

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 13, 2018

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, June 13, 2018, 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, Tom Toretta, Tim Thomson,
Todd Tracy and Rick Wegis;

Directors Absent: Dan Waterhouse;

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 Consultant, John Jones;
District's Legal Counsel, Ernest Conant and
Steve Torigiani;
District's Consulting Engineers, GEI Consultants,
Inc., Represented by Larry Rodriguez;
Balance Public Relations Representative, Dean Florez;
Barbich, Hooper & King Accountancy Corp.
Representatives, Geoff King and Mark Gehring;
Agua Via Representative, Floyd Wicks;
Shafter-Wasco Irrigation District Representative, Dana
Munn;
Braun Harper Gosling Representative, Doug Gosling;
Kuhs & Parker Representative, Robert Kuhs;
Water Wrights Reporter, Don Wright;
District landowners and others: John Wedel,
Brandon Spain, Marie Millan, Franz
Affentranger, Mike Goyenette, Rosana
Goyenette, and Greg Manston.

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

PUBLIC COMMENT

Dana Munn, General Manager of Shafter-Wasco Irrigation District (SWID), stated that there is a landowner in the "white lands" area just north of Semitropic's boundaries that has asked to be annexed into SWID. He stated that it might be more appropriate to be annexed by Semitropic. Discussion followed.

ACTION ITEMS

Approval of Agenda

There being no new items to consider, the Agenda for the June 13, 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 May 16, 2018 were presented for approval.

On motion by Director Tracy, seconded by Director Thomson, the Minutes of the Regular Board Meeting on May 16, 2018 were approved as presented.

Treasurer's Report

Due to the absence of the Treasurer, the May 2018 Treasurer's Reports will be presented for review and 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. The Report next month will reflect the updated Budget.

Accounts Payable

The Cash Disbursement List for June 13, 2018 was presented for review and payment. Discussion followed regarding energy true-ups.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the June 13, 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 Acceptance of the 2017 Audited Financial Statements

Geoff King of Barbich Hooper & King presented the 2017-2016 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 there were no difficulties or disagreements with the accounting information. The only potential issue which may require further analysis could be in the area of water banking accounting, primarily because of the complicated banking water transactions. He noted there is active Board oversight and good management practices as well as good communication between accounting staff and engineering staff. Discussion continued regarding debt and interest rate SWAP and water received and delivered which drove a major increase of water activity for the District.

On recommendation by the Financial Committee and on motion by Director Portwood, seconded by Director Toretta, the Board accepted the 2017-2016 Audited Financial Statements for filing.

Consider 2018 Budget Update

Controller Bobby Salinas stated that the original 2018 Budget was adopted by the Board in October 2017 and was based on a 60% allocation. District Staff and the Finance Committee reviewed the June 2018 Budget Update based on a 35% allocation. Under this scenario there are not many significant opportunities to bank or purchase water. Discussion followed regarding future payment schedules, specifically GAP funding for the California WaterFix.

On motion by Director Fabbri, seconded by Director Portwood, the Board accepted the June 2018 Budget Update for filing.

Consider Resolution of Authorization to Proceed with Financing for System X, Y, Z Project

The Controller stated that the District sent out a Request for Proposals in an effort to secure financing for construction of System X, Y, Z Project for an amount of \$8.5M. Several proposals were received offering good financing options, such as 3.59% interest for 10 years and no pre-payment penalty. Discussion followed on the design and construction of the facilities.

On motion by Director Portwood, seconded by Director Tracy, the Board Authorized Resolution No. SID 18-03:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SEMITROPIC IMPROVEMENT DISTRICT
WATER STORAGE DISTRICT DIRECTING STAFF TO
PROCEED WITH PLANNING FOR THE EXECUTION OF AN
INSTALLMENT PURCHASE CONTRACT AND APPOINTING
A FINANCING TEAM IN CONNECTION THEREWITH

Consider Landowner Request to Transfer Contract Water (Wells Family Trust)

Manager Gianquinto reported that a request was received from a District landowner, Larry Wells, to transfer contract water. On July 11, 2007, the Wells Family Trust sold parcel 103-040-36 to Golden Empire Shelling, and both parties agreed on condition of the sale, that the water allotment would be transferred in entirety to parcel 103-040-37 which was owned and farmed by Wells Family Trust. However, the documentation was not completed at that time. Wells retained

the water and has been making payments since the sale. Both parties have signed a letter agreement acknowledging the transfer; therefore, Wells is now requesting that the District process the permanent contract water transfer.

On motion by Director Thomson, seconded by Director Tracy, the Board approved a permanent contract water transfer from parcel 103-040-36 owned by Golden Empire Shelling to parcel 103-040-37 owned and farmed by Wells Family Trust.

Consider Amendment to the Joint Powers Agreement for the Kern River Watershed Coalition

The Manager reported on an Amendment to the Joint Powers Agreement for the Kern River Watershed Coalition to make a change in the governing body for more farmer representation on the Board and not be limited to officers or General Managers of member districts. Staff recommends the Board approve the Amendment.

On motion by Director Tracy, seconded by Director Portwood, the Board authorized execution of an Amendment to the Joint Powers Agreement to allow a change in the governing body of the Kern River Watershed Coalition.

Consider Semitropic 2018 Dry Year Water Supply Program

Manager Gianquinto stated that the District purchased 10,000 AF of water through the Kern County Water Agency from the State Water Contractor's 2018 Dry Year Water Supply Program. Since the water become available late in the season, the May 1 deadline for requests has been extended to June 30. Discussion followed to allow the landowner to submit a written request for the water with payment due 30 days before the first delivery or at least by September 30.

By general consensus, the Board authorized the Manager to notify all landowners again that the Dry Year Water Supply is available at \$500/AF for irrigation purposes or landowner banking.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh could not attend the meeting; therefore, Manager Gianquinto summarized the written report. Work continued toward securing Right-of-Way documents and the final Water Service Agreements in support of the XYZ Intertie Project. The raw water processing plant is currently shut down and will remain idle until at least the normal recovery period of September through December 2018.

The railroad car bridges are currently in fabrication and are due for delivery in June or July.

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 2018, which was accepted for filing.

Mr. Rodriguez reported that activities during the past month included providing Reclamation with information necessary for their evaluation of the CEQA/NEPA coverage for water banking on the Kern Fan; continued development of a District spreadsheet for assessing groundwater sustainability charges; field work and preparation of environmental documentation and evaluation of the main line alignment options on the design of the Diltz Intertie; and energy reconciliation assistance.

Activities on the Tulare Lake Storage and Floodwater Protection Project were focused on re-evaluating the project sizing and potential changes to operations.

Work continued on a SGMA-Hydrogeologic conceptual model and SGMA compliance support. Preparation is underway on a presentation for an upcoming Semitropic landowner workshop regarding SGMA compliance.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. submitted a written report but was not in attendance. The Manager reported that all parties are getting closer to completing two Water Purchase Agreements, one between Semitropic and Agua Via and another agreement where Semitropic landowners that will be given an opportunity to purchase some of the water produced by Agua Via.

Mr. Boschman attended the ACWA Conference in Sacramento where he represented Semitropic, Kern Water Bank and the Southern California Water Bank at the ACWA Joint Powers Insurance Authority Board of Directors meeting. He also attended the local Delta Coalition meeting and met with Jason Peltier who had recently been hired as the Executive Director in Sacramento. At the Kern Water Bank Authority meeting there was a presentation showing progress that had been made throughout the month and report on fieldwork related to maintaining recharge basins infrastructure reconstruction, wells, etc. There was no recharge or recovery operations during this time.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that he performed field observation of a well where the landowner requested refurbishing by a water well repair and refurbishing company. The company proposed to use acid and a sonic machine powered by nitrogen to create concussions in the well to sonically remove scale on the well casing. The main responsibility was to ensure that the water had been neutralized before discharging into the District's Pond Poso Canal.

Mr. Jones met with Far West Corrosion staff to discuss areas that need repair. Video logging was completed on two wells.

Balance Public Relations

Dean Florez of Balance Public Relations reported on the recent California Primary Election results and discussion followed. Mr. Florez plans to bring the top Governor candidate, Gavin Newsome, to the District sometime before the fall General Election.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During May" dated June 13, 2018 was accepted for filing. In addition, the following items were presented:

Irrigated Lands Regulatory Program

At the Kern River Watershed Coalition meeting on June 7th, it was noted that Pamela Creedon, executive officer of the CVRWQCB has retired and that her replacement is Patrick Pulupa who was very involved in the basin amendment process. The KRWCA staff is working on development of a templet for the Irrigation and Nitrogen Management Plan worksheets which is now required to include irrigation information such as ET, anticipated irrigation water to be applied, and information regarding secondary harvest. It is expected that the new template will be required for reporting in 2020.

It was noted that the CVRWQCB is revising the Kern General Order to include precedential items in the East San Joaquin General Order. The draft will be available in August and it is anticipated that it will be adopted in December 2018.

Delta Issues

California WaterFix

Most of the discussion over the past month regarding the CWF was on the Design Construction Authority tasked with construction of the California WaterFix. The DCA Board is comprised of 5 members including Metropolitan Water District (MWD) who will have two representatives, Kern County Water Agency will have one, Santa Clara Valley Water will have one and a smaller State Water Contractor, likely San Bernardino, will have one. Kern County is reviewing the DCA/JPA agreement and has not identified their representative at this time.

Water Supply

Manager Gianquinto reported that the State allocation remains at 35% for 2018. At this time, 10,000 AF of recovery has been requested.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING 2:00 P.M. - JUNE 13, 2018
TO HEAR OBJECTIONS TO PRELIMINARY ROLL FOR
GENERAL ADMINISTRATIVE AND GENERAL PROJECT
SERVICE CHARGES AND TO FINALIZE THE RATES AND
ROLLS FOR 2018 (COLLECTED 2018-2019)

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 2018-2019.

District's legal counsel, Ernest Conant, stated that at its May 16, 2018 meeting, with adoption of Resolutions Nos. BW 18-02 and PP 18-02, the Board fixed the amounts to be collected for the General Administrative and General Project Service Charges for 2018 for the Buttonwillow Improvement District and Pond-Poso Improvement District. In support of jurisdictional and other matters, Mr. Conant 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 13, 2018.

To be marked "Exhibit E"

Manager Gianquinto reported that preliminary rates per acre were calculated by dividing the charges fixed by the Board at the May 16, 2018 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 which was established last year is \$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 which was established last year is \$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.

It was clarified, in case there was any confusion from the notice of hearing, that the New Lands Surcharge was previously approved in 2017 and remains \$500 per acre-foot of consumptive use for tracts developed after July 1, 2017, and that the \$1,750.00 per acre number was not being proposed as a new, different or modified surcharge, only a preliminary estimated per acre rate assuming an average of 3.5 acre-feet per acre of consumptive use on lands developed after July 1,

2017, subject to the existing New Lands Surcharge. Nothing before the Board is proposed to affect or modify the existing New Lands Surcharge and the record will so reflect.

President Wegis stated that two written letters of protest and objection were received regarding the proposed role, service charges, rates, assessments and the new land development fee, that being a letter dated June 13, 2018 from Mr. Robert Kuhs on behalf of Good Harvest Farms, Inc. and Wasco West, LLC, and a letter dated June 4, 2018 on behalf of Gregg Manston, Debra Copple, Ross Manston & Honeycott, Inc., both of which were provided to the Board. At this time, the President opened the meeting to comments from the public.

Mr. Greg Manston addressed the Board on his own behalf to oppose the new land surcharge stating that Kern County economy is based on agriculture and that agriculture should be encouraged in Kern County. He stated the proposed tract development fee (New Lands Surcharge) penalizes, inhibits and discourages those who wish to develop idle lands into productive farms. Discussion followed.

Mr. Robert Kuhs addressed the Board representing his clients Good Harvest Farms, Inc, Wasco West, LLC, Sal Petrelli and Edward Wenzel, CPA., in protest and objection to the New Lands Surcharge, providing various arguments and referring to his above-referenced letter. Mr. Kuhs stated that Good Harvest owns about 200 acres within the Pond Poso Improvement District and Wasco West recently closed escrow on 60 acres, also within the Pond Poso Improvement District, with the 60 acres being subject to the New Lands Surcharge. Mr. Kuhs stated that he and his client requested copies of reports setting forth the basis upon which the rates were calculated and copies of the landowner roll. Staff had provided copies of the reports upon request and a copy of the roll was provided at the Board meeting. Discussion followed. Mr. Kuhs was reminded that the New Lands Surcharge among other charges were approved following a number of 2017 landowner notices and meetings and a Proposition 218 Majority Protest Hearing procedure advising landowners within the Buttonwillow and Pond-Poso Improvement Districts, among other things, that said surcharge was proposed as \$500 per acre foot of consumptive use, and that following approval of the proposed charges the Rules and Regulations were amended by Resolution ST 17-09 to provide for the same, with the resolution along with the amendments attached thereto recorded as part of the official records of Kern County. Mr. Conant further responded to some of Mr. Kuhs' written and oral comments and indicated a written response would be provided to his letter.

There were no further comments and President Wegis closed the Hearing.

Legal counsel, Ernest Conant 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 Tracy, seconded by Director Toretta, the Semitropic Board of Directors passed and adopted Resolution No. BW 18-04 and Resolution No. PP 18-04 by the following vote:

AYES:	Directors Fabbri, Portwood, Thomson, Toretta, Tracy and Wegis
NOES:	None
ABSENT:	Director Waterhouse
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 (2018; COLLECTED 2018-2019)

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 Tracy, seconded by Director Toretta, the Secretary was authorized to execute the agreement and Resolution No. ST 18-01 was unanimously approved:

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)

Closed Session

At 3:00 p.m. the District's legal counsel, Ernest Conant, 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) *San Joaquin County Resources Conservation District, et al. v. California Regional Water Quality Control Board, Central Valley Region*
 - 4) *Center for Food Safety, et al, v. Department of Water Resources, et al. (Sac Sup #34-2016-80002469; Fifth Appellate District, Case No. C086215)*
 - 5) *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.*
 - 6) *California Department of Water Resources v. All Persons Interested, etc. (Sac Sup #34-2017-00215965, coordinated as part of JCCP No. 4942)*
 - 7) *Environmental Law Foundation v. SWRCB, et al, Sac County Sup. Ct., Case No. 34-2018-80002851*
 - 8) *Protectores Del Aqua Subterranea V. SWRCB, et al., Sac. County Sup. Ct., Case No. 34-2018-80002852*
 - 9) *Monterey Coastkeeper, et al. v. Central Valley Regional Water Quality Control Board, et al., Sac. County Sup. Ct., Case No. 34-2018-80002853*

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) Water Supply Acquisition:

- a. Negotiating Parties: Agua Via
- b. Under Negotiation: Price and Terms

2) Water Supply Acquisition:

- a. Negotiating Parties: Pacific Resources LLC
- b. Under Negotiation: Price and Terms

3) 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 4:30 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed.

On motion by Director Portwood, seconded by Director Tracy, the Board authorized a complaint be filed with the State Water Resources Control Board against the Kings River Water Association, et al., consistent with the discussion in closed session.

Adjournment

The meeting was adjourned at 4:35 p.m. by President Wegis. The next Adjourned Meeting was scheduled for Wednesday, June 27, 2018 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President