

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
October 11, 2017

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, October 11, 2017, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

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

Directors Absent: Jeff Fabbri and Tim Thomson;

Others Present: General Manager, Jason Gianquinto;
District O & M Superintendent, John Lynch;
District Controller, Bobby Salinas;
Staff Engineer, Isela Medina;
Staff Engineer, Craig Wallace;
District Contract Administrator, Becky Ortiz;
District Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District Consultants, Will Boschman;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers, GEI Consultants,
Inc., Represented by Larry Rodriguez;
Balance Public Relations Representative, Dean Florez;
Agua Via Representative, Floyd Wicks;
Water Wrights Reporter, Don Wright;
Aviva Representative, Greg Allen;
Maricopa Orchards Representatives, Jason Pucheu;
Wonderful Orchards Representative, Molly Saso; and
District landowners or representatives:
John Wedel of Monache Meadows, Noe
Gonzales of Farmland Management and Gary
Robinson of Poso Creek Water Company.

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 was unanimously approved as posted on Motion by Director Tracy, seconded by Director Portwood.

Minutes

The Minutes of the Regular Board Meeting on September 13, 2017 was presented for approval.

On motion by Director Portwood, seconded by Director Toretta, the Minutes of the Regular Board Meeting on September 13, 2017 were approved.

Treasurer's Report

The Treasurer's Reports for August and September 2017 will be presented later in today's meeting.

Financial Report

District Controller, Bobby Salinas, reviewed the Financial Reports along with the Actual and Projected Cash Flow Report. The interest and debt service payment amounts are down due to refunding of the 2009 Bonds. The Capital expenses are down about \$4 M due to construction projects that were budgeted but delayed. Therefore the projected end of year cash flow was somewhat down from the 2017 Budget amount.

Accounts Payable

The Cash Disbursement List for October 11, 2017 was presented for review and payment. Discussion followed regarding replacement of a solar inverter and the purchase of new trucks to replace well used older models.

On motion by Director Tracy, seconded by Director Portwood, the Board authorized payment of the Accounts Payable as listed on the October 11, 2017 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 Continuation of Emergency Declaration (Public Contract Code Sect. 22050 (a)(1) (as Declared May 17, 2017)

The Manager recommended continuation of the Emergency Declaration made by the Board at its May 17, 2017 meeting. There are still some small projects that need completion, including canal bridges and standtank repairs.

On motion by Director Tracy, seconded by Director Toretta, the Board authorized staff to file a Continuation of Emergency Declaration in an effort to move various small projects forward to expedite the capture of available water supplies.

Consider Agreement with BHK for 2017 Audit

Controller Bobby Salinas presented a consulting service agreement submitted by Barbich, Hooper & King (BHK) for preparation of the 2017 Annual Audit. The letter agreement is for a not-to-exceed amount of \$34,500 including expenses.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized the Manager to execute the consulting services agreement with BHK for the 2017 Audit for the District.

Consider 2017 Noncontract Winter Water Rate

Manager Gianquinto reminded the Board that the Noncontract Water Rate for 2017 was set at \$60.00 per acre-foot. Discussion followed regarding a rate change or leave it the same for 2018.

On motion by Director Tracy, seconded by Director Portwood, the Board authorized the 2018 Noncontract Winter Water Rates to continue at \$60.00 per acre-foot.

Consider Lease of Delta Islands

Manager Gianquinto stated that Metropolitan Water District (MWD) recently purchased the Delta Islands. The question before the Board is whether or not to continue the leases through MWD or terminate the leases and leave it to MWD to take over the transfer of Non-project water. Discussion followed.

On motion by Director Toretta, seconded by Director Tracy, the Board authorized the General Manager to terminate the leases on the Delta Islands and let Metropolitan Water District take over.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representatives were not present; however, a written report was submitted for Board review and filing.

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 September 2017, which was accepted for filing.

Mr. Rodriguez also reported on activities related to Poso Creek IRWMP Update (which is being administered through a Task Order with North Kern); the Diltz Intertie improvement with Shafter-Wasco I.D. to improve the operational capacity of the existing Diltz Intertie with Semitropic; continuing work on the Tulare Lake Storage and Floodwater Protection Project to submit supplemental documentation to the California Water Commission in support of the Prop. 1 Grant application; and the collection and compilation of information to develop the Groundwater Model Update through 2016.

The Manager reported that GEI was asked to prepare a Task Order for a Feasibility Study on Subsurface Recharge such as the Fabbri Pilot Project and other upcoming work. A Memorandum prepared by Ron Eid of GEI Consultants was submitted to the Board and the Manager presented the following summary:

The initial phase of the investigation focused on lessons learned and what can be gleaned from the experiences of others as well as the District's experience with the Pond-Poso Spreading Grounds and the Fabbri Pilot Project. Subsurface recharge has been implemented in urban settings, parking lots, parks, golf courses and along roadway systems. One of the main problems/issues with trenches, shafts and wells, typically has been clogging or some form of surface sealing. Overall, each potential area for artificial recharge is unique and research is needed to determine the factors that could control the success of artificial recharge at each site. While certain areas can be ruled out, for those that are not ruled out, field exploration and pilot testing will likely be required.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via continued working on two Water Purchase Agreements, one of them with the District and another where Semitropic landowners will be given an opportunity to purchase some of the water produced by Agua Via. The challenge now is to find wells outside of Semitropic that produce 18,000 acre-feet of water per year.

California Water Service has not yet given notice of their decision of whether or not they want to proceed with the agreement.

Montecito Water District and Semitropic have both agreed on a Banking Agreement for providing storage and legal counsel is preparing the final documents for signature. Implementation documents such as CEQA, local routine water transfer and other documents are also in the final stages.

Mr. Boschman represented the District at various meetings, including the local Delta Coalition, Kern Water Bank, State Water Contractors Board meeting and Southern California Water Bank Authority.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. was not able to attend today's meeting; however, the Manager reported that the drilling staff was busy doing repairs and maintenance on the drilling rig which was moved back to the well drilling equipment yard.

Balance Public Relations

Dean Florez of Balance Public Relations reported on the list of bills concerning water issues and the possibility of which ones the Governor will sign. Discussion followed on the upcoming campaigns as well as the potential candidates for the various offices. Several members will be coming to Semitropic before the end of the year.

Treasurer's Report

The Treasurer's Reports for August and September 2017 Treasurer's Reports were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Toretta, the August and September 2017 Treasurer's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Consider 2018 Budget, set Water Rates, set Hearing and Adopt Related Resolutions

Manager Gianquinto reported that the Finance Committee met with staff to review the 2018 Budget. Controller Bobby Salinas reviewed the highlights of the 2018 Budget to the Board based on a 60% water allocation from the State and no banking activity. GASC & GPSC rates will remain the same as 2017. The 2018 cost of State Water Project Contract Water will be about \$8M.

It was the consensus of the Board that the Contract Water rates be set at \$103/AF (SWP Charge \$60 and Additional Water Use Charges \$43) and Noncontract Water rates at \$98/AF Winter, \$104/AF Summer and \$110/AF Allocated (based on 3.5AF/AC), subject to the hearing process to follow. Power charges were increased slightly to 12.25¢.

Director Waterhouse stated that the Finance Committee had reviewed the 2018 Budget and Water Rates with staff and recommended adoption of the Budget and Water Rates as presented with the exception of setting the Noncontract Winter rate at \$60/AF.

On motion by Director Waterhouse, seconded by Director Tracy, the Board approved the 2018 Budget and adopted Resolution No. ST 17-13 and Resolution No. SID 17-06 in accordance with staff recommendations:

RESOLUTION ADOPTING 2018 BUDGET

On motion by Director Waterhouse, seconded by Director Tracy, the Board approved Resolution No. BW 17-05 and Resolution No. PP 17-05 pursuant to final review:

RESOLUTION FIXING PRELIMINARY SWP WATER CHARGE AND PRELIMINARY ADDITIONAL WATER USE CHARGE FOR 2018 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 2018. There were no significant changes on either the Annual Investment or the Reserve Policies.

On motion by Director Waterhouse, seconded by Director Toretta, the Board adopted Resolution ST 17-14:

ADOPTING AN ANNUAL INVESTMENT POLICY
FOR THE
SEMITROPIC WATER STORAGE DISTRICT

On motion by Director Waterhouse, seconded by Director Toretta, the Board adopted Resolution ST 17-15:

ADOPTING AN ANNUAL RESERVE POLICY
FOR THE
SEMITROPIC WATER STORAGE DISTRICT

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During September" dated October 6, 2017 was accepted for filing. In addition, the following items were presented:

California Water Fix

The Manager gave an update on the California WaterFix which seems to be an evolving program. KCWA Member Units are divided approximately 50% in and 50% out for participation in funding of the project and no agreements have been signed. He reported on various meetings regarding concerns of financing structure, cost control and long term obligations given the lack of certainty of future yield and assurances.

Duck Club Water

The District continued delivery of Duck Club Water this month utilizing Poso Creek and North Pintail Slough. It is expected that Duck Club Water will be delivered through the end of the year as needed.

Water Supply

The Fall water measurements are currently underway. The SWP allocation will remain at 85% until the 2018 initial allocation comes out in late November-early December.

The District has banked 203,265 AF of water on behalf of Banking Partners through the end of September.

Closed Session

At 2:14 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: Existing Litigation Govt. Code § 54956.9(d)**
 - 1) *Wilbur-Ellis Co. v. Semitropic Water Storage Dist., et al., and related actions*

- 2) *Central Delta Water Agency et al v. California Department of Water Resources et al*
- 3) *San Joaquin County Resources Conservation District, et al. v. California Regional Water Quality Control Board, Central Valley Region*
- 4) *North Kern Water Storage District, et al v. City of Bakersfield and North Kern Water Storage District, et al, v. Kern Delta Water District*
- 5) *Center for Food Safety, et al, v. Department of Water Resources, et al.*
(Sac Sup #34-2016-80002469)
- 6) *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.*
- 7) *California Department of Water Resources v. All Persons Interested, etc.* (Sac Sup #34-2017-00215965)

b. Conference with legal counsel Re: Potential Litigation (Govt. Code § 4956.9(d))

- 1) Two Potential Suits

c. Conference with Real Property Negotiator (Govt. Code § 54956.8)

District's Designated Representative: General Manager

1) Water Supply Acquisition:

- a. Negotiating Parties: West Stanislaus
- b. Under Negotiation: Price and Terms

2) Water Supply Acquisition:

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

3) Water Supply Acquisition:

- 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) APN 160-020-07

- a. Negotiation parties: Kern Water Bank and Property Owner
- b. Under Negotiation: Price and Terms

At 3:10 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 3:10 p.m. by President Wegis until Wednesday, October 25, 2017 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President