

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
February 8, 2017

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, February 8, 2017, 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;
Tom Toretta, Dan Waterhouse and Rick Wegis;

Directors Absent: None;

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 Accounts Payable Clerk, Maria Lopez;
District Executive Secretary, Marsha Payne;
District's Consultant, Will Boschman;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers, GEI Consultants, Inc.,
Represented by Dick Rhone and Larry Rodriguez;
W.M. Lyles Representative, Rick Amigh;
Maricopa Orchards Representatives, Jon Reiter and
Jason Pucheu;
North-West Kern RCD Representative, Brian Hockett;
Agua Via Representative, Floyd Wicks;
Wonderful Orchards Representative, Andrew Edstrom;
California Electric Supply Representative, Todd Falk;
Aviva Energy Representative, Greg Allen;
Land I.Q. Representative, Joel Kimmelshue;
Farmland Management Representative, Brandon Spain;
And District Landowner, David Daniels.

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

General Manager Gianquinto introduced Maria Lopez who recently joined the District Staff as Accounts Payable Clerk. He also reported that Mike Luna who has served the District for a number of years in Operations, will soon be joining office staff as Engineering Technician.

PUBLIC COMMENT

District landowner, David Daniels, addressed the Board stating that because of on-going storms, flood water has pooled on his property. He intends to plant cotton in the spring, but is currently fine with leaving the water on his property to avoid pre-irrigation. Mr. Daniels offered to let the District use his property for spreading purposes at a discounted price for the water. Discussion followed.

Manager Gianquinto stated that Article 21 water may be available around February 20th but to be fair to other landowners, the Board would need to consider the price of water and further discuss the possibilities. President Wegis asked that the item be further discussed by a Committee.

ACTION ITEMS

Approval of Agenda

There were no new items to consider; however, Item (f) Consider Delano Recycled Water Wetland Preliminary Engineering Report, was tabled due to insufficient time for preparation for presentation. The item will be rescheduled for another Board Meeting.

On motion by Director Waterhouse, seconded by Director Tracy, the Amended Agenda was unanimously approved.

Minutes

The Minutes of the Special Board Meeting on January 4, 2017 and Regular Board Meeting on January 11, 2017 were presented for approval.

On motion by Director Waterhouse, seconded by Director Tracy, the Minutes of the Special Board Meeting on January 4, 2017 and Regular Board Meeting on January 11, 2017 were approved.

Treasurer's Report

The Treasurer's Report for January 2017 was presented for review and approval.

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

Financial Report

District Controller, Bobby Salinas, reported that the Actual and Projected Cash Flow Report was based on the 2017 Budget with a 60% allocation and no banking activity projected. Due to the abundance of winter storms the outlook has changed significantly; therefore, the 2017 Budget will be revised.

Accounts Payable

The Cash Disbursement List for February 8, 2017 was presented for review and payment. Discussion followed regarding consulting expenses and work being done for the Tulare Lake Flood Control Project.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the February 8, 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 Resolution of Support for ACWA/JPIA Executive Committee Candidate

Manager Gianquinto reported that the District received a request from Cucamonga Valley Water District for support in nomination of Director Kathleen J. Tiegs for the position of ACWA/JPIA Executive Committee. Discussion followed and her qualifications were noted.

On motion by Director Waterhouse, seconded by Director Tracy, the Board adopted Resolution No. ST 17-03:

CONCURRING IN NOMINATION OF KATHLEEN J. TIEGS TO THE EXECUTIVE COMMITTEE OF THE ASSOCIATION OF CALIFORNIA WATER AGENCIES JOINT POWERS INSURANCE AUTHORITY (ACWA-JPIA)

Consider Financial Support for North-West Kern RCD Mobile Irrigation Lab

Brian Hockett, Manager of the North-West Kern Resource Conservation District, gave a presentation on the Mobile Irrigation Lab for the 2016 irrigation season. Twenty-five percent of the Mobile lab work done in 2016 was performed on lands within Semitropic. In order to continue the service for the benefit of the landowners, financial support of \$10,000 was requested from the District.

Mr. Hockett also reported on the Poso Creek flood in January 2017 where there was approximately 10,000 AF of flood water along Garces Highway. An emergency declaration is in place with the State but there hasn't been much help to date from FEMA who previously helped in flood situations. However, local agencies helped and the County of Kern is still gathering data. Discussion followed.

The Kern National Wildlife Refuge was prepared to take water but due to the breaches along the Creek, the flow did not go all the way to the Refuge. If the levies were fixed, the water might possibly flow to the Refuge.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized financial support of \$10,000 for the North-West Kern RCD Mobile Lab.

Consider Landowner Consent, Nondisturbance & Attornment Agreement

Director Toretta excused himself from discussion of this Agenda item and left the Board room. Manager Gianquinto stated that the Toretta family is considering selling some property that has a cell tower on it. The Consent, Non-disturbance and Attornment Agreement with the District would ensure a future landowner that the lease would stay in place and that the District would not terminate it at a later time. There are no problems or conflicts to any District facilities or easements.

On motion by Director Portwood, seconded by Director Fabbri, the Board approved execution of the Landowner Consent, Non-disturbance and Attornment Agreement on the Toretta property.

Director Toretta returned to the meeting.

Consider Revised Lease Terms for Bouldin Island and Webb Tract

The Manager reported that from discussions with Metropolitan Water District, a Term Sheet was drafted for Board consideration on the proposed terms of a lease of real property on Webb Tract and Bouldin Island. The proposed lease would require payment of one million dollars per year by Semitropic to MWD for a three-year term. The property would be leased for purposes of planting, growing and harvesting crops specified by the lessee or sub-lessee and/or following the land for conservation of water and/or grazing of cattle and sheep. Discussion followed.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized execution of a Lease Agreement with Metropolitan Water District of Southern California for a three-year term of one million dollars per year for rent of real property on Webb Tract and Bouldin Island.

Consider Proposed Basin Sustainability Charge

Manager Gianquinto presented a draft of a proposed addition to Semitropic Rules and Regulations, the Basin Sustainability Charge. In order to encourage conservation of water resources and to more accurately recover the actual cost the Improvement Districts incur to provide water supplies for the benefit of their landowners and water users, a baseline of consumptive use would be developed for each grower commencing in 2018. The procedure would be adopted on an interim concept until the District adopts an effective Groundwater Sustainability Plan and SGMA goes into effect. Detailed discussion followed.

A Special Board Meeting was set for Thursday, February 23 for further discussion on the Proposed Basin Sustainability Charge. No action was taken at this time.

Consider Lend Lease Solar Option Agreement

District Consultant, Will Boschman, presented a draft Option Agreement for a Solar Energy System Ground Lease and Easement with Lendlease Energy Development LLC. The Agreement is comparable to that of CSolar (Tenaska). Discussion followed.

On motion by Director Waterhouse, seconded by Director Toretta, the Board authorized the General Manager to execute an Option Agreement for a Solar Energy System Ground Lease and Easement with Lendlease Energy Development LLC.

Consider Principles of Agreement with Agua Via

Will Boschman stated that there had recently been some changes in the Agua Via Agreement that needs further discussion and requested to move this Agenda item to Closed Session.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported that they worked with District Staff and GEI to update the designs of the North/South Conveyance, SWRU ILSA Systems X, Y and Z. A revised SWRU budget was developed to reflect the updated design and operation program. The probate process was completed on the easements on the SWRU and the District now owns the property for the reservoir. A simple property transfer with the adjacent landowner will complete the process.

The District received high flows through the Junction Pumping Plant last month which allowed Lyles to operate the generator unit at maximum output conditions. They are currently troubleshooting some minor control issues and the unit should be back on line soon.

W.M. Lyles helped revise the water supply portion of the Tulare Lake Storage and Recovery Project and will complete the budget for that portion of the project upon receipt of the drawings.

On the Meter Calibration Facility, 90% of the submittals have been processed and material procurement and fabrication is in process. The initial site survey has been performed and the field work will commence in February.

Consulting Engineer's Report

Dick Rhone from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during January 2017, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to: the Annual Report on Groundwater Conditions; review of Federal and State funding opportunities; documentation of the District's land retirement program; preparation of a groundwater modeling RFP and participation in a workshop by Agua Via regarding a new membrane-based water treatment technology.

Other activities during the month included participation in the January 3, 2017 public meeting of the Poso Creek Regional Water Management Group; continued support for the Pond Road Solar Project CEQA; and reviewed submittals on the Meter Calibration Facility.

Larry Rodriguez reported on the Tulare Lake Storage and Floodwater Protection Project which included preparation and facilitation of a Public Scoping Meeting for the Project EIR. GEI continued to advance studies and analysis needed to support the development of the Project EIR, easement purchase agreements, Project operations planning and conceptual engineering and design. The draft EIR will be presented in June 2017.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. continued to work with Agua Via to develop a project that would work for them and for Semitropic. The Board previously approved principles of an agreement whereby Semitropic would be the first to acquire as much water as elected to purchase at an acceptable price and leave the balance of the water produced for others to acquire a higher price per acre-foot. Other water buyers have indicated interest in purchasing water from the program and the principles of agreement need to be considered by the Board again.

Aqua Planet representatives reported that there is a new source of funds being considered that looks very promising.

California Water Service has still not come to the point of executing the agreement that has been agreed to.

Mr. Boschman was interviewed by Jim Thebaut for a movie he is producing for the water industry; represented Semitropic at the Delta Coalition meeting and the Kern Water Bank Board meeting, as well as the Semitropic Rosamond Water Bank Authority Board Meeting. He also attended the State Water Contractor's Board meeting in Sacramento where there was discussion again concerning the Cal Water Fix Project.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. submitted a written report but due to health issues, was not present.

The drilling rig has been moved to the District's drilling yard and staff is working on annual maintenance. Drilling staff also worked with Engineering to install 12-inch pipelines on 4 District outlets.

Balance Public Relations

Dean Florez of Balance Public Relations was traveling today and unable to attend the meeting; however, the Manager reported representatives from Semitropic had met with Senator Hertzberg and Assemblymen Salas and Garcia to discuss State and local water issues. Meeting with other legislators are being scheduled in the near future.

Land I.Q.

Joel Kimmelshue of Land I.Q. gave a presentation on Consumptive Use Update. An ET Remote Sensing network is currently being installed for use throughout the District which will provide data to determine a baseline of how much water is used on-farm. There are various types of sensors which measure daily evapotranspiration, crop water status, site-specific irrigation recommendations and measures applied irrigation. Integration of irrigated area field boundaries and crop type allows field by field consumptive use estimates. Discussion followed.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During January " dated February 3, 2017 was accepted for filing. In addition, the following items were presented:

Orville Dam

The Manager shared photos of damages done by erosion on the spillway at the Orville Dam due to continuous winter storms dumping huge amounts of water in Northern California. Engineers are currently trying to set a temporary fix before the next storm system arrives.

Irrigated Lands Regulatory Program

The Kern River Watershed Coalition Authority (KRWCA) held its monthly meeting and noted that a Management Practices Evaluation Program (MPEP) Technical meeting will be held in March. Nitrogen Management Plan (NMP) Self Certification Training Sessions will be scheduled soon to assist landowners with compliance reporting. The NMP Summary reports and the Farm Evaluation survey deadlines is March 1, 2017.

Delta Issues

DWR and USBR continue to develop the documents required to complete the environmental review process for the Cal Water Fix. It has recently been proposed by DWR that participation in the Cal Water Fix is not optional for State Water Contractors but will automatically be included in the cost sharing contracts. There is a meeting scheduled tomorrow at KCWA regarding a new cost sharing proposal by Terry Erlewine, the retiring SWC Director.

Kern Groundwater Authority

There was considerable discussion at the January Kern Groundwater Authority meeting relative to the selection of a consultant to prepare a groundwater model for the basin. The KGA directed the coordination committee to prepare an RFQ to solicit qualifications from consultants for groundwater modeling assistance. The KGA also discussed boundary issues relative to the KGA GSA and other GSA's currently formed or in the process of being formed.

Kern County Water Agency

The Kern County Water Agency reports that Semitropic has drawn all its 2016 carryover water out of San Luis Reservoir. The Agency performed a test allocation of Article 21 among the Member Units in close coordination with DWR to give some insight on how to collectively manage Article 21.

2017 Water Supply

The State increased its allocation to 60% on January 18th and the San Luis Reservoir storage was 1,725,793 acre-feet on February 2, 2017. This is 85% of total capacity compared to 35% total capacity at the same time last year.

Discussion followed regarding Banking Partner requests to bring in as much water as possible for storage.

California High Speed Rail

Staff Engineer, Isela Medina, reported that the HSR continues to move forward despite the protests. Several growers in the path of the HSR have come to the District for help to negotiate agreements with the HSR. The District is encouraging consistency in dealing with the HSR on all agreements. District Engineering has taken a pro-active role by participating in recurring biweekly coordination meetings with the HSR team as well as working to identify and resolve any conflicts.

Closed Session

At 3:35 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) 9 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*
 - 9) *Center for Food Safety, et al, v. Department of Water Resources, et al. (Sac Sup #34-2016-80002469)*
- b. Conference with Real Property Negotiators (Govt. Code Section 54956.8)
 Consider Terms for Purchase of Real Property and a lease for Fallowing Program and water storage
 Negotiator: Jason Gianquinto, General Manager
 - c. Conference with legal counsel to discuss Anticipated Litigation
 (Gov't Code Section 54956.9)

At 5:10 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including legal issues, agreements and proposals.

By general consensus, the Board approved the Principles of Agreement with Agua Via and authorized District Staff to draft separate agreements with participants in the Project.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized the General Manager to enter into an Agreement with Goose Lake Holding Company for the purpose of spreading Article 21 water for storage.

Adjournment

The meeting was adjourned at 5:15 p.m. by President Wegis until Thursday, February 23, 2017 at 8:00 a.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President