

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 13, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, July 13, 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, 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 Dick Rhone;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Maricopa Orchards Representatives, Jason Pucheu; and,
Tenaska Solar Representatives, Jeff Gonka and Robert Ferrara.

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 Authorization for Execution of Second Amendment to Poso Creek Integrated Regional Water Management Plan Memorandum Of Understanding.

On Motion by Director Portwood, seconded by Director Fabbri, the Amended Agenda was unanimously approved.

Minutes

The Minutes of the Regular Board Meeting on June 8, 2016 were presented for approval.

On motion by Director Waterhouse, seconded by Director Fabbri, the Minutes of the Regular Board Meeting of June 8, 2016 were approved.

Treasurer's Report

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

On motion by Director Waterhouse, seconded by Director Tracy, the June 2016 Treasurer's Reports 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 June 2016, including the revenue and expense. At this time, it appears that the actual year-end balance will be close to the projected amounts in the 2016 Updated Budget.

Accounts Payable

The Cash Disbursement List for July 13, 2016 was presented for review and payment. Discussion followed regarding certain items on the Disbursement List, including environmental work and preparation of CEQA documents; payment of violation to San Joaquin Valley Air Pollution Control District for an unauthorized smudge pot left on a well drilling site.

On motion by Director Tracy, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the July 13, 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 Execution of Lease Option Agreement with CSOLAR IV NORTH LLC. (Tenaska)

Manager Gianquinto reviewed a 1-page summary of the basic provisions of an agreement for solar installation by CSOLAR NORTH, LLC. Tenaska. The document, an advance copy of which was mailed to each Board member, contained 2 basic agreements, the Option Agreement and long-term Lease Agreement, followed by legal provisions, exhibits and samples of documents to be recorded. Discussion of details followed.

On motion by Director Portwood, seconded by Director Thomson, the Board authorized execution of the Option Agreement and long-term Lease Agreement, contingent upon final legal and staff review.

Consider Authorization for Execution of Agreement to Fund FY 2016-17 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 \$150,000 and the District's share of cost is roughly \$20,000 to \$25,000. Discussion followed.

On motion by Director Toretta, seconded by Director Portwood, 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 \$20,000 to \$25,000.

Consider Authorization for Execution of Road Easement Agreement with Amos Sterling Cole.

Staff Engineer, Craig Wallace, reported that Amos Sterling Cole has requested a road easement along District land in order to gain access to his property in the event the California High Speed Rail's proposed alignment renders certain parcels of his property inaccessible. A Roadway Easement Agreement was presented for discussion.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized the General Manager to execute the Road Easement Agreement with Amos Sterling Cole with a modification that if the HSR is not built or the alignment does not cross his property, then the Agreement for Easement will terminate.

Consider Award of Construction Contract for Meter Calibration Facility

The Manager reported that two (2) proposals were received for Specifications No. S-100 Meter Calibration Facility Project:

W.M. Lyles Co.	\$607,800.00
GSE Construction Co. Inc.	\$738,600.00

GEI Consultants conducted an analysis and recommendation for the Award of Contract for the Project. As part of the proposal evaluation process, GEI reviewed the proposals and determined that W.M. Lyles Co. is a responsible bidder with project references to prove they are qualified to administer the Contract. Therefore, GEI Consultants' recommendation was for W.M. Lyles Co. to be awarded the contract for construction of the Meter Calibration Facility.

On motion by Director Portwood, seconded by Director Waterhouse, the Board accepted the recommendation of GEI Consultants and authorized the Award of Construction Contract for Meter Calibration Facility to W.M. Lyles Co., subject to final review by the General Manager and Legal Counsel.

Consider Authorization of GEI Task Order No. 10-2016 for Meter Calibration Facility – Bid Phase and Construction Management

Manager Gianquinto reported that Task Order No. 10-2016 was submitted by GEI Consultants to provide bid phase support and construction management services for the Meter Calibration Facility project. This Task Order defines the Scope of Services, Schedule and a Budget amount not to exceed \$57,519.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized the General Manager to execute GEI Task Order No. 10-2016 to provide bid phase support and construction management services for the Meter Calibration Facility.

Consider Execution of HSRA Master Utility Agreement

The Manager reported that Staff and legal counsel have been in negotiations with the California High Speed Rail Authority (HSRA) regarding a Master Agreement between HSRA and the District. The purpose of the Master Agreement is to set a framework for future agreements that will be entered into related to facilities that will need to be relocated due to the High Speed Rail. The Master Agreement outlines the rights and duties of the District, the District's interaction with the HSRA's design-build contractor, cost-liabilities and the reimbursement process, among other things. A separate agreement will be entered into for each facility relocation, abiding by the terms set forth in the Master Agreement.

Following discussion, the legal team recommended that the District execute the Agreement.

On motion by Direction Waterhouse, seconded by Director Tracy, the Board authorized the General Manager to execute the High Speed Rail Authority Master Utility Agreement.

Consider Authorization for Execution of Agreement on Revision 6 to the Pioneer Project Groundwater Recovery Plan – KCWA

Manager Gianquinto stated that Revision 6 to Agreement on the Pioneer Project Groundwater Recovery Plan identifies some existing well sites and adds new well sites on the Pioneer Project, as well as clarifies language in the existing Agreement. Staff recommended executing Revision 6 of the Agreement.

On motion by Director Fabbri, seconded by Director Thomson, the Board authorized the General Manager to execute Revision 6 of the Agreement on the Pioneer Project Groundwater Recovery Plan.

Consider Landowner Request to Transfer Contract Water Parcel

Contract Administrator informed the Board that District landowner, Don Ludy submitted a request to the District to transfer Contract Water from Parcel 04715021 to Parcel 04735011, which consists of 8.05 AF of Contract Water.

On motion by Director Fabbri, seconded by Director Thomson, the Board authorized a Contract Water Transfer from Parcel 04715021 to Parcel 04735011, a total of 8.05 AF of Contract Water.

Consider Authorization for Execution of Second Amendment to Poso Creek IRWMP MOU

The Manager reported that in April 2016, the participants in the Poso Creek Integrated Regional Water Management Plan Group (IRWMP) voted to accept So. San Joaquin Municipal Utility District (SSJMUD) as a voting and cost sharing member, providing SSJMUD agreed to the reimbursement costs for previous member expenditures.

A Second Amendment to the Poso Creek IRWMP Memorandum of Understanding (MOU) has been submitted which was designed to replace the First Amendment to the MOU, recognizing SSJMUD as a member and define the roles for Secretary and Treasurer positions in the IRWMP Group meetings.

On motion by Director Portwood, seconded by Director Thomson, the Board authorized the General Manager to execute the Second Amendment to the Poso Creek IRWMP MOU.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported that the Raw Water Processing Plant has discontinued operations through the summer. Lyles continued work with the District's consultant and equipment manufacturers to analyze options to optimize water treatment and chemical mixing.

The Junction Pumping Plant Turbine Generator has been installed and electrical, SCADA integration and programming were completed in June. Start-up and commissioning of the system is scheduled for the week of mid-July.

W.M. Lyles continued to collaborate with GEI to provide design assistance, perform constructability analysis and budget development on the Tulare Lake project.

Consulting Engineer's Report

Richard "Dick" Rhone from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during June 2016, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to Groundwater Banking Program and SGMA; coordination with District staff regarding the Kern Stormwater Resource Plan; and modifying the Poso Creek IRWMP MOU to include So. San Joaquin Municipal Utility District's participation in the Regional Water Management Group. GEI also provided staff assistance with energy reconciliation; Tulare Lake Storage and Floodwater Protection Project; Pond Road Solar Project CEQA support and the Meter Testing Facility. The District was awarded funding through the Bureau of Reclamation grants: WaterSMART Drought Resiliency Grant and Agricultural Water Conservation and Efficiency Grant which GEI prepared and submitted on the District's behalf.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that he continued to assist Agua Via and Aqua Planet by selecting wells with poor quality water and developing initial plans for water treatment. A policy is needed for using landowner wells for treatment.

A final storage agreement has been submitted to California Water Service (CWS) for signature; however, it is circulating for final approval within CWS.

A Letter of Intent to enter into an Option Agreement has been executed with Lend Lease, the solar development company; however, the Option Agreement is on temporary hold at their request while they investigate the capability of PG&E receiving power at the Smyrna substation.

Mr. Boschman met with Prof. Michael Young from the University of Adelaide, Australia, who is one of the leading individuals developing a water marketing system following a serious 10 year drought. The purpose of the meeting is that Prof. Young was on assignment by Duke Nicholas Institute for Environmental Policy Solutions to interview various water district representatives to explain the successful water market policies that were developed in Australia.

Mr. Boschman attended various meetings during the month on the District's behalf, including: Kern Water Bank, 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 has been moved to a half mile east of the North Kern administrative office on the west side of the Lerdo Canal, the location of North Kern Number 4 well site.

Drilling on the North Kern well Number 3 has been completed and staff finished swabbing. It appears that this well will produce very clear water. The developing unit will commence developing the well in the next few days.

The video well camera logged one well during the month.

Balance Public Relations

Dean Florez of Balance Public Relations reported on a possible debate with Kamala Harris and Loretta Sanchez. On the legislative front, good meetings have taken place recently in the Governor's office with various legislators in Sacramento.

Mr. Florez reported on a meeting scheduled with Metropolitan Water District representatives to discuss the Delta Wetlands Islands. Manager Gianquinto reported on a meeting with Martha Guzman regarding the Semitropic Bill.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During June" dated July 8, 2016 was accepted for filing. In addition, the following items were presented:

Delta Issues

The USFWS is demanding an additional 200,000 AF of summer outflow for 2016, 2017 and 2018 as a "voluntary" measure to improve conditions for Delta Smelt. This action raises significant concerns as this appears arbitrary, not based upon science and could have an impact of the District's water supply. Plus, such action raises serious concerns as to what will be expected in the future relative to the California Water Fix or future operations of the State and Federal Water projects

Kern Groundwater Management Authority

On June 7th the County of Kern held a hearing regarding the proposed formation of a GSA for the Kern Subunit of the Tulare Lake Basin. After much discussion, the Board of Supervisors elected to form a GSA solely over Buena Vista to create overlap and therefore stall Buena Vista's GSA from being recognized. In further action, the County has scheduled another hearing to consider formation of a GSA which would overlap the City of Bakersfield and several water districts. There have been considerable discussions concerning the County's actions.

Kern County Water Agency

On July 1st the KCWA provided the District with the estimate for the 2017 basic obligation costs for the State Water Project with the estimate for the 2017 basic obligation costs for the State Water Project. The estimated obligation for Semitropic is approximately \$16.7 million, assuming neither surplus rate reduction credits nor any costs for further development of California Water Fix. The Agency will provide a comparison of the 2016 and 2017 SWP costs at the September Member Unit Manager's meeting.

2016 Water Supply

The 2016 SWP allocation remains at 60%. There were significant issues regarding aquatic weeds in the California Aqueduct in June, blocked off the District turnouts from the Aqueduct. District staff worked closely with DWR to mitigate the flow issues. Accordingly, DWR has brought on additional resources to facilitate additional weed removal.

Closed Session

At 2:17 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 3:25 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 authorized the General Manager to prepare and submit a Letter of Intent to purchase approximately 550 Acres of property as owned by the Boschma Family with inclusion of easements upon the remaining Boschma family property for future construction of the SWRU facilities.

Adjournment

The meeting was adjourned at 3:30 p.m. by President Wegis until Wednesday, July 27, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

Todd Tracy, Secretary

Fredrick A. Wegis, President