

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
June 10, 2015

The regular meeting of the Board of Directors was called to order by Vice President Portwood on Wednesday, June 10, 2015, 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 and Dan Waterhouse;

Directors Absent: Rick Wegis;

Others Present: General Manager, Jason Gianquinto;
District Superintendent, John Lynch;
District Engineer, Paul Oshel;
District Controller, Bobby Salinas;
Staff Engineer, Water Resources, Isela Medina;
Staff Engineer, Craig Wallace;
District Accountant, Judy Burns;
District Executive Secretary, Marsha Payne;
District's Consultants, Will Boschman and John Jones;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers, Bookman-Edmonston,
GEI Consultants, Inc., Represented by Larry Rodriguez;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Maricopa Orchards Representative, Jason Pucheu;
Renewable Resources Group, Jim James;
Sandridge Partners Representative, Pat McCarthy; and
District Landowner, Justin Boschma.

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

ACTION ITEMS

Approval of Agenda

It was noted that one new item came to Staff's attention after posting the Agenda and will need action before the next meeting: Consider One Year Dry Lease of District Duck Club.

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

Minutes

The Minutes of the Regular Board Meeting on May 13, 2015 were presented for approval.

On motion by Director Waterhouse, seconded by Director Tracy, the Minutes of the Regular Board Meeting on May 13, 2015 were approved.

Treasurer's Report

The Treasurer's Reports for May 2015 were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Tracy, the May 2015 Treasurer's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

District Controller, Bobby Salinas, reviewed the Projected Cash Flow Report for May and end of year-2015 with the Board. The balance at year-end is projected to be about \$17 Million.

Accounts Payable

The Cash Disbursement List for June 10, 2015 was presented for review and payment. Discussion followed regarding removal of trees at a well drilling site; costs related to the new substation and the shallow water treatment reservoir and expansion of the raw water processing plant; and installation of meters needed for the quick reconciliation of energy program.

On motion by Director Tracy, seconded by Director Waterhouse, the Board authorized payment of the Accounts Payable as listed on the June 10, 2015 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 2015 Budget Update

District Controller, Bobby Salinas, presented the 2015 Budget Update and reviewed the highlights with the Board. The Contract Water revenue was increased due to the State raising the allocation from the original 15% to 20%; Noncontract Water revenue increased due to added well share agreements; Groundwater Banking revenues increased due to higher recovery requests by Banking Partners. Other revenues included increase of capital payments from Banking Partners and water charges.

Expenses were down due to the decrease on the SWP water bill. Capital assets increased about \$7 Million due to the Reverse Flow Project and the Pond Road Substation. Discussion followed.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board approved the 2015 Budget Update.

Consider Proposal from Lon House for Energy Consulting

Consultant, Will Boschman, reported that Lon House was retained by the Association of California Water Agencies (ACWA) as its preferred energy consultant. Mr. House has submitted a proposal to 1) Review and analyze Semitropic's electric utility bills, 2) Investigate additional generation and energy storage opportunities, 3) coordinate and evaluate generation and energy storage offers, and 4) investigate development of a microgrid for the District. Discussion followed.

The Board requested Staff to obtain more information from Mr. House on the work to be done and make several revisions to the Proposal for better clarification.

Consider Special District Risk Management Authority Election & Related Resolution

Manager Gianquinto reported that the District received an official election packet containing items that require action by the Board for the selection of candidates to the Special District Risk Management Authority Board of Directors. The various candidates' resumes were reviewed and discussed.

On motion by Director Tracy, seconded by Director Thomson, the Board authorized staff to submit the Official Election Resolution Ballot to the Special District Risk Management Authority in the form of Resolution No. ST 15-03:

A RESOLUTION OF THE GOVERNING BODY OF THE
SEMITROPIC WATER STORAGE DISTRICT
FOR THE ELECTION OF DIRECTORS TO THE SPECIAL DISTRICT
RISK MANAGEMENT AUTHORITY BOARD OF DIRECTORS

Consider Partnership Agreement with Cadiz, Inc. for Groundwater Storage & Water Supply Project

The Manager stated that at its last meeting, the Board authorized a Term Sheet to enter into a Partnership Agreement with Cadiz for collaboration towards strategic opportunities to operate their respective groundwater storage programs for mutual benefit either through exchanges or transfers of water supplies. A Master Agreement has been prepared and is ready for Board review. Will Boschman led discussion on the highlights of the non-binding Agreement based on the Term Sheet.

On motion by Director Tracy, seconded by Director Waterhouse, the Board authorized execution of the Partnership Agreement with Cadiz for a Groundwater Storage & Water Supply Project, subject to final review by the Manager and legal counsel.

Consider Water Purchase Agreement with Aqua Planet Utilities, Inc.

Manager Gianquinto presented a Water Purchase Agreement with Aqua Utilities, Inc. for Board review. Will Boschman has been working with this group who has secured the rights to a less expensive desalinization process recently developed by the Lawrence Livermore Laboratory. Aqua Planet Utilities proposed to further develop the process from “bench testing” in the lab to larger flows of saline and otherwise unusable water from various sources such as wells, central treatment plants, oilfield produced water, etc. Semitropic proposed to buy any water up to 100,000 acre-feet per year that is developed to an acceptable quality and conveyed to any location where the District has been approved to receive water for beneficial use, primarily for groundwater recharge and irrigation purposes. Discussion followed.

By general consensus the Board authorized staff to further develop a draft Water Purchase Agreement with Aqua Planet Utilities, Inc. and report back to the Board when a final draft has been agreed upon.

Consider 1-Year Dry Lease for Duck Club

The Manager stated that the current lessee of the District’s Duck Club has requested a one-year extension. Mr. Steve Dent recognized that the Board voted to not lease the Duck Club this year and that no water is available; however, he has insurance in place and is willing to continue overseeing the club in exchange for access to the spillway, should water become available.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board authorized a one-year extension of the District’s Duck Club to Steve Dent, the current lessee.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle’s Representative, Rick Amigh, reported that the Team continued with efforts to execute the final Water Service Agreements and Easements for Areas X, Y & Z on the Stored Water Recovery Unit area.

The Raw Water Processing Plant (RWPP) continued to treat flows which varied from 40cfs to 150cfs, mainly on the weekends in May and plans to continue operating on weekends in June due to internal demands within the District.

Work crews completed the installation of the perimeter fencing, conduits and grounding grid at the Pond Road Substation and the control building is due to arrive in early June. PG&E is

scheduled to terminate their lines on the dead-end structure soon which will complete their overhead work. Testing and commissioning activities are on schedule to be completed in mid-July and connection to the District will follow immediately thereafter.

Turbine and generator submittals have been processed for the Junction Pumping Plant Turbine Generator and delivery is scheduled for October or November.

Pipeline work on the 2015 Reverse Flow Project has been completed and structural, mechanical and electrical construction activities on the pump stations will commence soon. Final start-up of all facilities is scheduled to occur in mid-August.

Consulting Engineer's Report

Larry Rodriguez from Bookman-Edmonston, GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during May 2015, which was accepted for filing.

Mr. Rodriguez reported on engineering activities including Poso Creek IRWM Group activities; staff assistance with energy reconciliations; and evaluation of the feasibility of regulating floodwater from the Kings River and surplus water from the SWP in storage facilities located in the Tulare Lake bed, otherwise known as the Tulare Lake Floodwater Storage Feasibility Study.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING 2:00 P.M. - JUNE 10, 2015
TO HEAR OBJECTIONS TO PRELIMINARY ROLL FOR
GENERAL ADMINISTRATIVE AND GENERAL PROJECT
SERVICE CHARGES AND TO FINALIZE THE RATES AND
ROLLS FOR 2015 (COLLECTED 2015-2016)

Vice President Portwood called the Hearing to order at 2:00 p.m. and stated that this was the time and place for the public hearing to hear objection to the preliminary roll for General Administrative and General Project Service Charges and to finalize rolls and rates for said charges to 2015-2016.

Manager Gianquinto reported that no oral or written comments were received. No guests were present to object or make comments. Mr. Conant stated that the Board could dispense with formalities and proceed to fix the General Administrative and General Project Service Charges.

In support of jurisdictional and other matters, Mr. Conant offered the following items to be marked as indicated and attached to the Minutes:

Affidavits of Publication prepared by The Bakersfield Californian showing Publication of the Notice of Filing of Preliminary Roll and rates and of this Hearing.

To be marked as "Exhibit B-BW and "Exhibit B-PP"

Affidavit of Mailing of Notice of this Hearing to landowners in the Buttonwillow And Pond-Poso Improvement Districts expected to receive a charge.

To be marked "Exhibit C"

A reduced copy of the map in the roll of Semitropic Water Storage District and The Buttonwillow and Pond-Poso Improvement District for reference as needed.

To be marked "Exhibit D"

A Memorandum from Manager Jason Gianquinto, dated June 10, 2015.

To be marked "Exhibit E"

On motion by Director Fabbri, seconded by Director Waterhouse, and unanimously carried, that the Exhibits heretofore offered ("B" through "E") be received and attached to the Minutes.

Mr. Conant stated that the question before the Board is the adoption of a Final Roll and determination of rates. The action taken by the Board will be in the form of a resolution requiring a roll call vote.

On motion by Director Fabbri, seconded by Director Waterhouse, Resolution No. BW 15-4 and Resolution No. PP 15-4 were unanimously adopted:

RESOLUTION FINALIZING ROLL OF GENERAL ADMINISTRATIVE AND GENERAL PROJECT SERVICE CHARGES; FIXING RATES PER ACRE FOR SAID CHARGES; ORDERING THAT THE SAME BE COLLECTED FROM THE OWNERS OF LANDS RECEIVING THE BENEFIT THEREOF AND ELECTING THAT SUCH CHARGES BE COLLECTED BY THE COUNTY OF KERN (2015; COLLECTED 2015-2016)

Mr. Conant stated that on or before August 10, 2015, the District Treasurer will certify and file the final roll with the Auditor-Controller of Kern County, together with a copy of the transmittals, to the County Tax Collector and Treasurer.

The charges will appear as a line item on the County tax bill for Fiscal Year 2015-2016 except for landowners for which no County tax bill is prepared. The first half of the taxes will be delinquent on December 10, 2015 and the second half delinquent on April 10, 2016.

On motion by Director Fabbri, seconded by Director Waterhouse, the Secretary was authorized to execute the agreement and Resolution No. ST 15-2 was unanimously approved:

AUTHORIZING THE EXECUTION OF AN AGREEMENT BETWEEN COUNTY OF KERN AND THE SEMITROPIC WATER STORAGE DISTRICT FOR THE COLLECTION OF SPECIAL ASSESSMENTS (GENERAL ADMINISTRATIVE AND GENERAL PROJECT SERVICE CHARGES)

Vice President Portwood declared the public hearing closed at 2:10 p.m.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported on the Agreement with Castaic Lake Water Agency was signed and delivered along with an invoice for \$422,500, Castaic's down payment. The total capital payment of \$8,450,000 balance will be paid as Castaic receives funds under a grant that is being processed.

Mr. Boschman met again with several companies that are interested in disposing oil field water from oil wells within Semitropic, as well as from the east and west sides of the valley. There has also been a lot of discussion about existing and new treatment process for water from wells, seawater and other unusable water supplies. The options for consideration are variable but they also appear to potentially show some significant cost reduction, especially water for agricultural purposes.

Several meetings were attended by Mr. Boschman on the District's including the Kern Water Bank; both the Energy and Groundwater Committees at the ACWA Conference; and the State Water Contractor's (SWC) Board meeting. Some of the significant items discuss at the SWC's meeting included Emergency Drought Planning; new employees at SWC; DWR operations dealing with salinity issues; concerns of deep subsidence along the California Aqueduct; and the current State Water Project reliability of 61.7%.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that the drilling crew has continued to move from one drilling site to another as operations progress. Well permits are being acquired from the Kern County Environmental Health Department and maintenance work is being performed on the drilling rig.

The well developing unit successfully continues to develop wells drilled within the District.

Balance Public Relations

Dean Florez of Balance Public Relations reported that there are currently 16 water bills between the House and Senate. California Governor, Jerry Brown, was on a "water tour" of urban areas of the State, attending various functions discussing water issues. There has also been some good coverage on agricultural water.

Mr. Florez has been working to arrange meetings at the District with all the California Water Commissioners, as well as various State Legislators representing both urban and agricultural areas.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During May" dated June 5, 2015 was accepted for filing. In addition, the following items were presented:

Irrigated Lands Regulatory Program

The Manager reported that as a requirement of the ILRP, landowners will have to attend at least one educational meeting annually to receive an update on issues within the coalition. The Kern River Water Coalition Authority (KRWCA) concluded that communication is an issue with the Regional Water Quality Control Board (RWQCB) who did a poor job explaining what they wanted included in the description of High Vulnerability Areas. The Central Valley RWQCB took issue with every coalition's HVA designated areas and not a single coalition had their HVA designated area reduced.

Delta Issues

Drought barriers are being constructed in the Sacramento Delta to help keep the salinity under control during the summer. Concerning Water Rights, the in-delta diverters negotiated a deal with the State Water Resources Control Board where the diverters would not be curtailed on their riparian rights if they commit to fallow 25% of their acreage. It was reported earlier that the BDCP has been replaced with: 1) California Water Fix (the diversion project), and 2) California EcoRestore (the habitat project).

Outreach Activities

There were various meetings at the District during the past month, including representatives from Alameda County Water District and Westlands Water District who separately came for tours and to learn about the District's Groundwater Banking Project. The General Manager attended and participated in the California Water Commission meeting and California Water Commission Water Storage Investment Program Stakeholder Committee Meetings in Sacramento.

2015 Water Supply

The State Water Project allocation is holding at 20% allocation. The District is continuing limited recovery operations with a projected total recovery amount of 157,500 AF by direct pump-in and entitlement exchange.

Closed Session

At 2:30 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 Section 54956.9)

Legal counsel reported on and discussed various legal issues with the Board.

At 4:25 p.m. the Board reconvened to open session. Vice President Portwood stated that several items were discussed, including various legal issues and agreements.

On motion by Director Tracy, seconded by Director Fabbri, the Board rejected claims submitted by Alpine Helicopter and Jack Klein Partnership and directed Young Wooldridge to submit letters of rejection.

Adjournment

The meeting was adjourned at 4:30 p.m. by Vice President Portwood until Wednesday, June 24, 2015 at 10:00 a.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President