

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 10, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, February 10, 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, Tom Toretta,
Todd Tracy, 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 Accounting Supervisor, Mariela Garza;
District Contract Administrator, Becky Ortiz;
District Executive Secretary, Marsha Payne;
District's Consultants, Will Boschman and John Jones;
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;
Balance Public Relations Representative, Dean Florez;
Maricopa Orchards Representative, Jon Reiter;
Wonderful Orchards Representative, Andrew Edstrom;
North-West Kern RCD Representative, Brian Hockett;
North Kern Water Storage District Representative, Richard Diamond;
Agra-Logics Representative, Thomas Capote;
Prometheus Advisors, Robert Foster, Edric Guise,
Mike Roos and Roger Faubel;
District Landowners, Terry Chicca, John Wedel, Martin Etchemendy,
and, Mike Giannini; and several unnamed attendees from the
general public.

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

Public Comment

Brian Hockett of North West Kern-Resource Conservation District (NWKRCDD) presented his Annual Report on the Mobile Lab to the Board. Mr. Hockett stated that for a number of years, the Mobile Lab conducted about 30 tests a year and about 220 tests were performed in 2015 of landowner's systems. The NWKRCDD anticipates a busy summer.

In the past, Poso Creek cleanup has been done with a dozer and large equipment. This year Cal Fire came in to clean up with hand tools in an effort to protect endangered species habitat.

Truman Capote of Agra Logics reported on its program of satellite data gathering that mainly focuses on grower activities and farm management such as on-farm fertilizer and water use. This collection of data can be useful in calculating on-farm needs for the next growing season.

ACTION ITEMS

Approval of Agenda

The Agenda was reviewed and unanimously approved as posted on Motion by Director Waterhouse, seconded by Director Tracy.

Minutes

The Minutes of the Regular Board Meeting on January 13, 2016 were presented for approval.

On motion by Director Tracy, seconded by Director Toretta, the Minutes of the Regular Board Meeting of January 13, 2016 were approved.

Treasurer's Report

The Treasure's Reports for December 2015 and January 2016 were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Portwood, the December 2015 and January 2016 Treasure'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 January 2016 based on a 60% allocation. The 2016 Budget will be reviewed and amended, if necessary, in June 2016.

Accounts Payable

The Cash Disbursement List for February 10, 2016 was presented for review and payment. Discussion followed regarding certain items on the Disbursement List, including expenses for biological and environmental consulting on the 2015 Solar Project, and reimbursement for building of recovery and conveyance facilities to Metropolitan Water District for the 5,000 shares of pumpback capacity that Castaic Lake purchased.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the February 10, 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 Financing Agreement with Wells Fargo Financing

Controller Bobby Salinas reported on the terms of an interim financing agreement with Wells Fargo Financing which provides availability for financing upon signing of a Purchase-Sale Agreement for the second phase of acquisition of easements on the Tulare Lake property.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized staff to enter into an agreement with Wells Fargo Financing for the second phase of acquisition of easements on the Tulare Lake property.

Consider GEI Task Order for General Services associated with Poso Creek IRWMP

Task Order 03-2016 was submitted by GEI Consultants for the Poso Creek Integrated Regional Water Management (IRWM) Plan Annual Activities. This Task Order includes activities to be performed in calendar year 2016 in support of the Poso Creek Regional Water Management Group (RWMG) and implementation of the Poso Creek IRWM Plan. A budget for these general activities is not to exceed \$30,000.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized the General Manager to execute GEI Task Order 03-2016 for General Services associated with Poso Creek Integrated Regional Water Management Plan.

Consider GEI Task Order for General Services for Semitropic Water Storage District

Task Order 01-2016 was submitted by GEI Consultants for General Engineering Services and Expenses. This Task Order defines the Scope of Services, Schedule and Budget for General Engineering Services and Expenses for 2016. This Task Order also included Water Transfer Assistance. The total budget amount is \$143,000.

On motion by Director Tracy, seconded by Director Waterhouse, the Board authorized the General Manager to execute GEI Task Order 01-2016 for General Engineering Services and Expenses for 2016.

Consider Landowner Request to Release Land from Semitropic Boundaries

By general consensus, this item was tabled for discussion at a later meeting when all Board members are present and all data collected in order to make a more informed decision.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING FEBRUARY 10, 2016
TO CONSIDER CHANGE IN DISTRICT
RULES AND REGULATIONS

President Wegis called the hearing to order at 1:00 p.m. He noted that a quorum was present and that the attendance had been noted in the usual fashion.

President Wegis stated that now is the time and place for a hearing to consider an amendment to the District's Rules and Regulations that would revise the methodology use for allocating costs to Contract Water Users.

Ernest Conant, District's legal counsel, reviewed the procedures followed by the Board and Staff for determining the proposed change in the Rules and Regulations and the appropriate action for the hearing. No written comments were received.

Manager Gianquinto gave a power point presentation summarizing the rationale for the change to the Rules and Regulations.

President Wegis opened the hearing for any questions, comments or objections. One comment was made by District landowner, John Wedel, who attended the meeting.

Hearing no further comments or objections, the Board proceeded with amending the Rules and Regulations. The following documents were presented as attachments to the Minutes:

AFFIDAVIT OF MAILING TO ALL DISTRICT LANDOWNERS IN BUTTONWILLOW AND POND-POSO IMPROVEMENT DISTRICTS on January 20, 2016, attaching a letter to all landowners titled, "NOTICE OF PROPOSED CHANGE IN RULES AND REGULATIONS FOR SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC WATER STORAGE DISTRICT."

The aforementioned affidavit is attached hereto as "Exhibit B".

A "PROOF OF PUBLICATION" from *The Bakersfield Californian* for Buttonwillow and Pond-Poso Improvement Districts of "NOTICE OF PROPOSED CHANGE IN RULES AND REGULATIONS FOR SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC WATER STORAGE DISTRICT AND THE TIME AND PLACE OF HEARING THEREON".

The aforementioned proof of publication is attached hereto as "Exhibit C".

President Wegis stated that if there were no other comments (there were none), the hearing

was completed and the Board would consider a Resolution to Amend the Rules and Regulations.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board adopted the Amended Rules and Regulations in the form of Resolution No. ST 16-02:

A RESOLUTION OF THE BOARD OF DIRECTORS
OF SEMITROPIC WATER STORAGE DISTRICT ACTING FOR AND ON
BEHALF OF ITS SEMITROPIC, BUTTONWILLOW AND POND-POSO
IMPROVEMENT DISTRICTS (COLLECTIVELY "DISTRICT") AMENDING RULES
AND REGULATIONS FOR DISTRIBUTION OF WATER

The Public Hearing closed at 1:25 p.m.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING FEBRUARY 10, 2016
TO CONSIDER PROP. 218 MAJORITY PROTEST
FOR CHANGE IN WATER RATES

President Wegis called the hearing to order at 1:30 p.m. He noted that a quorum was present and that the attendance had been noted in the usual fashion.

President Wegis stated that now is the time and place for a so called "majority protest" hearing to consider charges to be assessed for Contract Water Users.

Ernest Conant, District's legal counsel, reviewed the procedures followed by the Board and Staff for holding the required "majority protest" hearing before they adopt an increase in certain property related fees and charges. No written comments were received.

Manager Gianquinto gave a power point presentation summarizing the rationale for the change in methodology for setting the rates to recognize the contract water service areas water supply benefit due to the importation of State Water as made possible by the original commitment of the Contract Water Users.

President Wegis opened the hearing for any questions, comments or objections. Hearing no comments or objections, the Board proceeded with adopting the proposed change in determining State Water Project Charges and Additional Water Use Charges. The following documents were presented as attachments to the Minutes:

AFFIDAVIT OF MAILING TO CONTRACT LAND OWNERS IN BUTTONWILLOW
AND POND-POSO IMPROVEMENT DISTRICTS on December 22, 2015, attaching a
letter to all landowners titled, "SEMITROPIC WATER STORAGE DISTRICT NOTICE
OF PUBLIC MAJORITY PROTEST HEARING".

The aforementioned affidavit is attached hereto as "Exhibit D".

President Wegis stated that if there were no other comments (there were none), the hearing was completed and the Board would consider a Resolution in accordance with the provisions of

Proposition 218, regarding the establishment of a State Water Project Water Charge and Additional Water Use Charge.

On motion by Director Fabbri, seconded by Director Tracy, the Board adopted
Resolution No. ST 16-03:

RESOLUTION CERTIFYING THE RESULTS OF A PROPOSITION 218 MAJORITY
PROTEST PROCEEDING REGARDING THE ESTABLISHMENT OF A SWP WATER
CHARGE AND ADDITIONAL WATER USE CHARGE AND FIXING THE AMOUNTS
OF SAID CHARGES

The Public Hearing closed at 1:45 p.m.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported due to DWR shut down of the Aqueduct for emergency liner repairs, pumpback operations ceased in January and are not expected to resume until the end of February. The RWPP is currently shut down and Lyles is servicing equipment and making miscellaneous repairs in preparation for the District's pumpback program which is scheduled to begin in March.

The turbine components were delivered in mid-January and the generator is scheduled for delivery in mid-February for the Junction Pumping Plant Turbine Generator. Mechanical and electrical work will continue through March and April

The SWSD 2015 Reverse Flow Project and Construction of the Water Treatment Reservoir and Expansion of the Raw Water Processing Plant were completed in February.

W.M. Lyles, GEI and the District continued to work on preconstruction tasks for the Tulare Lake Floodwater Storage and Recovery Pilot Project. Plans, specification and the preliminary budget were submitted for review and comment and final documents and budget should be completed 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 2016, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to discussions regarding development of a hydraulic model and the SWRU; participation in the monthly regional Poso Creek IRWM Group and the selection of new officers; staff assistance with energy reconciliations which are almost completed for 2014; and, work on the Groundwater Model Update.

Larry Rodriguez reported on activities related to Water Transfer Assistance; and the Tulare Lake Storage and Floodwater Protection Project, including continued work on the Feasibility Study and the Pilot Project.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that he and others worked on a Water Purchase Agreement with Agua Via which is also trying to do some field testing for their particular technology for cleaning up unusable well water. The agreement will probably be submitted for Board approval in March.

During the month, Mr. Boschman continued follow-up with contacts and/or presentations for numerous agencies regarding additional storage and/or water supply.

Castaic Lake Water Agency received its State Grant funding and submitted the balance of the \$8.45 Million owed to the District for their capital payment under their storage agreement.

Mr. Boschman met with San Diego County Water Authority representatives to discuss activities between San Diego and Semitropic as well as the status of their water storage agreement with the Antelope Valley Water Bank. He also met with representatives from several solar companies that are interested in securing options on some of Semitropic's land in the north part of the District. Several meetings were attended on the District's behalf, including Delta Coalition and Kern Water Bank Board meetings; State Water Contractors Board meeting; Agricultural Energy Consumers Association (AECA); and the Semitropic Rosamond Water Bank Authority Board meeting. Mr. Boschman reported on discussion topics of several of these meetings.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. submitted a written report and presented an oral update of progress on well drilling activities. The rig is currently drilling the first North Kern well located one mile south of Seventh Standard Road on the west bank of the Lerdo Canal.

The developing unit just completed a well located ½ mile north of Pond Road and Wildwood.

Balance Public Relations

Dean Florez of Balance Public Relations reported that a meeting has been set with Kamala Harris for February 12th at Wool Growers with various Kern County farming representatives and later, a private briefing at Jeff Fabbri's office with Semitropic representatives. Mr. Florez also reported on meetings with Jeff Kightlinger and Metropolitan Water District representatives and Senator Fuller regarding the Salas bill.

Prometheus Advisors

Robert “Bob” Foster of Prometheus Advisors introduced Mike Roos, Roger Faubel and Edric Guise who all work together on the District’s behalf on the Tulare Lake Project. The Group has focused on the matters related to the Water Commission, State Water Resources Control Board and Department of Water Resources in an effort to move the Project forward. They have spent a great deal of time working with environmental and labor groups. They are collecting data and information to promote a media campaign to gain political support of the Project. Discussion followed.

SEMITROPIC WATER STORAGE DISTRICT PUBLIC HEARING FEBRUARY 10, 2016 TO CONSIDER ADOPTION OF 2015 AGRICULTURAL WATER MANAGEMENT PLAN UPDATE

President Wegis called the hearing to order at 2:00 p.m. He noted that a quorum was present and that the attendance had been noted in the usual fashion.

President Wegis stated that now is the time and place for a hearing to consider Adoption of the 2015 Agricultural Water Management Plan.

Ernest Conant, District’s legal counsel, reviewed the procedures followed by the Board and Staff for holding the required hearing before they adopt an updated plan to demonstrate existing and planned activities and programs designed to improve the effective use of water and water use efficiency. No written comments were received.

President Wegis opened the hearing for any questions, comments or objections to the Plan. There were none. By general consensus, the Board postponed action to adopt the 2015 Agricultural Water Management Plan until the March Board meeting to allow time for members and staff to review a final draft of the Plan.

The Public Hearing closed at 2:15 p.m.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto’s written report on “District Activity During December” dated February 5, 2016 was accepted for filing. In addition, the following items were presented:

Irrigated Lands Regulatory Program

Nitrogen Management Plans are due March 1, 2016 and Self Certification is Required. Farm Evaluations are also due March 1, 2016.

Delta Issues

The State Water Contractors held a Design and Construction workshop in Sacramento on Tuesday, February 2nd to discuss the complexity of the tunneling construction and Mega-Project delivery.

Outreach Activities

Manager Gianquinto reported on various meetings he and others attended on the District's behalf including the California Water Commission meeting in Sacramento; a meeting with Department of Water Resources representatives regarding the Tulare Lake Project; and three scheduled landowner workshops to review the proposed contract water rate change.

Kern Groundwater Management Authority

The Kern Groundwater Management Authority meeting was held on January 25th. There was continued discussion on the structure of the Authority and it is expected that the final draft of the JPA Amendments will be presented in February.

Kern County Water Agency

Manager Gianquinto reported that Kern County Water Agency Director, Mike Radon resigned his seat mid-term and the Agency Board appointed Philip Cerro II as the new KCWA Director of Division 4. Mr. Cerro is a long time farmer from the Kern Delta area and served 18 years on the Kern Delta Board.

Also, on January 28th, given the pending retirement of KCWA General Manager Jim Beck, the KCWA formally appointed Mr. Curtis Creel as Interim General Manager.

California Aqueduct

On January 3rd, the District received notification from the Kern County Water Agency for an immediate shutdown of all recovery operations due to a breach of the Aqueduct at pool 30 upstream of the Buena Vista Pumping Plant. The KCWA and DWR have been keeping the District apprised on the progress of repairs, which at this time is expected to be completed on February 28th.

Closed Session

At 2:35 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) 7 items
 - 1) *Rosedale-Rio Bravo Water Storage District v. Kern County Water Agency et al*
 - 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*
- b. Conference with Real Property Negotiators (Govt. Code Section 54956.8)
Potential Water Supplies
Negotiator: Jason Gianquinto, General Manager
 - c. Conference with legal counsel to discuss Anticipated Litigation
(Gov't Code 54956.9)

At 5:20 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including various legal issues, agreements and proposals; however, no action was taken.

Adjournment

The meeting was adjourned at 5:20 p.m. by President Wegis until Wednesday, February 24, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President