

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
March 8, 2017

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, March 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;
Engineering Technician, Jeff Kenney;
District Consultant, John Jones;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers, GEI Consultants, Inc.,
Represented by Dick Rhone and Larry Rodriguez;
Balance Public Relations Representative, Dean Florez;
Maricopa Orchards Representatives, Jon Reiter and
Jason Pucheu;
Agua Via Representative, Floyd Wicks;
Wonderful Orchards Representative, Andrew Edstrom;
Aviva Energy Representative, Greg Allen;
Shafter-Wasco I.D. Representative, Dana Munn;
Farmland Management Representatives, Brandon Spain
And Carl Evers;
Renewable Resources Group, Jim James; and
Bakersfield Californian Columnist, Lois Henry.

Present Via

Conference Call: District Consultant, Will Boschman.

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

ACTION ITEMS

Approval of Agenda

There were no new items to consider, the Agenda was unanimously approved as posted on Motion by Director Tracy and seconded by Director Waterhouse.

Minutes

The Minutes of the Regular Board Meeting on February 8, 2017 and Special Board Meeting on February 23, 2017 were presented for approval.

On motion by Director Portwood, seconded by Director Waterhouse, the Minutes of the Regular Board Meeting on February 8, 2017 and Special Board Meeting on February 23, 2017 were approved.

Treasurer's Report

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

On motion by Director Waterhouse, seconded by Director Tracy, the February 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 original 2017 Budget but an update is currently being prepared.

Accounts Payable

The Cash Disbursement List for March 8, 2017 was presented for review and payment. Discussion followed with a request for an update on work by the Agricultural Energy Consumers Association (AECA); a pilot project Semitropic is participating in, along with other Kern County agencies through South Valley Water Resources Authority; and the Property Insurance Program through ACWA JPIA.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized payment of the Accounts Payable as listed on the March 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 Contract Water & SAW Water Reallocation Request by Maricopa Orchards

Director Toretta left the meeting. Manager Gianquinto reported that Maricopa Orchards, LLC has entered into a Purchase Agreement with the Thomas and Maria Toretta Family Trust for 78.18 acres of farmland in Kern County. In order to facilitate its farming operations, Maricopa has requested that the District transfer the Contract Water and SAW Water at the close of escrow. There are no impacts to other lands or water users, or increases in contract acre-feet in this transaction. Discussion followed.

On motion by Director Portwood, seconded by Director Waterhouse, the Board approved the reallocation of Contract Water and SAW Water by Maricopa Orchards contingent upon closing escrow on the Toretta property.

Director Toretta returned to the meeting.

Consider Resolution Adopting Amended and Restated 457 Plan Documents

Controller, Bobby Salinas stated that the District Pension Plan Administrators have drafted restated plan documents for the District 457 Plan and Trust for the Board's approval. There are no significant changes or impacts to the District.

On motion by Director Waterhouse, seconded by Director Tracy, the Board approved the Amended and Restated 457 Plan Documents and adopted Resolution No. ST 17-05:

ADOPTING THE AMENDED AND RESTATED PLAN DOCUMENTS
FOR THE SEMITROPIC WATER STORAGE DISTRICT 457
PLAN AND TRUST ADOPTION AGREEMENT
EFFECTIVE JANUARY 1, 2017

Consider Resolution in Support of Filing Grant Application with BOR: CALFED Water Use Efficiency Grant

Staff Engineer, Isela Medina, reported that due to Semitropic partnering with several neighboring water districts in 2006 and formulating the Integrated Regional Water Management Plan for their collective area, various projects have been completed which enhances the District's in-lieu and direct spreading banking facilities, interconnections, recovery capacity and energy generation.

The U.S. Bureau of Reclamation is currently soliciting proposals for grant funding assistance under their BAY-DELTA RESTORATION PROGRAM: CALFED WATAER USE EFFICIENCY GRANTS. District Staff has formulated a grant proposal for improvements to the existing Semitropic-Shafter-Wasco ID intertie, referred to as the Groundwater Recharge Intertie, which would make the Diltz intertie more efficient.

On motion by Director Fabbri, seconded by Director Waterhouse, the Board authorized Staff to submit an application for grant funding of the Semitropic-Shafter-Wasco Groundwater Recharge Intertie and adopted Resolution No. SID 17-03:

IN SUPPORT OF FILING AN APPLICATION WITH THE BUREAU OF RECLAMATION
FOR A GRANT UNDER BAY-DELTA RESTORATION PROGRAM:
CALFED WATER USE EFFICIENCY GRANT

Consider Resolution to Initiate Adoption of Proposed Amendment of Rules & Regulations for Distribution of Water

The Manager gave a presentation on the Proposed Rules & Regulations Amendment Changes. A “baseline consumptive use” could be established as an interim measure until the Groundwater Sustainability Plan goes into effect 2020-21. Staff ran various scenarios on the ET data collected, as well as using crop surveys, to help determine the methodology to use for establishing the “baseline consumptive use.” A detailed discussion followed.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized an Amendment to the Rules & Regulation for Distribution of Water and adopted Resolution No. ST 17-03:

RESOLUTION OF BOARD OF DIRECTORS OF SEMITROPIC WATER STORAGE
DISTRICT ACTING FOR AND ON BEHALF OF ITS SEMITROPIC,
BUTTONWILLOW AND POND-POSO IMPROVEMENT DISTRICTS
(COLLECTIVELY “DISTRICT”) REGARDING PROPOSED AMENDMENT OF
RULES AND REGULATIONS FOR DISTRIBUTION OF WATER

Consider Resolution Initiating 218 Majority Protest and Set Hearing

Manager Gianquinto continued with the presentation for procedures to adopt a Basin Sustainability Charge and New Lands Surcharge contemplated by the proposed change of the Rules and Regulations, 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 its landowners and water users. A baseline of consumptive use would be developed for each grower commencing in 2017. The procedure would be adopted on an interim concept until the District adopts an effective Groundwater Sustainability Plan and SGMA goes into effect. Manager Gianquinto made reference to a memorandum he prepared justifying the Basin Sustainability Charge and New Lands Surcharge provided for in drafts of resolutions ST 17-03 and ST 17-04 provided to the Board for review. A detailed discussion followed.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized a 218 Majority Protest and Hearing by adopting Resolution No. ST 17-04:

A RESOLUTION OF THE BOARD OF DIRECTORS OF SEMITROPIC WATER STORAGE
DISTRICT ACTING FOR AN ON BEHALF OF ITS SEMITROPIC, BUTTONWILLOW AND

POND-POSO IMPROVEMENT DISTRICTS
(COLLECTIVELY “DISTRICT”) FIXING PROCEDURES FOR A PROPOSITION 218
MAJORITY PROTEST REGARDING THE DISTRICT’S ADOPTION OF A BASIN
SUSTAINABILITY CHARGE, RECREATION SUSTAINABILITY CHARGE AND
NEW LANDS SURCHARGE

Consider Proposed Pilot Program for On-Farm Recharge

The Manager presented a proposal for a Pilot Program for On-Farm Recharge. Given the abundance of flood water available to Semitropic this year and the spectra of SGMA, it was proposed that a pilot program be offered to the landowners to promote the recharge to the groundwater basin and provide an opportunity for the landowners to establish a groundwater banking account through the enhancement of recharge capacity within the District.

For the landowner and land to be eligible for this program, the landowner must be in good standing with the District; the proposed lands must be located within the surface water service area, be in close proximity to a District Turnout and deemed suitable for recharge by the District. If the landowner and proposed lands meet the criteria, then the landowner has one of two options for participation in the program: Option 1-District Spreading or Option 2-Landowner Recharge. Further discussion followed.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized the General Manager to take the necessary actions to implement a Pilot Program for On-Farm Recharge.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle’s Representatives were not in attendance but their Monthly Project Activity Report was submitted for Board review.

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 February 2017, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to: preparation of a Drought Contingency Planning Grant proposal for funding for the Poso Creek Integrated Regional Water Management Plan update; participation in High-Speed Rail Authority meetings concerning conveyance crossings of the HSR alignment that would facilitate moving water between Semitropic and neighboring districts; support on the Pond Road Solar Project CEQA activity; and processing Requests for Information on the Meter Testing Facility.

Larry Rodriguez reported on the Tulare Lake Storage and Floodwater Protection Project which included development of responses to comments received on the Notice of Preparation; initiation of water quality sampling in the waterways feeding Tulare Lake; collection of data to support an investigation of water rights; and initiation of the Prop 1 grant proposal package. The engineering team is completing the hydraulic analyses and modeling of the South Fork Canal and conveyance feature; and continued the refinement of conceptual layout of the Project design alternatives.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. joined the meeting via conference call to report that Agua Via presented a request that Semitropic commit to buy all water produced, estimated to be about 18,000 AF/Year of which 16,000 AF/Year would be allocated to other buyers. Agreements for this activity are currently being drafted by staff and legal counsel.

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

Mr. Boschman represented the District at various meetings, including the Kern Water Bank and State Water Contractors' Committee where a presentation was given on the progress of the Cal WaterFix tunnel project. At the State Water Contractors Board meeting it was reported that even though there is an abundance of water and flooding was occurring, there were no changes in the State allocation.

As the General Manager of the Semitropic-Rosamond Water Bank Authority, Mr. Boschman called a meeting with the General Managers of the three Authority members to discuss current and future activities of the Authority. He also reported on the Authority Board Meeting where he emphasized the importance of preparation for a big recharge year. However, at this point, it appears that Antelope Valley-East Kern's West Feeder is apparently maxed out for its own needs with no capacity for the Authority to import water.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that the first well drilled with the new Taylor Rig was in 2007, ten years ago. The drilling staff is currently working to refurbish and rebuild the drilling rig and mud tanks, as wells as repairing the drilling table.

Contact was made with J. G. Boswell staff regarding renting a low lift, high volume pump. Boswell staff informed Mr. Jones that there would not be a charge for the use of the pump and Semitropic would only have to provide fuel and maintenance for the pumping unit.

Balance Public Relations

Dean Florez of Balance Public Relations reported that a good meeting was held recently with State Senator Holly Mitchell. In the near future, many new bills will be presented which pertain to water and impact the District which means more legislators are being scheduled to meet with Semitropic representatives in the near future to focus on the District's programs, the need for

groundwater storage south of the Delta and draw attention to difficulties in the southern part of the valley.

Mr. Florez stated that the Governor will no doubt be making big infrastructure decisions in the coming months on the California WaterFix. April 25-26 are the dates set for Lobby Days in Sacramento where meetings will be scheduled for Board Members to meet with various legislators in Sacramento.

INFORMATIONAL AND UP-DATE ITEMS

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

Irrigated Lands Regulatory Program

At the Kern River Watershed Coalition Authority (KRWCA) it was noted that 95% of the KRWCA enrolled lands had completed the Nitrogen Management Plan Summary Reports and Farm Evaluation Surveys by the March 1, 2017 deadline. The Board also took action to amend the membership period to a calendar year vs a fiscal year to better align with the farming season. The term of the current membership will be extended to December 31, 2017.

Delta Issues

Metropolitan Water District's Assistant General Manager/Strategic Water Initiatives, Roger Patterson and Group Manager/Water Resource Manager, Deven Upadhyay have agreed to come to Kern County to meet with the Member Units to provide MWD's perspective on California WaterFix on March 21st at the Kern County Water Agency Board Room.

Kern Groundwater Authority

At the February Kern Groundwater Authority meeting there was discussion on preparation of an RFQ for a consultant to take on the role of Executive Director. An RFQ was approved for a consultant to review the CV2SIM model being prepared by Todd Groundwater. It was also noted that the Center for Collaborative Policy is nearing completion of its report summarizing the finding of its workshops and interviews with stakeholders.

Closed Session

At 3:10 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 for Fallowing Program
Negotiator: Jason Gianquinto, General Manager

 - c. Conference with legal counsel to discuss Anticipated Litigation
(Gov't Code Section 54956.9)

At 4:15 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 authorized staff to open an escrow account for the refundable amount of \$250,000 during a due diligence period on Volta Properties.

Adjournment

The meeting was adjourned at 4:20 p.m. by President Wegis until Wednesday, March 22, 2017 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President