

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
August 12, 2015

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, August 12, 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, Tom Toretta,
Todd Tracy, Dan Waterhouse and Rick Wegis;

Directors Absent: None;

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 Consultant, Will Boschman;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers,
GEI Consultants, Inc., Represented by Dick Rhone,
and Larry Rodriguez;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean Florez;
Shafter-Wasco Irrigation District General Manager, Dana Munn;
Maricopa Orchards Representative, Jason Pucheu;
Western Development & Storage Representative, Dave Dorrance;
CED Electrical Supplies Representative, Todd Falk.

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

ACTION ITEMS

Approval of Agenda

The Agenda was reviewed and unanimously approved as posted on Motion by Director Portwood, seconded by Director Tracy.

Minutes

The Minutes of the Regular Board Meeting on July 8, 2015 were presented for approval.

On motion by Director Portwood, seconded by Director Tracy, the Minutes of the Regular Board Meeting were approved.

Treasurer's Report

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

On motion by Director Waterhouse, seconded by Director Portwood, the July 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 Actual and Projected Cash Flow Report for July 2015 with the Board. The balance at year-end is projected to be about \$18.7 Million. Since an El Nino~ or "wet fall and winter" is projected, discussion followed on scenarios of the effects if Banking Partners request full recoveries.

Accounts Payable

The Cash Disbursement List for August 12, 2015 was presented for review and payment. Discussion followed regarding certain items on the Disbursement List, including water meters from McCrometer; rental of discharge pipe; an appraisal for severance damages at Paariz Farms; SCADA equipment on new pumping facilities; and consulting fees for Tulare Lake Flood Control Project.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized payment of the Accounts Payable as listed on the August 12, 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 First Right of Refusal Agreement with Shafter-Wasco I.D.

Manager Gianquinto stated that Shafter-Wasco Irrigation District has been working on a spreading program and banking contract with Renewable Resources Group (RRG) to develop some additional spreading on the Calloway Canal off of Kimberlina Road. Because of the Agreement between Semitropic and Shafter-Wasco, Semitropic has the first right of refusal, whereby Semitropic can assume the position of RRG to develop the project under the same terms. This item was deferred for further discussion.

Consider Contract Between KCWA and SWSD for Kern River Lower River Rights

Manager Gianquinto stated that there are some Amendments pending on the Contract between Kern County Water Agency and Member Units. The most substantial issue is to set the terms of the contract to be renewed after the 10-year due date. Basically, the potential is pretty significant and the price of water is fairly nominal. Discussion followed.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized the General Manager to sign the Contract with KCWA for Kern River Lower River Rights contingent on final review by staff and legal counsel.

Consider Prop 84 Sub-Grant Agreement Between Castaic Lake and SWSD

The Manager reported that a Sub-Grant Agreement with Castaic Lake Water Agency has been drafted relating to Castaic's Prop 84 Grant award where they will purchase 5,000 shares in the Semitropic Banking Program. This is basically a reassurance of reimbursement of construction costs of facilities that will come on-line once the payment obligations have been made.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized execution of the Sub-Grant Agreement with Castaic Lake, contingent on final review by staff and legal counsel.

Consider IT Managed Services Proposal

The Manager reported that the District's computer system has expanded to the point that outside commercial help is needed. After consulting with other Districts in similar situations, an RFP was sent out and Proposals were received from Grapevine MSP and Landpro. Both entities evaluated the District's system and made suggestions on retiring outdated equipment, monitoring and maintaining the servers, email, well monitoring and meter readings and both in-office and field operations. The accounting system will be retained as well as most programs with updates where needed. A contract has been written and needs approval for signature. Discussion followed.

On motion by Director Waterhouse, seconded by Director Tracy, the Board accepted the terms of the proposal from Grapevine MSP and authorized the General Manager to execute an Agreement for IT Managed Services with Grapevine MSP Technology Services.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported that one estate Purchase/Sale Agreement (PSA) has been executed, payments made and the deed recorded at the County. Final documents are now being drafted for the second estate PSA.

The Raw Water Processing Facilities (RWPF) ceased operations in early July and will not resume operations until mid-August. All construction work on the Pond Road Substation was completed at the end of July and two phone lines were activated. Testing and commissioning was

completed and accepted by PG&E. On August 5th the substation will be re-energized and connected to the SWSD grid.

The Junction Pumping Plant Turbine Generator is scheduled to be delivered in October or November. On the Reverse Flow Project, all equipment has been installed except the Junction Pumping Plant (JPP) units which will be installed in August. After installation, the JPP will resume limited return flow pumping operations then will expand to the increased capacity in late August or early September after completion of all improvements.

Construction of the Water Treatment Reservoir and Expansion of Raw Water Processing Plant continued on the canal dam and overpour structure. The targeted completion date for all work to allow the District to resume pump back deliveries is mid-August.

Consulting Engineer's Report

Dick Rhone from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during July 2015, which was accepted for filing.

Mr. Rhone reported on engineering activities including Poso Creek IRWM Group activities; staff assistance with energy reconciliations; and various grant applications, including the Agricultural Water Conservation and Efficiency Grant; and a Reclamation WaterSMART: Drought Resiliency Grant for 2015.

GEI continued work to evaluate 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. GEI assisted the District in identifying and evaluating potential project fatal flaws and assessing the potential public benefits attributable to the project. A meeting was organized with DWR to review the acceptability of a pilot project.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Castaic Lake Water Agency continues to process documents and agreements related to its State Grant for 75% of \$8,450,000 required for its capital payment for 5,000 shares of the Stored Water Recovery Unit storage program.

During the month, a Water Purchase Agreement with Aqua Planet Utilities, Inc. was finalized. The initial endeavor is to use an irrigation well within Semitropic that is producing unacceptable water quality for irrigation purposes.

Proposals were received from two different companies that are promoting desalinization of water in the San Francisco Bay/Delta area that together are proposing to produce up to 350,000 acre-feet per year and targeting the demand in the agricultural industry in the Central Valley.

Several meetings were attended by Mr. Boschman on the District's behalf, including the Kern Water Bank, State Water Contractor's (SWC) Board meeting and the Member Units Managers meeting at the Kern County Water Agency.

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. Drilling staff just completed a well on the west side of the railroad tracks across from Elmo Hwy and Hwy 43. Staff is swabbing the well and preparing the new drilling site. The well developing staff has just completed developing a well located near Garces and Magnolia.

The District's video camera has been refurbished and a program update installed by the manufacturer. It is back in operation and ready to service District landowners.

Mr. Jones has continued to work with the new well inspectors with the Kern County Environmental Health Department on acquiring drilling permits and inspections. Officials from the Environment Health Department are encouraging drilling companies to utilize drilling tanks like Semitropic has been using instead of digging pits in the ground for manufactured drilling fluids that may not dissolve.

Balance Public Relations

Dean Florez of Balance Public Relations reported that Assemblyman Steven Bradford, who is running for State Senator, came to the District earlier today for a presentation and brief tour. The meeting seemed to go well and Assemblyman Bradford has invited the Manager and Dean Florez to attend the African American Caucus in Sacramento. Most of the Board Members of the California Water Commission have visited the District, which is an important step in educating them on local water issues.

Mr. Florez reported on a recent Senate Water Committee meeting which both he and Manager Gianquinto attended, as well as pro-active legislation which will be going before the Senate Appropriations Committee.

Discussion followed regarding the El Nino Report that the National Weather Service will release tomorrow.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During July" dated August 7, 2015 was accepted for filing. In addition, the following items were presented:

Delta Issues

On August 5th the State Water Contractors released a brief "Drought Operations Update" which provided a graphic on Delta Diversions from July 26th to August 1st which showed that of flows into the Delta, about 83.9% stayed in the Delta, State Water Project received 6.4%, Central Valley Project 6.0% and the balance for Contra Costa and North Bay.

On July 20th the State Water Resource Control Board issued a draft Administrative Civil Liability Complaint to Byron-Bethany Irrigation District for unauthorized diversion and use of

water with a proposed \$1.5 million penalty. The Byron Bethany ID has pre-1914 rights to divert water and continued to divert water under this right for 14 days after receiving notice from the SWRCB that there was insufficient water to satisfy all pre-1914 rights and accordingly curtailed all those water right holders with a priority date of 1903 or later.

Outreach Activities

The Manager reported on various meetings he attended on the District's behalf, including tours of the Tulare Lake Project Site with various members of the California Water Commission; the ACWA Water Storage Implementation Work Group Kick-off meeting; testified at the California Senate Committee on Natural Resources and Water; provided a water presentation to the Kern County Farm Bureau Teacher's Ag Seminar; served as a panelist at the KCFB and WAKC Mid-Summer Update on Agriculture and Drought; met with DWR staff regarding application for a new turn-in/turn-out facility; and attended a meeting with Steve Macaulay, consultant to DWR, regarding the Sustainable Groundwater Management Plan.

Delta Island Following

On August 3rd District staff visited the Delta Wetlands Islands. The crops planted on Bouldin Island are corn, alfalfa and milo. The Webb Tract is primarily planted in corn. The crops are doing very well and it is anticipated that the farming operations this year will be successful.

2015 Water Supply

The State Water Project allocation is holding at 20% allocation. There is a possibility of Semitropic receiving between 600 to 700 AF from the Dry Year Transfer Pool. To date we have not received confirmation of the final number.

Recovery operations have gone well during 2015 with about 20% of pumpback operations completed at the end of July. The total target amount for pumpback in 2015 is about 157,500 AF which will hopefully be completed in December or early January. The total amount represents about 148,000 AF of direct pump-in and 9,000 AF of entitlement exchange.

Closed Session

At 2:00 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. President Wegis stated that several items were discussed, including various legal issues and agreements.

The board returned to agenda item 5(f). By general consensus, the Board agreed to pass on the First Right of Refusal Agreement with Shafter-Wasco Irrigation District.

Adjournment

The meeting was adjourned at 4:30 p.m. by President Wegis until Wednesday, August 26, 2015 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President