

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 14, 2017

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, June 14, 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 Engineer, Isela Medina;
District Contract Administrator, Becky Ortiz;
District Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District Consultant, Will Boschman;
District's Legal Counsel, Ernest Conant and Jeff Patrick;
District's Consulting Engineers, GEI Consultants, Inc.,
Represented by Ron Eid;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Barbich, Hooper & King Accountancy Corp. Representative,
Geoff King and Mark Gehring;
Maricopa Orchards Representative, Jason Pucheu;
Braun Electric Representative, Dave Howlett; and
District landowner, John Wedel.

President Wegis 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 Board Meeting: Consider Amended Landowner Request to Transfer Contract Water and Supplemental Ag Water.

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

Minutes

The Minutes of the Special Board Meeting on May 3 and Regular Board Meeting on May 17, 2017 were presented for approval.

On motion by Director Waterhouse, seconded by Director Portwood, the Minutes of the Special Board Meeting on May 3 and Regular Board Meeting on May 17, 2017 were approved.

Treasurer's Report

The Treasurer's Reports for May 2017 were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Portwood, the May 2017 for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

Manager Gianquinto reported on the Budget and Cash Flow Report. Once the Updated Budget has been incorporated into the flow charts, the end of year figures will show an improvement.

Accounts Payable

The Cash Disbursement List for June 14, 2017 was presented for review and payment. Discussion followed regarding quarterly expenses on the Remote Sensing Project and yearly dues to the Urban Water Institute.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the June 14, 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 Acceptance of the 2016-2015 Audited Financial Statements

Geoff King of Barbich Hooper & King presented the 2016-2015 Audited Financial Statements and reported that he and Mark Gehring met with District staff members and the Financial Committee prior to the Board meeting to discuss their findings. Mr. King reviewed the Audit report and Financial Statements with the Board, stating that there were no problems, the audit went smoothly and all accounting reports were in order. The Audit had a lot of moving pieces and is complicated, although there is a good segregation of duties, high accounting standards and a good control system. The only risk factor could be in the area of water accounting but there is good communication between accounting staff and engineering staff.

On recommendation by the Financial Committee and on motion by Director Waterhouse, seconded by Director Portwood, the Board accepted the 2016-2015 Audited Financial Statements for filing.

Consider 2017 Budget Update

The Manager reviewed the 2017 Budget Update with the Board which was based on a 60% allocation. Due to winter storms providing an abundance of rain and snow, the allocation is now 85%. The revenue and expenses were discussed, as well as its effects on the banking program. The end of year cash balance is projected to be about \$15.4 Million.

On motion by Director Waterhouse, seconded by Director Toretta, the Board accepted the 2017 Budget Update for filing.

Consider Amended Resolution to Consolidate Rules and Regulations and Attached Exhibit A

Manager Gianquinto stated that last month the Board took action to approve an amendment to the Rules and Regulations relative to new charges and a new land surcharge. There were two drafts of the Resolution for the Board to consider. After the language was cleaned up, other language was added for better clarification in light of direction from the Board and staff is bringing it back to the Board for approval. A new land surcharge will be enacted as of July 1, 2017 and the new Basin Sustainability Charges and Credits will be treated as a Pilot Program for 2017, which will commence in 2018.

On motion by Director Portwood, seconded by Director Waterhouse, the Board ratified the language changes in Amended Resolution ST 17-09:

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") AMENDING RULES AND REGULATIONS FOR
DISTRICUTION OF WATER

Consider Authorization to Execute CA High Speed Rail Possession and Use Agreements

District Engineer, Isela Medina, reported on recent meetings with the High Speed Rail Authority (HSR) regarding Possession and Use Agreements and reviewed the highlights with the Board. While negotiations on the Master Agreements are continuing, the Possession and Use Agreements allow HSR immediate possession of the properties for preparation for construction. These Agreements provide access either under or over the District's facilities and/or provide for dual facilities (on both sides of the HSR). The HSR had submitted offers in-fee for three parcels.

Legal counsel, Jeff Patrick, led discussion on the provisions in the Agreements. It will be better to negotiate than go through eminent domain proceedings. The HSR is offering an amount to cover the cost of the property and severance damages. If the project does not go through, Semitropic has a provision in the Agreement to buy back the property. The HSR will be responsible for all costs related to relocating District facilities.

On motion by Director Fabbri, seconded by Director Tracy, the Board approved changes recommended by legal counsel and staff on the Possession and Use Agreements with the HSR, authorized execution and return to HSR.

Consider Continuation of Emergency Declaration (Public Contract Code Sect. 22050 (a)(1) (as Declared May 17, 2017)

The Manager stated that last month the District filed an Emergency Declaration (Public Contract Code Sect. 22050 (a) (1)), to allow small projects to move forward in an expedited manner to enhance the District's ability to capture water supplies available now due to the extremely wet year. Action taken today would continue that effort.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized staff to file a Continuation of Emergency Declaration in an effort to move various small projects forward to expedite the capture of available water supplies.

Cal WaterFix Update and Discussion

Manager Gianquinto presented a Memo to the Board regarding the California WaterFix which is nearing completion of the planning and environmental permitting process and will need a commitment soon on the District's participation. The three options for participation are:

- 1) Include California WaterFix costs as part of existing contract charges to Contract Lands,
- 2) Prepare a supplemental water contract for participation in California WaterFix, and
- 3) Seek a GPSC assessment increase adequate to fund 100% of the California WaterFix investment in behalf of all landowners.

Considerable discussion followed with various ideas for consideration. Another Special Board meeting was scheduled for June 23, 2017 for further discussion.

Consider Amended Landowner Request to Transfer Contract Water and Supplemental Ag Water

Director Toretta left the meeting for this matter. The Manager reported that Maricopa Orchards submitted a request to amend a transfer of Contract Water and Supplemental Ag Water. Jason Pucheu of Maricopa Orchards explained that Maricopa had recently purchased the Toretta property and is in the process of making changes to accommodate the new land. Discussion followed.

On motion by Director Tracy, seconded by Director Portwood, the Board authorized an amendment to transfer Contract Water and Supplemental Ag Water, conditional upon the close of escrow on the land purchase.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported that the Lateral X-A Extension and Lateral X-B Extension have been completed and the final turnout work will be completed soon to allow return flow operations.

On the Tulare Lake Project, engineering on the revised water supply portion of the project, design continued in May. W.M. Lyles participated in a meeting with GEI to review the Project infrastructure improvements and will complete the budget and construction impact analysis in June.

The Meter Calibration Facility construction was completed in May and the final punch list and administration close-out tasks will be wrapped up soon. The System A Booster Station material procurement is in progress and field work will commence soon.

Semitropic is working with the landowners on the P-643 project and will execute an agreement with W.M. Lyles in June.

Consulting Engineer's Report

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

Mr. Eid also reported on engineering activities related to preparation for participation in the Groundwater Monitoring Committee meeting and Poso Creek IRWM Group public meeting and consultation with DWR regarding the agreement for \$250,000 grant funding for the IRWM Plan update.

Planning activities on the Tulare Lake Storage and Floodwater Protection Project included refinement of the Project Description for the EIR and completion of additional analyses needed to support the EIR. The engineering team completed refinement of conceptual designs of the Project facilities and prepared draft cost estimates for the maximum project (2,100 cfs conveyance capacity and 30,000 AF of storage) and the minimum project (1,200 cfs conveyance capacity and 15,000 AF of storage).

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via is still working on development of the project to treat poor quality water from wells, pending clarification of the kind of water produced from the wells. A meeting between Agua Via executives, attorneys and water buyers is scheduled to collectively determine the best path forward.

Aqua Planet's President, Mike Young, reported that they are getting closer to securing funding needed for initial field testing of the new technology developed by the Lawrence Livermore Laboratory.

California Water Service will probably not be able to convey water into storage this year because Semitropic is projected to have no unused capacity for the rest of the year. Signing the Agreement is on hold for now.

Montecito Water District and Semitropic worked on finalizing the language in the agreement based on principles that were previously approved.

Mr. Boschman represented the District at various meetings, including the ACWA Conference and the Energy and Groundwater Committee meetings. Discussions at the State Water Contractors' Board Meeting revolved around Orville Dam facilities, the reconstruction, lower water levels because of flood control, and re-licensing after the spillway repair is completed.

At the Semitropic Wildlife Advisory Committee meeting, a report was given by GEI Consultants on the importation and management of the Delano Wastewater Treatment effluent into Semitropic for a duck club water supply. The most suitable and least expensive plan was to use the 92 acres of recharge land located north of the Schuster Pit; however, there is still a problem of paying for the recovery of water and conveying it during hunting season to the various duck clubs.

Balance Public Relations

Dean Florez of Balance Public Relations distributed a list of legislative members with tentative dates to visit the District to familiarize them with the Semitropic Groundwater Banking Program and other District activities.

Mr. Florez also reported on discussion with Governor Brown concerning water in the Central Valley. He also reviewed the current bills in the Assembly and State Senate. Discussion followed.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING 2:00 P.M. - JUNE 14, 2017
TO HEAR OBJECTIONS TO PRELIMINARY ROLL FOR
GENERAL ADMINISTRATIVE AND GENERAL PROJECT
SERVICE CHARGES AND TO FINALIZE THE RATES AND
ROLLS FOR 2017 (COLLECTED 2017-2018)

President Wegis 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 2017-2018.

Manager Gianquinto reported that no oral or written comments were received. Several guests were present but had no comments or questions regarding the matters on the subject of the hearing.

Legal counsel, Ernest Conant stated that now is the time and place set by the Board to adopt the final Roll and 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 14, 2017.

To be marked "Exhibit E"

On motion by Director Tracy, seconded by Director Toretta, 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 Tracy, seconded by Director Toretta, Resolution No. BW 17-04 and Resolution No. PP 17-04 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 (2017; COLLECTED 2017-2018)

Mr. Conant stated that on or before August 14, 2017, 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 2017-2018 except for landowners for which no County tax bill is prepared. The first half of the taxes will be delinquent on December 10, 2017 and the second half delinquent on April 10, 2018.

On motion by Director Tracy, seconded by Director Toretta, the Secretary was authorized to execute the agreement and Resolution No. ST 17-10 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)

President Wegis declared the public hearing closed at 2:15 p.m.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During May" dated June 9, 2017 was accepted for filing. In addition, the following items were presented:

SGMA – Groundwater Sustainability Formation

The Manager reported that on May 12, 2017 the District submitted the necessary documentation to the California Department of Water Resources for the formation of the Semitropic Groundwater Sustainability Agency (GSA). The application was accepted on May 15th and will take effect in 90-days provided there are no other conflicts or overlaps from other GSA's.

After posting our GSA application, the District learned that a portion of our GSA boundary included lands intended to be part of the Kern GSA on behalf of the City of Wasco. Therefore, District staff worked with the Kern Groundwater Authority's consultants to amend our GSA boundary to eliminate the potential conflict. Semitropic's amended GSA boundary was submitted to DWR and accepted on May 30th.

California Water Fix

The planning phase of the California WaterFix is anticipated to be completed in the near future. The California Department of Water Resources continues to take final steps toward the approval of the EIR/EIS documents including CEQA and monitoring and reporting programs.

The Kern County Water Agency has been having discussions with the Member Units relative to participation in the California WaterFix and has prepared a schedule for a series of informative meetings leading up to a decision by September 28, 2017 relative to Participation. On June 8, 2017 KCWA sent notice to all Member Units seeking an initial indication as to level of Cal WaterFix participation by Member Unit by June 30, 2017.

On June 7, 2017 the District held its first information meeting for landowners relative to the Cal WaterFix. On June 12th the District held a Special Board meeting to continue discussion on the Cal WaterFix and other water management topics.

Closed Session

At 2:40 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 Re: Existing Litigation Govt. Code § 54956.9(d)**
 - 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)*
- 10) Various applications filed for Kings River Water by Semitropic WSD, et al.; Petition for Change of Points of Diversion, etc. (License 11521) filed by Kings River Assn.; and related matters and proceedings, before the State Water Resources Control Board.

- b. Conference with legal counsel Re: Potential Litigation (Govt. Code § 4956.9(d))
 - 1) Two Potential Suits
- c. Conference with Real Property Negotiator (Govt. Code § 54956.8): District's Designated Representative: General Manager
 - 1) Water Supply Acquisition:
 - a. Negotiating Parties: Scales Real Estate
 - b. Under Negotiation: Price and Terms
 - 2) Water Supply Acquisition:
 - a. Negotiation Parties: The Water Agency, Inc.
 - b. Under Negotiation: Price and Terms
 - 3) Water Supply Acquisition:
 - a. Negotiation Parties: NORMWD
 - b. Under Negotiation: Price and Terms

At 3:08 p.m. the Board reconvened to open session. President Wegis stated that no action was taken.

Adjournment

The meeting was adjourned at 3:08 p.m. by President Wegis until Wednesday, July 12, 2017 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President