

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,
July 11, 2018

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, July 11, 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,
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 Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District Consultants, Will Boschman and John Jones;
District's Legal Counsel, Ernest Conant and
Steve Torigiani;
District's Consulting Engineers, GEI Consultants,
Inc., Represented by Larry Rodriguez;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Agua Via Representative, Floyd Wicks;
Water Wrights Reporter, Don Wright;
Stacie Ann Silva Representing New Current
Water & Land (NCWL);
District landowners and others: John Wedel,
Jason Pucheu, Steven Piggott, Molly Saso and
Ethan Coon.

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 July 11, 2018 Board of Directors meeting was unanimously approved as posted on motion by Director Portwood, seconded by Director Toretta.

Minutes

The Minutes of the Regular Board Meeting on June 13, 2018 were presented for approval.

On motion by Director Portwood, seconded by Director Toretta, the Minutes of the Regular Board Meeting on June 13, 2018 were approved as presented.

Treasurer's Report

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

On motion by Director Waterhouse, seconded by Director Portwood, the Treasurer's Reports for May and June 2018 for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

District Controller, Bobby Salinas, reviewed the Financial Reports along with the Actual and Projected Cash Flow Report. The Report reflected the updated Budget and District's share of California WaterFix expenses but did not include Santa Clara's request for approximately 40,000 AF of water storage.

Accounts Payable

The Cash Disbursement List for July 11, 2018 was presented for review and payment. Discussion followed regarding a brackish water study where the District has teamed up with Lost Hills and west side water districts to share costs; and the Kern County Water District for the first payment on the 2018 Yuba Water Purchase Program.

On motion by Director Waterhouse, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the July 11, 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 Authorizing Execution of an Installment Purchase Contract & Other Necessary Documents

Controller Bobby Salinas reported that the Municipal Finance Corporation (the Corporation) has proposed to provide private placement financing for the necessary funding for construction of the SWRU System XYZ Project. Upon execution of an Installment Purchase Contract, the Corporation will assign the contract to City National Bank pursuant to an Assignment Agreement between the Bank and the Corporation.

Manager Gianquinto stated that a resolution has been prepared by Bond Counsel for Board authorization to execute an Installment Purchase Contract and other necessary documents.

On motion by Director Waterhouse, seconded by Director Portwood, the Board unanimously passed and adopted Resolution No. SID 18-04:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC WATER STORAGE DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS

Consider Authorization for Execution of a Conveyance Agreement with West Stanislaus I.D.

Manager Gianquinto reported that both Semitropic and West Stanislaus, as well as legal counsel, have reviewed the water conveyance agreement and agree to the terms. Board authorization is needed to execute the agreement.

Will Boschman reviewed the terms of the agreement with the Board, noting that Semitropic only pays when water moves through West Stanislaus' conveyance facilities. If the conveyance facility is not used for 5 years, the agreement could terminate.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized the General Manager to execute the Conveyance Agreement with West Stanislaus I.D.

Consider Planting Agreement (Westlake Farms, Inc.)

President Wegis stated that this item will be moved to closed session.

Appoint Representative for Kern Groundwater Authority Special Activity Agreement No. 4

The Manager stated that due to the restructuring of the Kern Groundwater Authority, the District needed to appoint new representatives for Semitropic on the Special Activity Agreement No. 4. Discussion followed.

On motion by Director Tracy, seconded by Director Toretta, the Board appointed President Rick Wegis as representative and Director Jeff Fabbri as alternate to serve on the governing body of the Kern Groundwater Authority under Special Activity Agreement No. 4.

Consider 2018 CSDA Board of Director Election

Controller Bobby Salinas reported that the District received an official election packet for the selection of candidates for the 2018 California Special Districts Association Board of Directors. Discussion followed on the candidates and their qualifications.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized staff

to return the ballot in support of Byron Glennan, a Board Member of the Rosamond Community Services District as well as a Director of the Southern California Water Bank Authority.

Consider Proposed Amendment to the Rules and Regulations Regarding Landowner Banking

Manager Gianquinto stated that an Ad Hoc Committee of the Board met on June 8, 2018 to discuss landowner banking. The Committee recommended amending the District Rules and Regulations to allow landowners to bank excess contract water if the contract water available to the landowner exceeds the consumptive use (Et) for the landowner's properties with the District. Discussion followed regarding who would manage the water supply, the District or the landowners. No action was taken at this time. The Amendment language will be presented to the Board at a future meeting for further consideration.

Consider Duck Club Lease

The Manager reported that the current tenant of the District's Duck Club has fulfilled the terms of the lease for two years but has requested to discontinue the third year of the lease. However, another individual who previously leased the Duck Club, has submitted a proposal to lease the property and spillway for three years with fees based on availability of water and maintenance of the property. Discussion followed.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized staff to terminate the Duck Club lease with the current lessee and enter a three-year lease agreement with Ken Smith under the following terms: when no water is available for the north section, the annual fee will be \$3,500 for the spillway property; when water is available, the first year's fee will be set at \$12,000, second year \$15,000 and third year \$18,000.

SEMITROPIC GSA PRESENTATION

At this time, the Board declared a meeting of the Semitropic Groundwater Sustainability Agency. Larry Rodriguez of GEI Consultants gave a presentation of an overview of the Sustainable Groundwater Management Act.

See the separate Minutes of the GSA Meeting.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh reported on project development, engineering and preconstruction services related to the SWRU XYZ Intertie Project. Design work was completed in June and final easements are being procured for the 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.

Work continued on replacing the existing canal bridges. The concrete foundation caps are scheduled to be formed and placed in late July. Removal of the existing bridges and setting the new bridges will occur after the concrete pile caps reach adequate compressive strength, most likely in August.

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 June 2018, which was accepted for filing.

Mr. Rodriguez reported that activities during the past month included preparing the annual report on groundwater conditions; meetings to explore the potential for a one-year water transfer during the fall of 2018; and discussions with Agua Via to determine the level of effort and scope for completing environmental documentation for their brackish water recovery pilot project.

Activity on the Tulare Lake Storage and Floodwater Protection Project included coordination with the District regarding resizing the project and discussing revisions to the EIR.

The SGMA-Hydrogeologic conceptual model was completed and the draft summary report was distributed for review. A presentation was prepared for Semitropic's landowner workshop regarding SGMA compliance.

GEI also kicked-off the Pond-Poso Spreading Grounds Phase V Project with review of the contracts with High Speed Rail.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via has elected to proceed with preparation of environmental and other documentation for which an initial "all hands" meeting with consultants and District staff has been scheduled.

Agua Planet is still optimistic about finalizing funding for its potential 100,000 AFY Project.

Mr. Boschman spent time following-up on short-term as well as long-term water purchase opportunities as well as previous contacts, including meetings with interested parties seeking storage. He also attended the State Water Contractor's Board meeting in Sacramento.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that he worked with drilling staff to do an inventory of casing pipe, PVC pipe and conductor pipe. He met with Carter Pump to discuss the video log of a well that was sealed off with calcium. A treatment process was determined and afterwards, a 20-foot perforated sleeve was prepared for installation.

The drilling staff and engineering staff met to discuss and determine how much drilling pad would be needed on 4 new well sites.

Balance Public Relations

Dean Florez of Balance Public Relations reported on a recent meeting at Jeff Fabbri's office in Bakersfield with Tony Estremera who is a board member of Santa Clara Valley Water Agency

and the chairman of the Design Construction Authority tasked with construction of the California Water Fix. Mr. Florez plans to bring Governor candidate, Gavin Newsome, to the District sometime in August, as well as other State officials after their summer break.

Mr. Florez reported on legislative decisions made in the last month. Discussion followed.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During May" dated July 6, 2018 was accepted for filing. In addition, the following items were presented:

Delta Issues

California WaterFix

The Kern County Water Agency continued to work on amendments to the CWF Design Construction Authority (DCA) Agreement to clarify the commitments of the members.

State Water Project

The State Water Contractors and DWR completed negotiations and are working to develop the contract amendments on the agreement.

Discussion followed on the Yuba Accord Agreement with the State Water Contractors to acquire excess water which was the origin of the 2018 Dry Year Supply.

The Kern Groundwater Authority is working to complete the 2017 Audit in time for the August Board meeting. The KGA Coordination committee continued development of sustainability indicators for SGMA compliance. It was noted that the GW model is not yet complete due to delays in receiving water supply data from the Districts.

High Speed Rail Project

District Engineer, Isela Medina, reported on the progress for resolution of conflicts between the District's facilities and the High Speed Rail alignment. The District has been working with legal counsel in negotiations with the HSR on acquisition of District property; however, the HSRA recently filed an NOI to commence the eminent domain process.

Ms. Medina also reported on an upcoming Groundwater Monitoring Committee meeting set for July 19th; and progress on the Et Remote Sensing Project.

Water Supply

Manager Gianquinto reported that the State allocation remains at 35% for 2018. At this time, 44,000 AF of water for storage capacity has been requested.

Closed Session

At 2:55 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

- 4) Real Property Negotiations – Gov’t Code Section 54956.8
 - a. Property: Kings County APNs 036-060-013, 036-060-020, 036-060-042, 036-070-007, 036-07-013, and 036-070-014
 - b. Negotiator: Jason Gianquinto
 - c. Negotiation With: Westlake Farms, Inc., Westlake Grain & Cotton, Inc., Howe Family LP, et al., Priest Valley Cattle Co.

At 3:40 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed; however, no action was taken.

Adjournment

The meeting was adjourned at 3:40 p.m. by President Wegis. The next Adjourned Meeting was scheduled for Wednesday, July 25, 2018 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President