

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 8, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, June 8, 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 Contract Administrator, Becky Ortiz;  
District Accounting Supervisor, Mariela Garza;  
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 Larry Rodriguez;  
W.M. Lyles Representative, Rick Amigh;  
Balance Public Relations Representative, Dean Florez;  
Barbich, Hooper & King Accountancy Corp. Representative,  
Geoff King and Mark Gehring;  
Kern County Water Agency General Manager, Curtis Creel;  
Maricopa Orchards Representatives, Jason Pucheu;  
Wonderful Orchards Representative, Andy Edstrom;  
California Electric Supply Representative, Todd Falk;  
Tenaska Solar Representative, Jeff Gonka;  
District Landowners, Ernesto Gonzales, Chad Carrol,  
Noe Gonzales, Jr. and Henry Vander Poel.

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

**ACTION ITEMS**

**Approval of Agenda**

It was noted that three new items came to Staff's attention after posting the Agenda and will need action before the next Board meeting: 1) Consider Reducing the Allocated Non-Contract Water Price for 2016, 2) Consider Lease Option Terms for CSOLAR IV North (Tenaska), and 3) Sustainable Groundwater Management Act (SGMA) Update.

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

### **Consider Acceptance of the 2015 Audited Financial Statements**

Geoff King of Barbich Hooper & King presented the 2015-2014 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 and all accounting reports were in order. The Audit had a lot of moving pieces, although there is a good segregation of duties, high accounting standards and a good control system. He also reviewed the Bonds, Capital Assets and Debt. The only risk factor could be in the area of water accounting which can be resolved with on-going communication between accounting and engineering staff.

On recommendation by the Financial Committee and on motion by Director Waterhouse, seconded by Director Portwood, the Board accepted the 2015-2014 Audited Financial Statements for filing.

### **Kern County Water Agency Update**

Introductions were made to help familiarize Curtis Creel, General Manager of Kern County Water Agency, with Board members and District Staff. Mr. Creel reported on work being done regarding the California Water Fix and problems in the Delta where 60% of our water supply comes from. He also reported on a meeting held yesterday with the County of Kern regarding the Sustainable Groundwater Management Act (SGMA).

Mr. Creel stated that the State Water Project costs may increase next year, but work is being done to make changes at the State level to hopefully, help keep costs reasonable on a local level. Mr. Creel expressed appreciation for the Board's support in representing the Kern County Water Agency (KCWA) in Sacramento and emphasized that KCWA's objective is to provide support to the Member Unit Agencies.

### **Minutes**

The Minutes of the Regular Board Meeting on May 11, 2016 were presented for approval.

On motion by Director Tracy, seconded by Director Fabbri, the Minutes of the Regular Board Meeting of May 11, 2016 were approved.

### **Treasurer's Report**

The Treasurer's Report for May 2016 was presented for review and approval.

On motion by Director Waterhouse, seconded by Director Portwood, the May 2016 Treasurer's Report 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 May 2016, including the revenue and expense. The activity was based on the updated Budget.

### **Accounts Payable**

The Cash Disbursement List for June 8, 2016 was presented for review and payment. Discussion followed regarding certain items on the Disbursement List, including landowner electrical hookups, transportation costs related to the Tulare Lake Project, and the District's share of cost on the KCWA Pioneer Project replacement well progress payment Number 3.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized payment of the Accounts Payable as listed on the June 8, 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 2016 Budget Update**

District Controller, Bobby Salinas, stated that the Finance Committee met previously to review and discuss the 2016 Budget Update then proceeded to review the highlights with the Board. The Non-Contract Water revenue is projected to increase due to the State raising the allocation to 60%; however, Groundwater Banking revenue is projected to decrease due to the decline of recovery requests by Banking Partners. Other revenues may also decrease due to low recovery activity.

Expenses are projected to decrease due to the decrease on the SWP water bill. Capital may also decrease due to lower operating costs. However, Debt Service may increase on interest expense from issuance of 2016 warrants for the second half of payment for Tulare Lake Project. The overall net effect of changes is projected as a decrease in losses with a cash balance of approximately \$15 million on December 31, 2016.

On motion by Director Waterhouse, seconded by Director Portwood, the Board approved the 2016 Budget Update.

### **Consider Adoption of the Initial Study Mitigated Negative Declaration and the Mitigation Monitoring and Reporting Program for the Pond Road Solar Project**

Staff Engineer, Isela Medina, reported that last fall the District solicited proposals for the construction of the Pond Road Solar Project which is adjacent to the Pond Road Substation. Proposals were submitted and evaluation on selection of a contractor is underway. Subsequent to the selection of a contractor, the environmental compliance work was initiated and an Initial Study

Mitigated Negative Declaration was drafted which evaluated the environmental impact of the project pertaining to air quality, biological and cultural resources related to construction of the facility. The District received one written letter from the Department of Fish and Wildlife with comments. In order to address the comments, a Mitigated Monitoring and Reporting Program was established, whereas the final determination concluded there would not be any environmental impacts from the project. Therefore, Staff asked the Board to consider a Resolution to adopt and approve the Final Initial Study and Mitigated Negative Declaration and Mitigated Monitoring and Reporting Program for the Pond Road Solar Facility Project. Discussion followed.

On motion by Director Fabbri, Seconded by Director Tracy, the Board adopted Resolution No. ST 16-04:

ADOPTION OF INITIAL STUDY AND MITIGATED NEGATIVE DECLARATION  
AND MITIGATION MONITORING AND REPORTING PROGRAM  
FOR THE SEMITROPIC POND ROAD SOLAR FACILITY PROJECT,  
AND APPROVAL OF PROJECT

**Consider Reduced Assessment for Widgeon Duck Club**

Manager Gianquinto reported that representatives from Widgeon Duck Club met with him recently, requesting that the District consider reducing the assessment on their lands. Widgeon consists of about 300 acres of agricultural lands and a duck club which used to be upland habitat but currently grows seed alfalfa. There is restricted activity on the property because of limited irrigation and farming due to birds nesting and habitat activity. After considerable discussion and by general consensus, the Board left the agricultural lands under full assessment rates. The duck club parcel will remain at the Special Assessment rate.

**Consider Request for Proposals for District Duck Club Lease**

The Manager stated that in the past, the District has leased the Duck Club to an interested party for a 2 to 3 year term. Discussion was requested on whether or not to release a Request for Proposals (RFP) to lease the Club for the 2016 hunting season either with or without water.

After consideration, on motion by Director Tracy, seconded by Director Waterhouse, the Board authorized staff to release a Request for Proposals for the Duck Club Lease without a guaranteed water supply.

**Consider Reducing the Allocated Non-Contract Water Rate for 2016**

Manager Gianquinto stated that the current rate for Allocated Non-Contract Water is \$117/AF. Because of the late allocation, some landowners pumped water early and may not be able to utilize all of their water supply. Staff is proposing to reduce the Allocated Non-Contract Water rate to \$100/AF, based on water supply and energy costs. This would be retroactive to landowners who have already taken delivery of Non-Contract Water. Discussion followed.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized the reduction of Allocated Non-Contract Water from \$117/AF to \$100/AF, retroactive to landowners who have already taken delivery of Non-Contract Water.

### **Consider Lease Option Terms for CSOLAR IV North (Tenaska)**

District consultant, Will Boschman, reported that there has been considerable interest the past few months from solar energy companies who have submitted proposals for energy projects within the District. Mr. Boschman gave a comparison of Principles of Agreement from two companies, Lend Lease Energy Dev. and CSOLAR IV NORTH, by Tenaska, Inc. Board President Wegis requested further discussion and/or decisions be continued in closed session.

## **CONSULTANT REPORTS**

### **Design/Build Team Construction Update**

W.M. Lyle's Representative, Rick Amigh, reported that the Raw Water Processing Plant continued intermittent operations at variable flow rates until pump back operations ceased the first week of May. The plant will remain off through the summer and may resume operations based upon water recovery orders from Banking Partners.

The Junction Pumping Plant Turbine Generator has been installed and final electrical work and SCADA integration and programming are scheduled to be completed in mid-June.

W.M. Lyles and GEI completed the development of the final Tulare Lake Floodwater Storage and Recovery Pilot Project plans, specifications and budget in April. W.M. Lyles has been engaged to work with GEI to provide design assistant, perform constructability analysis and budget development on the Tulare Lake Project.

### **Consulting Engineer's Report**

Larry Rodriguez from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during May 2016, which was accepted for filing.

Mr. Rodriguez also reported on engineering activities related to staff assistance with water transfers; energy reconciliations for 2014 and commence work on 2015 reconciliations; Poso Creek RWMG activities related to the annual report and the Storm Water Management Plan (SWMP) which is being promoted by Buena Vista); plus activities related to submitting grant applications for: Water Use Efficiency Grant, WaterSmart Drought Resiliency Grant, and Agricultural Water Conservation and Efficiency Grant.

On the Feasibility Study for the Tulare Lake Storage and Floodwater Projection Project, work in underway on development of a preliminary cost-benefit analysis of project alternatives, which will support refinement of the project configuration. GEI also participated in a meeting with California Water Commission staff to review a revised timeline for submittal of the Prop 1 Application, due in June 2017.

**Groundwater Storage Services, Inc.**

Will Boschman of Groundwater Storage Services, Inc. reported that he and Staff met with Agua Via representatives to discuss strategy for moving forward on the project. Discussion included various alternatives regarding selection of wells within Semitropic and consideration for Agua Via to drill some wells that would target poor quality water instead of sharing well capacity with other companies.

Aqua Planet reported that they have secured financial backing from an international investment group that seeks to develop new water sources and water quality improvement projects throughout the world. Lawrence Livermore Laboratory is preparing for water treatment facilities to be installed in the field in the coming months.

Mr. Boschman attended various meetings during the month on the District's behalf, including: the local Delta Coalition, Kern Water Bank, the State Water Contractors Committee, State Water Contractors Board meeting, and Semitropic-Rosamond Water Bank Authority. Discussion followed regarding various topics presented at 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 drilling rig is currently located at North Kern Number 3 well site located on the north side of Hwy. 46 just east of the Friant Kern Canal. Operations are progressing in good order. The developing staff completed developing North Kern Number 2 well located 1 mile west of Hwy. 99 on the north side of Hwy. 46.

The video well camera has been scheduled for use during June.

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SEMITROPIC WATER STORAGE DISTRICT  
PUBLIC HEARING 2:00 P.M. - JUNE 8, 2016  
TO HEAR OBJECTIONS TO PRELIMINARY ROLL FOR  
GENERAL ADMINISTRATIVE AND GENERAL PROJECT  
SERVICE CHARGES AND TO FINALIZE THE RATES AND  
ROLLS FOR 2016 (COLLECTED 2016-2017)

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 2016-2017.

Manager Gianquinto reported that no oral or written comments were received. Several guests were present and Mr. Vander Poel inquired about the rates, which the Manager presented. No comments were made. 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 8, 2016.

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 16-05 and Resolution No. PP 16-5 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 (2016; COLLECTED 2016-2017)

Mr. Conant stated that on or before August 8, 2016, 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 2016-2017 except for landowners for which no County tax bill is prepared. The first half of the taxes will be delinquent on December 10, 2016 and the second half delinquent on April 10, 2017.

On motion by Director Fabbri, seconded by Director Waterhouse, the Secretary was authorized to execute the agreement and Resolution No. ST 16-05 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.

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**Balance Public Relations**

Dean Florez of Balance Public Relations reported on various bills before California Legislators for consideration. Discussion followed regarding recent election results and various legislators that will be invited to the District in an effort to “familiarize” them about local water issues.

**INFORMATIONAL AND UP-DATE ITEMS**

Manager Gianquinto’s written report on “District Activity During May” dated June 3, 2016 was accepted for filing. In addition, the following items were presented:

**Irrigated Lands Regulatory Program**

The Manager reported that the Central Valley Regional Water Quality Control Board (Board) is conducting spot checks for Nitrogen Management Plan compliance as well as non-enrolled parcels. Later in June, the Board will hold a workshop in Sacramento regarding the framework for the Central Valley Wide Salt and Nitrate Management Plan.

**Kern Groundwater Management Authority**

The County of Kern has scheduled a hearing regarding their proposed formation of a GSA which would cover the entire Kern sub-unit of the Tulare Lake Basin. The County believes this action is necessary to maintain the County’s land use authority and to overlap all other proposed GSA’s in the County.

**2016 Water Supply**

The 2016 State Water Project Allocation remains at 60%.

**2016 Crop Survey**

Staff Engineer, Craig Wallace, reported on the recently completed 2016 crop survey which indicated an increase of permanent crops and an increase in nut crops by 4,200 acres. The survey indicates there are currently about 138,000 irrigated acres in the District. Discussion followed.

## **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 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)

Legal Counsel, Ernest Conant, reported on various legal issues with the Board.

At 4:30 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including various legal issues, agreements and proposals.

By general consensus, the Board approved the Terms of Agreement with CSOLAR IV NORTH, Tenaska and authorized staff and legal counsel to draft an agreement contingent upon final Board review and with the exception of a revised lease term of 30 years, at which time the terms could be re-negotiated.

## **Adjournment**

The meeting was adjourned at 4:30 p.m. by President Wegis until Wednesday, June 22, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President