

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  
July 12, 2017

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, July 12, 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;  
Dan Waterhouse and Rick Wegis;

Directors Absent: Tom Toretta;

Others Present: General Manager, Jason Gianquinto;  
District O & M Superintendent, John Lynch;  
District Controller, Bobby Salinas;  
Staff Engineer, Isela Medina;  
Staff Engineer, Craig Wallace;  
District Contract Administrator, Becky Ortiz;  
District Accounting Supervisor, Mariela Garza;  
District Executive Secretary, Marsha Payne;  
District 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;  
Aviva Energy Representative, Greg Allen;  
Shafter-Wasco I.D. Representative, Dana Munn;  
Maricopa Orchards Representatives, Jon Reiter and  
Jason Pucheu;  
Agua Via Representative, Floyd Wicks;  
District landowner representatives, John Wedel,  
Kim Brown, Bryan Bone, Matt Giannelli and  
Mike and Rosana Goyenette.

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

**ACTION ITEMS**

**Approval of Agenda**

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

## **Minutes**

The Minutes of the Special Board Meetings on June 7, 12, 23, 29 and Regular Board Meeting on June 14, 2017 were presented for approval.

On motion by Director Portwood, seconded by Director Tracy, the Minutes of the Special Board Meetings on June 7, 12, 23, 29 and Regular Board Meeting on June 14, 2017 were approved.

## **Treasurer's Report**

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

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

## **Financial Report**

District Controller, Bobby Salinas, reviewed the Financial Reports along with the Actual and Projected Cash Flow Report.

## **Accounts Payable**

The Cash Disbursement List for June 14, 2017 was presented for review and payment. Discussion followed regarding water purchased from Buena Vista in May.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized payment of the Accounts Payable as listed on the July 12, 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 Request from California Builders (HSR) for Special Purpose Water**

Isela Medina reported that California Builders (HSR) has requested Special Purpose Water of approximately 180 acre-feet for proposed construction work during 2018. The District has a policy for Special Purpose Water which is usually a minimum of 2 acre-feet at \$1,000 per acre-foot. Since this request is above and beyond the usual, it was put before the Board for consideration. Discussion followed.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized up to 180 acre-feet of Special Purpose Water be made available to California Builders (HSR) for construction purposes during 2018 with the following conditions: the 180-acre feet of water has to be paid up-front at \$1,000 per acre-foot before construction begins; the water has to be used during 2018 and any remainder will be forfeited; and any additional water needed will be paid up-front in the same manner.

**Consider GEI Task Order No. 05-2017-Engineer’s Report in Support of Prop. 218 Ballot Process**

Manager Gianquinto presented GEI Task Order 05-2017 to develop an Engineer’s Report to set forth the basis in support of a Proposition 218 ballot process. An increase in the District’s assessment authority may be necessary to fund the District’s participation in the California WaterFix, which in turn will require a Proposition 218 ballot process. The Budget is set at a not-to-exceed amount of \$40,000.

On motion of Director Tracy, seconded by Director Portwood, the Board authorized execution of GEI Task Order 05-2017 for an Engineer’s Report in Support of Prop. 218 Ballot Process.

**Consider Resolution Authorizing Application for Prop. 1 Grant Funding**

The Manager reported that the District is preparing an application to the California Water Commission for Grant Funding under Proposition 1 Water Quality, Supply and Infrastructure Improvement Act of 2014 for the Semitropic Water Storage District’s Tulare Lake Storage and Floodwater Protection Project. The District is required to adopt a resolution of stating that it is prepared to satisfy all financial obligations that may result from a Proposition 1 grant to fund the buildout of the Project.

On motion by Director Portwood, seconded by Director Thomson, the Board authorized staff to submit an application for Proposition 1 Grant funding with the California Water Commission in the form of Resolution No. SID 07-04:

IN SUPPORT OF FILING AN APPLICATION WITH THE  
CALIFORNIA WATER COMMISSION FOR GRANT FUNDING UNDER  
PROPOSITION 1: WATER QUALITY, SUPPLY AND INFRASTRUCTURE  
IMPROVEMENT ACT OF 2014 FOR THE SEMITROPIC WATER STORAGE  
DISTRICT’S TULARE LAKE STORAGE AND FLOODWATER PROTECTION  
PROJECT (PROJECT)

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

The Manager stated that at the May 17, 2017 meeting, the District was given authority by the Board to file 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 Waterhouse, 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.

**Consider Special District Risk Management Authority Election and Related Resolution**

Bobby Salinas 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 Waterhouse, seconded by Director Portwood, 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 17-11:

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 Authorization for Execution of Agreement to Fund FY 2017-18 KCWA Participation in Independent Audit Association of the State Water Project**

Manager Gianquinto reported that the Kern County Water Agency has funded participation in the Independent Audit Association (IAA) Audit of the State Water Project (SWP) for many years and is asking Member Units to collectively join the Agency in participation. The IAA members contract with an auditor who conducts an independent audit of the California Department of Water Resources' (DWR) annual Statement of Charges.

The project cost is around \$154,000 and the District's share of cost is roughly \$26,000. Discussion followed.

On motion by Director Thomson, seconded by Director Tracy, the Board authorized the General Manager to execute an Agreement to fund, along with other Member Units, the Agency's participation in the IAA Audit of the State Water Project and provide the District's share of cost in the amount of approximately \$26,000.

**Consider Advance Refunding of 2009A Revenue Bonds and 2016 Warrants**

Controller Bobby Salinas reported that District staff is seeking Board guidance for a possible refunding of the 2009A Revenue Bonds and the 2016 Warrants. Wells Fargo Bank representatives have discussed current low interest rates that present an opportunity to provide the District approximately \$8.7 Million in debt savings through 2038, the remaining term of the debt.

The rating review would take place in August and the bond sale would likely be in September. After discussion, the consensus of the Board was to move forward with activities for Refunding the 2009A Revenue Bonds.

## **Consider Funding Construction of SWRU Main Line from P-667 System to A-System**

Isela Medina, Staff Engineer, reported that Staff and consultants have prepared a preliminary design for construction of the SWRU mainline to connect the P-667 to the A-System. This connection will provide service to approximately 2,500 acres, catching all wells and sets up connection to the Y-System. It could also include pipeline extensions to provide service to Peter Bouma to the System who has recently expressed interest in connecting to District facilities. The construction costs for the 2 ½ miles of pipeline are estimated at \$3 to \$4 Million.

By general consensus, the Board authorized Staff and consultants to move forward with the development of the Project.

## **Consider Approval of Name Change for the Semitropic-Rosamond Water Bank Authority**

Manager Gianquinto stated that Valley Mutual Water Company, a member of the Semitropic-Rosamond Water Bank Authority, has prepared a Proposition 1 grant application and has requested support by the Authority. Legal counsel, Ernest Conant, has drafted a name change amendment and modified resolution to be adopted by the Authority after approval of its members.

Also by request of its members, an indemnity agreement will be prepared to indemnify the Authority and its members which was a condition to filing the application.

On motion by Director Tracy, seconded by Director Waterhouse, the Board approved the name change for the Authority from Semitropic-Rosamond Water Bank Authority to Southern California Water Bank Authority, as well as authorization for Semitropic Directors to sign the Amendment No. 3 (name change), and approve Resolution No. JPA-17-01 and Indemnity Agreement.

## **CONSULTANT REPORTS**

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

W.M. Lyle's Representative, Rick Amigh, reported that work was completed on the Lateral X-A Extension and Lateral X-B Extension operations have resumed.

On the Tulare Lake Project, engineering and environmental teams continued work on the project. W.M. Lyles completed the infrastructure budget and construction impacts for the 1,200 cfs and 2,100 cfs project options to support the District's upcoming grant application.

The Meter Calibration Facility construction was completed and final close-out documents have been submitted to the District. The System A Booster Station materials and equipment were received. Tie-in to the existing pipeline was made and field work will continue through July.

Pipeline materials for Lateral P-667-3 were delivered in June and the pipeline portion of the project and Turnout W11GW is on schedule to be completed in July. Reservoir turnouts W2 and W4 will be coordinated with the landowner's irrigation program and constructed in August/September.

## **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 June 2017, which was accepted for filing.

Mr. Rodriguez also reported on engineering activities related to preparation and participation in a public meeting of the Poso Creek IRWM Group that focused on the DWR planning grant which will contribute \$250,000 to the cost of funding the Poso Creek IRWM Plan update.

Work continued on preparing materials to support the Prop 1 grant application, including development of public benefit scenarios for Delta ecosystem improvements that provide the monetary justification for the funding request through Prop 1. GEI also provided supporting materials for the development of the Project's draft Environmental Impact Report, which is being prepared by RMC.

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). Designs and cost estimates were provided to Lyles for review.

## **Groundwater Storage Services, Inc.**

Will Boschman of Groundwater Storage Services, Inc. updated the Board on discussions with Agua Via. As a result of that discussion, Mr. Boschman was requested to prepare a Term Sheet for Board consideration.

Aqua Planet's President, Mike Young, reported that they are making very significant progress in securing financial backing needed for initial field testing of the new technology developed by the Lawrence Livermore Laboratory.

Montecito Water District's management and legal are currently reviewing the agreement for providing storage. A Negative Declaration is also being prepared for filing.

Mr. Boschman represented the District at various meetings, including the Semitropic-Rosamond Water Bank Authority and the Kern Water Bank Authority which according to current operation activities, projects a record high of around 600,000 acre-feet of water will be conveyed to storage on behalf of all participants by the end of the current water year. Mr. Boschman also responded to inquiries regarding District land for solar projects and the insurmountable financial costs with PG&E for connection.

## **Developing Water Resources, Inc.**

John Jones of Developing Water Resources, Inc. reported that the County well will be ready for development next week. The well appears to be a good producing well.

## **Balance Public Relations**

Dean Florez of Balance Public Relations reported on a few bills that he is tracking in

Sacramento on the District's behalf. He also stated that several legislators are lined up to visit the District soon.

## **INFORMATIONAL AND UP-DATE ITEMS**

Manager Gianquinto's written report on "District Activity During June" dated July 7, 2017 was accepted for filing. In addition, the following items were presented:

### **California Water Fix**

On June 26, 2017 the National Marine Fishers Service and the US Fish and Wildlife service issued their Biological Opinions for the California WaterFix and concluded that the project "is not likely to jeopardize the continued existence of endangered or threatened species or destroy or adversely modify designated critical habitat for those species." This is the first significant approval of the project.

On June 12<sup>th</sup> the District held a Special Board Meeting to continue discussion relative to Cal WaterFix and other water management topics.

The Kern County Water Agency has scheduled a Finance and Cost Allocation Workshop for tomorrow, July 13<sup>th</sup> for Member Units, including General Managers and Board Members.

### **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 15<sup>th</sup> 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 30<sup>th</sup>. It is anticipated that the final approval will arrive by mid to late August.

The District has received requests for 3 additional shared wells.

Greg Allen reported that he has been assisting District Staff with development of technical specifications for the procurement package for the well telemetry project.

### **Closed Session**

At 1:40 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) *San Joaquin County Resources Conservation District, et al. v. California Regional Water Quality Control Board, Central Valley Region*
  - 6) *North Kern Water Storage District, et al v. City of Bakersfield and North Kern Water Storage District, et al, v. Kern Delta Water District*
  - 7) *Center for Food Safety, et al, v. Department of Water Resources, et al. (Sac Sup #34-2016-80002469)*
  - 8) *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: NORMWD
      - b. Under Negotiation: Price and Terms

At 3:50 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed.

On motion by Director Waterhouse, seconded by Director Tracy, the Board unanimously authorized legal counsel to submit a letter to reject claims on the District's behalf related to legal actions on June 7, 2017 by Wilbur-Ellis against the District.

### **Adjournment**

The meeting was adjourned at 3:55 p.m. by President Wegis until Wednesday, July 26, 2017 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President