN ANNUAL INVESTMENT POLICY
FOR THE
SEMITROPIC WATER STORAGE DISTRICT

On motion by Director Waterhouse, seconded by Director Portwood, the Board adopted Resolution ST 18-04:

ADOPTING AN ANNUAL RESERVE POLICY
FOR THE
SEMITROPIC WATER STORAGE DISTRICT

Consider 2018 Noncontract Winter Water Rates

Manager Gianquinto stated that currently, the Noncontract Winter Rates are \$98/AF. Discussion followed regarding lowering the rates to encourage water users utilizing subsurface banking, spreading at Schuster Pit and Scofield Spreading Ponds, and percolating in duck clubs.

On motion by Director Tracy, seconded by Director Toretta, the Board authorized Staff to set 2018 Noncontract Winter Water Rates at \$80.00, commencing October 1, 2018.

Further discussion continued regarding water for duck clubs.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized staff to make between 5,000 to 7,000 AF of water available for deliveries to duck clubs at \$64.00/AF.

Consider Landowner Water Transfer – Goyenette Dairy

The Manager reported that Goyenette Dairy submitted a letter to the District dated September 28, 2018 stating that they have entered into a Real Property Purchase Agreement with Golden Empire Shelling and would like to retain all contracts and water rights with Semitropic. The Dairy asked to move its Contract water to an adjoining parcel (68.63 acres) owned by the Dairy and Manager Gianquinto stated it would not adversely affect any other water user.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized the transfer of Contract water as requested by Goyenette Dairy.

SEMITROPIC GSA UPDATE

At 12:00 p.m., the Board President, Rick Wegis, declared a meeting of the Semitropic Groundwater Sustainability Agency. Manager Gianquinto gave a presentation on SGMA issues discussed in meetings with members of the Kern Groundwater Authority. Discussion at the Authority has been concentrated on Sustainable Management Criteria Terms which include identifying Hydrologic Zones and Management Areas, as well as defining Minimum Threshold Criteria.

The GSA meeting concluded at 12:30 p.m. See the separate Minutes of the GSA Meeting.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh reported that on Phase 2 of the XYZ Intertie Project, 2.7 miles of Lateral X-C 27-inch pipeline and appurtenances have been completed. Construction operations were halted to accommodate harvest operations. Work will continue on the Lateral X-C Turnouts as well as installation of pipeline on Lateral Y-4 south of Poso Creek. Work will also move forward on Lateral Z-B on the north side of Poso Creek.

Removal and replacement of the last of the three bridges was completed in September. The installation, purging and refilling of the gas pipeline and final grading work were also completed and final punch list work will be performed in early October to close out the project.

Consulting Engineer's Report

Ron Eid from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during September 2018, which was accepted for filing.

Mr. Eid reported that activities during the past month included discussions with Poso Creek IRWM Group members on project development. Work also continued on the Poso Creek IRWM Plan Update.

Activities on the Tulare Lake Storage and Floodwater Protection Project were summarized.

GEI continued SGMA Compliance support and presented sustainable management criteria processes and methods to the KGA managers group and Board of Directors. Layout and project design revisions were made on the Pond-Poso Spreading Grounds after comments were received from the District and the California Rail Builders.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via continues with securing financing as well as preparation of Water Purchase agreements with several landowners. They are proceeding with preliminary CEQA documentation and has retained the services of several consultants to expedite the process.

Agua Planet has started the implementation of the project that involves acquisition of land with exportable water rights and delivery of unusable water from whatever source. Demonstration of their new treatment process will be scheduled in coming weeks for the benefit of District management and Board members.

Semitropic signed a Water Purchase Agreement with West Stanislaus for up to 15,000 acre-feet to be delivered before the end of February 2019. Preliminary documents seeking the Bureau's approval as well as from the State and Kern County Water Agency are in the process of finalization.

Mr. Boschman continued to represent the District at various meetings, including the Kern Water Bank Authority and a planning meeting with GEI.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that two additional drilling crew members were recently hired. The KW tractor and drilling rig met the annual inspection requirements of the Department of Transportation and the rig can be moved from the well yard to a new drilling site. Drilling sites have been determined with District staff and the landowners. Drilling staff also conducted a complete inventory of well casing and conductor pipe.

The drilling yard has been updated to meet security standards. The electrical system at the well yard is now equipped to handle a steam cleaning unit.

Balance Public Relations

Dean Florez of Balance Public Relations reported on legislative issues and bills. Governor Brown has signed final bills for this legislative session. The State Senate and Assembly anticipate little change in the upcoming November election. Discussion follow on the upcoming meeting with David Valadao and Jeff Denham visiting the District.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During September" dated October 5, 2018 was accepted for filing. In addition, the following items were presented:

California WaterFix

Manager Gianquinto with representatives of the KCWA met with members of the Finance Joint Powers Authority for CWF to get a better understanding of how the Finance JPA will structure its debt issuance to fund CWF.

State Water Project

The new water year started October 1st. For the period of October 1 to October 3, the SWP export facility at Banks was operating between 7,100 CFS and 6,25- CFS. The Delta is currently in balanced conditions.

Kern Groundwater Authority

The Kern Groundwater Authority continued discussion as to status of the “white lands” and Kern County’s intent to have management responsibility transfer to willing GSA’s. The Authority approved the Eastside Water Management Area as an Associate Member.

High Speed Rail Project

District Engineer, Isela Medina, reported that District staff continued to meet with the HSRA to discuss the relevant issues pertaining to impacts to the District as both an owner and a utility. The last communication with the HSR’s Rights-of-Way Department was in May 2018.

Well Telemetry Project

Regarding the construction contract for the Well Telemetry Project, Phase 1, the District received and opened three bid proposals on September 10th. The apparent low bidder was Water Associates, LLC. After evaluation of the bid Proposal for bid responsiveness and bidder responsibility, the District made an award to Water Associates. REDTrac was tasked to commission the project.

The District hosted a meeting on September 21, to present the project to the District landowners, including an overview of the proposed improvements for landowner-site specific sites.

2018 Water Supply

In September the District took delivery of approximately 18,933 AF from the Aqueduct which was comprised of the District’s Table A, Yuba Water and Dry Year Pool Water and banked water. District wells remain off and the District was able to deliver Un-Allocated Noncontract during September.

There is approximately, 45,000 AF of banking water coming in, so the District is offering Unallocated Non-Contract water, hopefully through the remainder of the year.

Closed Session

At 12:55 p.m. the District’s legal counsel, Steve Torigiani, stated that a closed session was needed pursuant to the following:

- a. Conference with legal counsel Re: Pending Litigation (Gov’t. Code § 54956.9(d)(1))**
 - 1) *Wilbur-Ellis Co. v. Semitropic Water Storage Dist., et al., and related actions (Coordinated as JCCP 4901)*
 - 2) *Central Delta Water Agency et al v. Ca. Department of Water Resources et al. (Sacramento County Superior Court, Case No. 34-2010-80000561; Fifth Appellate District, Case No. C078249)*
 - 3) *Center for Food Safety, et al, v. Department of Water Resources, et al. (Sac Sup #34-2016-80002469; Fifth Appellate District, Case No. C086215)*

- 4) *Various applications filed for Kings River Water by Semitropic WSD, et al.; Petition for Change of Points of Diversion, etc. (License 11521) filed by Kings River Assn.; and related matters and proceedings, before the State Water Resources Control Board.*
- 5) *California Department of Water Resources v. All Persons Interested, etc. (Sac Sup #34-2017-00215965, coordinated as part of JCCP No. 4942)*

b. Conference with legal counsel Re: Potential Litigation (Gov't. Code § 54956.9(d)(2) and/or 54956.9(d)(4))

- 1) Two Potential Suits

c. Conference with Real Property Negotiator (Gov't. Code § 54956.8)

District's Designated Representative: General Manager

- 1) State Water Project:

- a. Negotiation Parties: California Department of Water Resources, Kern County Water Agency and its Member Units, and State Water Contractors
- b. Under Negotiation: Price and Terms

At 1:45 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board authorized the General Manager to execute the Standstill and Tolling Agreement Settlement Agreement Between Kings River Water Association, Alta Irrigation District, Consolidated Irrigation District, Fresno Irrigation District and Semitropic Improvement District of Semitropic Water Storage District, subject to final review by the General Manager and legal counsel.

Adjournment

The meeting was adjourned at 1:50 p.m. by President Wegis. The next Adjourned Meeting was scheduled for Wednesday, October 24, 2018 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President