

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 12:30 p.m. on Wednesday,
June 12, 2019

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, June 12, 2019, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

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

Directors Absent: None;

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 Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District's Consultants, Will Boschman;
District's Legal Counsel, Steve Torigiani;
District's Consulting Engineers, GEI Consultants, Inc., Represented by Larry Rodriguez;
Balance Public Relations Representative, Dean Florez;
Agua Via Representative, Floyd Wicks;
Barbich Hooper King Representatives, Geoff King and Mark Gehring;
Others in Attendance: Kevin Assemi, Lindsay Cedarquist, John Wedel, Brent Hankins, Garrett Busch, Molly Saso, Brent Starrh, Mike Pitigliano, Kathryn Vanderpoel, Kathleen Valenzuela and Pres Brittan.

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

ACTION ITEMS

Approval of Agenda

There being no new items to consider, the Agenda for the June 12, 2019 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 May 15 and Special Board Meeting of May 6, 2019 were presented for approval.

On motion by Director Tracy, seconded by Director Toretta, the Minutes of the Regular Board Meeting on May 15 and Special Board Meeting of May 6, were approved as presented.

The Minutes of the GSA Board Meeting of May 15 and Special GSA Meeting of May 22, 2019 were presented for approval.

On motion by Director Tracy, seconded by Director Toretta, the Minutes of the GSA Board Meeting on May 15 and Special GSA Meeting of May 22, 2019 were approved as presented.

Treasurer's Report

The Treasurer's Reports for May 2019 were presented for review and approval. The Treasurer, Director Toretta, stated that he reviewed the reports with District staff and recommended approval.

On motion by Director Toretta, seconded by Director Waterhouse, the Treasurer's Reports for May 2019 for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

District Controller, Bobby Salinas, reviewed the May Income Statement and Financial Reports. The cash flow amount is lower than the budgeted amount due to recent purchases of water.

Accounts Payable

The Cash Disbursement List for June 12, 2019 was presented for review and payment. Discussion followed regarding two landowners who have requested reimbursement for repairs at Poso Creek during recent flooding. Partial reimbursements were granted.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the June 12, 2019 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 Acceptance of 2018-2017 Audited Financial Statements

Geoff King of Barbich Hooper & King presented the 2018-2017 Audited Financial Statements and reported that he and Mark Gehring met with District staff members and the Financial Committee prior to the Board meeting to discuss their findings. Mr. King reviewed the Audit report and Financial Statements with the Board, stating that it was a smooth process with no difficulties or disagreements with the accounting information. He also reviewed points of interest including: 1) the District's good management structure and communication– Board, General

Manager, Controller, Engineering and Accounting staff; 2) high accounting standards, good control system and oversight; and 3) the Board is involved. The inventory of banked water was also reviewed and discussed.

On recommendation by the Financial Committee and on motion by Director Toretta, seconded by Director Waterhouse, the Board accepted the 2018-2017 Audited Financial Statements for filing.

Consider 2019 Budget Update

Controller Bobby Salinas stated that the original 2019 Budget was adopted by the Board in October 2018 and was based on a 60% allocation. District Staff and the Finance Committee reviewed the June 2019 Budget Update based on a 70% allocation. With 2019 being a wet spring, there have been many requests to bank water and many opportunities for the District to purchase water. An end-of-year target is set for a \$15 M cash balance. Discussion followed.

On motion by Director Toretta, seconded by Director Portwood, the Board accepted the June 2019 Budget Update for filing.

Consider 2019 Special District Risk Management Authority Board of Directors Election

Bobby Salinas reported that the District received an official election packet containing items that require action by the Board for the selection of candidates to the Special District Risk Management Authority Board of Directors. The various candidates' resumes were reviewed and discussed.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized staff to execute and submit the Official Election Ballot to the Special District Risk Management Authority.

Consider Financial Support for Pacific Legal Foundation

Manager Gianquinto reported that Pacific Legal Foundation (PLF) has requested a donation to support the PLF staff working nationwide to protect water rights and supplies. Discussion followed.

On motion by Director Waterhouse, seconded by Director Thomson, the Board authorized an amount of \$10,000 contribution to the Pacific Legal Foundation to help continue the fight for water south of the Delta for San Joaquin Valley farmers and other California water issues.

Consider Template for Landowner-Lessee Combined Parcel Authorization Form

The Manager presented a draft Landowner/Lessee Combined Parcels Authorization Form for Board review and discussion. By the landowners signing the form, it would allow the lessee to receive the statements for charges or credits, recognizing that if the lessee does not pay the charges, the landowner would still be responsible for the account. Discussion followed concerning possible scenarios with multiple parcels and lessees.

By general consensus, the Board authorized staff to finalize the authorization form and make it available to Landowners who request to combine various entities under one ownership.

Consider Policy for Utilization of Meter Data vs Et Data Relative to Basin Sustainability Charges/Credits

The Manager reported that even though the District has elected to utilize remote sensing for determination of water demand by parcel for the implementation of the Basin Sustainability Charges and Credits and to determine water demand relative to SGMA compliance, some landowners have questioned the validity of the Et calculations and requested the use of meters on their farms.

Discussion following regarding giving the landowner the option to use Et Data Monitoring or on-farm metering with the understanding that if meters are preferred, all wells on the property will be metered at the landowner's expense. The landowner will also provide District access to the farm or ranch to verify installation of meters and monitoring the meters on a regular basis. The option for metering would be considered on a case-by-cases basis. The policy remained in a draft form and was not adopted at this time.

Consider Ratification of Letter to KCWA re: Conditional Approval of Contract Extension Amendment

District legal counsel, Steve Torigiani, reported on the status of the Contract Extension Amendment (Amendment No. 40) to the long-term water supply contract between KCWA and DWR (Master Contract). Some time ago, the District and other KCWA Member Units sent a letter advising the KCWA that they objected to KCWA's approval of WaterFix or any Contract Extension Amendment without first obtaining the Member Unit's approval of the same in writing. Since that time, DWR has dismissed the CWF Validation Action and set aside its approval of WaterFix which is reportedly being revised the down to a one-tunnel Delta conveyance project. Subsequently, a form of letter was drafted by legal counsel for the District and other Member Units, in coordination with general counsel for KCWA, which provides KCWA with the Member Units' conditional approval of the KCWA executing the Extension Amendment. The letter (in a substantially similar form) was previously discussed with and approved by the Board for execution by the General Manager.

On motion by Director Waterhouse, seconded by Director Portwood, the Board ratified the General Manager's execution of the conditional approval letter to the KCWA with regard to approval of the Contract Extension Amendment (Amendment No. 40).

SEMITROPIC GSA UPDATE

At 1:35 p.m., the Board President, Rick Wegis, declared a meeting of the Semitropic Groundwater Sustainability Agency. Manager Gianquinto gave an update on the Et Analysis and Larry Rodriguez reported on the development of the GSP document.

The GSA meeting concluded at 2:00 p.m. See the separate Minutes of the GSA Meeting for discussion topics and action taken.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING 2:00 P.M. - JUNE 12, 2019
TO HEAR OBJECTIONS TO PRELIMINARY ROLL FOR
GENERAL ADMINISTRATIVE AND GENERAL PROJECT
SERVICE CHARGES AND TO FINALIZE THE RATES AND
ROLLS FOR 2019 (COLLECTED 2019-2020)

President Wegis called the Hearing to order at 2:00 p.m. and stated that this was the time and place for the public hearing to hear objection to the preliminary roll for General Administrative and General Project Service Charges and to finalize rolls and rates for said charges to 2019-2020.

District's legal counsel, Steve Torigiani, stated that at its May 15, 2019 meeting, with adoption of Resolutions Nos. BW 19-02 and PP 19-02, the Board fixed the amounts to be collected for the General Administrative and General Project Service Charges for 2019 for the Buttonwillow Improvement District and Pond-Poso Improvement District. Mr. Torigiani offered the following items to be marked as indicated and attached to the Minutes:

Affidavits of Publication prepared by The Bakersfield Californian showing Publication of the Notice of Filing of Preliminary Roll and Fixing Preliminary Rates at this Hearing.

To be marked as "Exhibit B-BW and "Exhibit B-PP"

Affidavit of Mailing of Notice of this Hearing to landowners in the Buttonwillow And Pond-Poso Improvement Districts expected to receive a charge.

To be marked "Exhibit C"

A reduced copy of the map in the roll of Semitropic Water Storage District and The Buttonwillow and Pond-Poso Improvement District for reference as needed.

To be marked "Exhibit D"

A Memorandum from Manager Jason Gianquinto dated June 12, 2019.

To be marked "Exhibit E"

On motion by Director Fabbri, seconded by Director Portwood, the Board adopted the aforementioned Exhibits and authorized their inclusion into the Minutes.

Manager Gianquinto reported that preliminary rates per acre were calculated by dividing the charges fixed by the Board at the May 15, 2019 meeting for each classification by the number of acres in the respective classification. The preliminary rates developed are as follows:

For Buttonwillow Improvement District, the General Administrative Service Charge is \$1.50 per acre and the General Project Service Charge is \$137.90 per acre. The Special Minimum General Project Service Charge for recreational land and irrigated native pasture is \$9.40 per acre.

The New Lands Surcharge remains at \$500 per acre-foot of consumptive use and is estimated to be approximately \$1,750.00 per acre assuming 3.5 acre-feet per acre of consumptive use each acre of land developed after July 1, 2017.

For Pond-Poso Improvement District, the General Administrative Service Charge is \$1.50 per acre and the General Project Service Charge is \$137.90 per acre. The Special Minimum General Project Service Charge for recreational land and irrigated native pasture is \$9.40 per acre. The New Lands Surcharge remains at \$500 per acre-foot of consumptive use and is estimated to be approximately \$1,750.00 per acre assuming 3.5 acre-feet per acre of consumptive use each acre of land developed after July 1, 2017.

There were no objections or comments and President Wegis closed the Hearing.

Legal counsel, Steve Torigiani stated that now is the time and place set by the Board to adopt the final Roll and fix the General Administrative and General Project Service Charges. He stated the action taken by the Board would be in the form of resolutions requiring a roll call vote.

On motion by Director Waterhouse, seconded by Director Toretta, the Semitropic Board of Directors passed and adopted Resolution No. BW 19-04 and Resolution No. PP 19-04 by the following vote:

AYES: Directors Fabbri, Tracy, Thomson, Toretta, Waterhouse,
Portwood, and Wegis
NOES: None
ABSENT: None
ABSTAIN: None

RESOLUTION FINALIZING ROLL OF GENERAL ADMINISTRATIVE AND
GENERAL PROJECT SERVICE CHARGES; FIXING RATES PER ACRE FOR
SAID CHARGES; ORDERING THAT THE SAME BE COLLECTED FROM
THE OWNERS OF LANDS RECEIVING THE BENEFIT THEREOF AND
ELECTING THAT SUCH CHARGES BE COLLECTED BY THE COUNTY OF
KERN (2019; COLLECTED 2019-2020)

In furtherance of collection of the General Administrative and General Project Service Charges by the County, the following resolution was offered:

On motion by Director Waterhouse, seconded by Director Toretta, the Secretary was authorized to execute the agreement and the Directors passed and adopted Resolution No. ST 19-03 by the following vote:

AYES: Directors Fabbri, Tracy, Thomson, Portwood, Toretta,
Waterhouse and Wegis
NOES: None
ABSENT: None
ABSTAIN: None

AUTHORIZING THE EXECUTION OF AN AGREEMENT BETWEEN
COUNTY OF KERN AND THE SEMITROPIC WATER STORAGE DISTRICT

FOR THE COLLECTION OF SPECIAL ASSESSMENTS (GENERAL ADMINISTRATIVE AND GENERAL PROJECT SERVICE CHARGES)

President Wegis declared the public hearing closed at 2:12 p.m.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, was not presented but submitted a written report for Board review. All plats have been completed for the SWRU XYZ Intertie Project as well as a portion of the future X, Y and Z pipelines. The District can proceed with the legal team to obtain the related easements.

On the SWRU XYZ Intertie Project Phase 2, the X and Y pipeline systems have been installed. All the pipelines will be charged with water and tested in June and be ready for operation by the District.

At the Junction Pumping Plant, the Accusonic flow meter has been ordered and is now in fabrication. Structural drawings for the meter vault have been completed and Lyles crews in start preparation in June for the construction of the concrete meter vault.

Consulting Engineer's Report

Larry Rodriguez from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during May 2019, which was accepted for filing.

As-requested services activities included review of Basin Plan designations for "Valley Floor Waters" and designing its beneficial uses. Poso Creek RWMG activities included continued participation in the TKFA DACIP working group and participation in a DAC outreach workshop in Wasco.

Under the Diltz Intertie Improvement Project, GEI administered work under a contract with Shafter-Wasco Irrigation District (SWID) on a grant-assisted project to improve the operation capacity of the existing facility between SWID and Semitropic.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via is making significant progress in finalizing a Project Description as well as other CEQA documents. Contacts continued with local interested parties in finalizing the financing structure.

Mr. Boschman represented the District at the Spring ACWA conference in Monterey, as an ACWA-JPIA representative for Semitropic, Kern Water Bank and the Southern California Water Bank Authority. He attended the Groundwater Committee and Energy Committee

meetings as well as meeting with other District representatives to discuss water banking.

At the monthly Kern Water Bank Board meeting, there was discussion on the “Minor Amendment” to the HCP which has been verbally approved by CDFW. With this historic wet year, it has been an operational challenge to manage multiple sources of water coming in.

At the State Water Contractor’s meeting, the Board adopted the 2019-2020 Budget of \$8.4 million which was a \$1 million increase over last year. There was no increase of water allocations at this time; water quality test results are good. There was discussion regarding AB 441 which is proposed legislation that could affect rules for underground storage. AB 441 has been put in suspense for the current legislative session.

Developing Water Resources, Inc.

Manager Gianquinto reported that he spoke with John Jones on the phone and John seemed to be in good spirits and feeling stronger. He is anticipating finishing this round of chemotherapy in mid-July and hopes to return to the District’s well drilling crew soon afterwards. Well wishes were extended to John for healing and good health.

Balance Public Relations

Dean Florez of Balance Public Relations reported that the State 2020 Budget will be finalized soon. It appears that all funds for agricultural programs have been delegated to other areas. There has been discussion of putting a 10-year hold on nitrate regulations.

Mr. Florez also reported on various legislative bills that he is tracking that is of interest to the District.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto’s written report on “District Activity During May” dated June 7, 2019 was accepted for filing. In addition, the following items were presented:

Irrigated Lands Regulatory Program

The Manager reported on the June 6th Kern River Watershed Coalition Authority meeting and the major items addressed, including selection of a consultant for further development of ILRP Farm; the State Board is considering transitioning to a new fee structure for ILRP; and, the KRWCA manager is no longer an employee of Provost and Pritchard Consultants, but now an employee of KRWCA.

Outreach Activities

On May 24, 2019 Manager Gianquinto along with other water managers from Kern County had the opportunity to meet with Congressman TJ Cox and Congressman Grijalva (Chairman of the Natural Resource Committee) on water issues.

On May 29, 2019 the General Manager and representatives of the Kern Groundwater Authority participated in an agricultural roundtable hosted by the Kings County Farm Bureau to discuss central valley agricultural issues and SGMA impacts with Congressman TJ Cox and Congresswoman Barbara Lee (House Committee on Appropriations).

Other

Manager Gianquinto reported that the 2019 Crop Survey has been completed and reviewed a handout comparing crop data and trends for the past 5 years.

The Manager sadly reported that a man recently drowned while fishing at a District canal. Apparently, the man slipped and fell into the canal and couldn't get out. His body was later found downstream.

Closed Session

At 3:05 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. California Department of Water Resources et al. (Sacramento County Superior Court, Case No. 34-2010-80000561: Fifth Appellate District, Case No. C078249) Re: Monterey Plus EIR/Reverse Validation*
- 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)) Re: Monterey Plus KWB EIR*
- 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 Water Assn.; and related matters and proceedings, before the State Water Resources Control Bd.*
- 5) *California Department of Water Resources v. All Persons Interested, etc. Case No. 34-2018-00246183 (Sacramento Superior Court) Re: SWP Contract Extension Amendment*
- 6) *State of CA Dept. of Trans. v. Semitropic WSD, Case No. BCV-19-100326*
- 7) *State v. Pond Poso Improvement District of Semitropic Water Storage District, Kern County Superior Court, Case No. BCV-19-1007686*

b. Conference with legal counsel Re: Anticipated Litigation: Possible exposure to litigation pursuant to Gov't. Code § 54956.9 (d) (2).

- 1) One Potential Case

c. Conference with legal counsel Re: Anticipated Litigation: Possible exposure to litigation pursuant to Gov't. Code § 54956.9 (d) (4).

- 1) One Potential Case

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

District's Designated Representative: General Manager

1) *Property: State Water Project Supplies*

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

At 3:55 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed; however, no reportable action was taken.

Adjournment

The meeting was adjourned at 3:55 p.m. by President Wegis. The next Adjourned Meeting was scheduled for Wednesday, June 26, 2019 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President