

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
December 14, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, December 14, 2016, 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, Todd Tracy;
Dan Waterhouse and Rick Wegis;
Directors Absent: Tom Toretta;
Others Present: General Manager, Jason Gianquinto;
District O & M Superintendent, John Lynch;
District Controller, Bobby Salinas;
Staff Engineer, Water Resources, Isela Medina;
Staff Engineer, Craig Wallace;
District Contract Administrator, Becky Ortiz;
District Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District's Consultant, John Jones;
District's Legal Counsel, Ernest Conant, Steve Torigiani and
Mark Stamper;
District's Consulting Engineers, GEI Consultants, Inc.,
Represented by Dick Rhone;
Balance Public Relations Representative, Dean Florez;
Shafter-Wasco WSD Representative, Dana Munn;
Maricopa Orchards Representative, Jon Reiter;
Wonderful Orchards Representative, Andrew Edstrom;
and *The Bakersfield California* columnist, Lois Henry.

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 Waterhouse, seconded by Director Tracy.

Minutes

The Minutes of the Regular Board Meeting on November 16, 2016 were presented for approval.

On motion by Director Tracy, seconded by Director Portwood, the Minutes of the Regular Board Meeting on November 16, 2016 were approved.

Treasurer's Report

The Treasurer's Report for November 2016 was presented for review and approval.

On motion by Director Waterhouse, seconded by Director Portwood, the November 2016 Treasurer's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

District Controller, Bobby Salinas, reviewed the Actual and Projected Cash Flow Report for November 2016, including the revenue and expense. The projected balance for the end of year 2016 is over \$19 M.

Accounts Payable

The Cash Disbursement List for December 14, 2016 was presented for review and payment. Discussion followed regarding the VFD panels for 5 wells; a tree service for topping off eucalyptus trees near Semitropic's electrical lines; membership assessment of the Kern Groundwater Coalition Authority; and reimbursement of a credit on the account of a landowner.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized payment of the Accounts Payable as listed on the December 14, 2016 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 Extension of Consultant Agreement with Vollmar Consulting

Manager Gianquinto requested a one-year extension on the Agreement with Vollmar Natural Lands Consulting, Inc. to complete their work to obtain funds for the District to be compensated for the sale of a Conservation Easement on a 400 acre parcel of land owned by the District. The funding may be obtained from a combination of Federal, State and/or non-profit grant programs. The purpose of the Conservation Easement, to be established in perpetuity, will be to restore and preserve native alkali sink scrub habitat and other native wildlife and plant species that occupy this habitat type in the region, and to prohibit future development on the property such as croplands, commercial or residential development or other land uses that would impact or eliminate the conservation values of the property. The terms of the agreement were reviewed and discussed.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized a one-year extension of the consulting agreement with Vollmar Consulting.

Consider Rates for Construction Water Program

The Manager reported that occasionally, the District has received requests for construction water for various projects within the District. Usually the amount of water requested is relatively small and a policy is in place to address those requests.

Recently, the High Speed Rail Authority has requested a large amount of construction water (400 to 500 AF) to be available during the construction of the High Speed Rail within the District and perhaps areas outside of the District. The Manager asked for guidelines from the Board on developing procedures for supplying larger amounts of construction water. Discussion followed.

By general consensus, the Board directed the Manager to draft a policy for large amounts of construction water. A price of \$2,000/acre-foot was suggested with a price guarantee good for one year recognizing the additional costs involved in administering and providing construction water. The Manager will report back to the Board with the draft policy.

Consider Lease Terms for Bouldin Island and Webb Tract

President Wegis asked to move this item to closed session for further discussion with the Board.

Consider Extension of Consultant Agreement with JMeek Agribusiness

Manager Gianquinto led discussion on extending the consultant agreement with John Meeks for another year under the same terms and conditions as 2016. Discussion followed.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board authorized a one year extension of the consultant agreement with JMeek Agribusiness with the same terms and conditions as 2016.

Consider Well Share Agreement Terms with Kern County

Manager Gianquinto stated that in recent discussions with the County regarding joint ownership of a well, County personnel indicated they would lease up to 20% use to the District but is not willing to share ownership. The County would possibly even be willing to enter into a long term lease (at cost) with the District.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized staff to enter into a well share agreement with the County.

Consider Resolution Providing for the Issuance and Sale of Semitropic Improvement District Warrants, Series 2016

After providing further explanation of the need for the warrants, Controller Bobby Salinas presented a Resolution to the Board providing for the issuance and sale of Semitropic Improvement District Warrants, Series 2016 in an aggregate amount which does not exceed \$23M. The short term warrants will provide the second half of funding for the Tulare Lake Storage and Floodwater Protection Project and will be issued through Wells Fargo Bank.

On motion by Director Fabbri, seconded by Director Portwood, the Board authorized the Issuance and Sale of Warrants by Resolution SID 16-07:

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF SEMITROPIC IMPROVEMENT DISTRICT OF THE SEMITROPIC WATER STORAGE DISTRICT WARRANTS, SERIES 2016

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, submitted the written report; however, he was unable to attend the meeting.

Consulting Engineer's Report

Richard "Dick" Rhone from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during November 2016, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to preparation for the Poso Creek Integrated Regional Water Management Group (IRWMG) public meeting; supported the Tulare Lake Project by participating in several meetings of the California Water Commission and provided reviews of the draft regulations for the Water Storage Investment Program; completed the draft Feasibility Study and Preliminary Engineering Report for the Delano Recycled Water Project; and, completed the alternate tank design and Change Order on the Meter Testing Facility.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. submitted a written report; however, he was in Sacramento attending the State Water Contractor's meeting.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. submitted a written report and presented and oral update of progress on well drilling activities.

The drilling rig is located just east of Palm Avenue and Wollomes Road where expansive clay zones were found at the depth of 710 to 850 feet of the well currently being drilled. Further down around 950 to 1,160 feet, some very good gravel zones were encountered which, according to the electric log, indicated these zones were good water zones with good quality water. After drilling is finished on this well, the rig will be taken to the yard for routine maintenance work.

The developing rig is set up 2 miles west of Magnolia on Wollomes Road. This well has developed out with strong volume and good quality water.

The District's video camera and staff are available for landowners in Semitropic at a very reasonable rate.

Balance Public Relations

Dean Florez of Balance Public Relations reported that the California Water Commission voted and passed the Rules and Regulations in today's session.

Mr. Florez reviewed the highlights of the California Drought Bill which was supported by Senator Feinstein and Congressman McCarthy and is currently on the President's desk awaiting signature. Discussion followed regarding upcoming visits with new legislators and meetings in Sacramento to get acquainted with members of the large Southern California legislative contingent.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During October" dated December 9, 2016 was accepted for filing. In addition, the following items were presented:

Irrigated Lands Regulatory Program

The Kern River Watershed Coalition Authority (KRWCA) held a special meeting by conference call to discuss and review the Management Practices Evaluation Plan (MPEP) work plan.

Delta Issues

The California Department of Water Resources and USBR continued to develop the documents required to complete the environmental review process. The Public Water Agencies continued working to develop alternatives for financing the project.

As previously reported, the SWRCB issued the Draft Science Report for Sacramento River and Delta Flow Requirements. This document is the technical support for further amendments to the Bay-Delta Water Quality Control Plan with recommendations for additional unimpaired flows to the Delta. The District is tracking the developments of this plan and will likely coordinate with ACWA for submission of comments to the SWRCB as comments are due by December 16th.

SGMA

Manager Gianquinto stated that a landowner meeting will be scheduled sometime in January 2017 to address issues, outreach, GSA map and boundaries. More information will follow after the first of the year.

2017 Water Supply

The 2017 water year is starting off with an initial 20 percent allocation that was announced on November 28th. This is compared to an initial allocation of 10 percent in 2016. The late December weather forecast predicts above normal precipitation for Northern California.

High Speed Rail

District Engineer Isela Medina reported the staff and consultants are currently working with the HSRA on the 1st Utility Agreement. The HSRA anticipates starting work in early 2017 and has contacted the District regarding barrow material. There has been some discussion about the HSRA building additional ponds at the Poso Creek Spreading Grounds location in order to take the barrow material. HSRA proposes to lower the original ponds 10 to 15 feet and build new ponds. This would offset future costs of the District building the ponds. The first contractor has already submitted a Letter of Intent.

The Chronicles Group Request for Financial Support

Manager Gianquinto stated that Jim Thebaut of the Chronicles Group has previously met with the Board and has requested additional financial support for the completion of a documentary (Impacts of the Drought on the Central Valley". Discussion followed

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized a contribution of \$7,500 to Jim Thebaut of the Chronicles Group for financial support in the completion of the current production of a video on the impacts of the California Drought.

Closed Session

At 1:50 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 to discuss pending litigation (Gov't Code Section 54956.9(a) 8 items
 - 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) *Rosedale-Rio Bravo Water Storage District & Buena Vista Water Storage District v. California Department of Water Resources et al*
 - 4) *Central Delta Water Agency et al v. Kern County Water Agency, et al*
 - 5) *State Water Contractors v. Salazar (Delta Smelt BO)*
 - 6) *San Joaquin County Resources Conservation District, et al. v. California Regional Water Quality Control Board, Central Valley Region*
 - 7) *North Kern Water Storage District, et al v. City of Bakersfield and North Kern Water Storage District, et al, v. Kern Delta Water District*
 - 8) *County of San Joaquin, et al. v. Metropolitan Water Dist. Of Southern Cal., et al and related actions*

- b. Conference with Real Property Negotiators (Govt. Code Section 54956.8) Potential Water Supplies
Negotiator: Jason Gianquinto, General Manager

- c. Significant exposure to litigation (Gov't Code Section 4956.9, subd. (d)(2)): Bouldin Island Spray Incident; Amended Notice of Claims by Wilbur-Ellis Company against Semitropic Water Storage District per California Government Code sections 900 et. seq. (Letter dated November 30, 2016)

At 2:50 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including various legal issues and agreements.

On motion by Director Waterhouse, seconded by Director Thomson, the Board considered and rejected a claim from Edward A. Queseda, Esq. on behalf of Antonio Herrera by letter dated November 21, 2016 for automobile damages. Young Wooldridge will prepare a rejection letter.

On motion by Director Tracy, seconded by Director Fabbri, the Board considered and rejected an amended claim for indemnity and contribution presented by Wilbur-Ellis arising from the Bouldin Island Spray Incident. Young Wooldridge will prepare a rejection letter.

Adjournment

The meeting was adjourned at 2:55 p.m. by President Wegis until Wednesday, December 28, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President