

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
September 13, 2017

The regular meeting of the Board of Directors was called to order by Vice President Portwood on Wednesday, September 13, 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 Thomason,
Tom Toretta and Todd Tracy;

Directors Absent: Dan Waterhouse and Rick Wegis;

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;
Shafter-Wasco I.D. Representative, Dana Munn;
Wells Fargo Bank Representatives, Michael
Engelbrecht ;Albert Reyes, Nossaman Law Firm;
Agua Via Representative, Floyd Wicks;
Water Wrights Reporter, Don Wright;
Maricopa Orchards Representatives, Jon Reiter
and Jason Pucheu;
Wonderful Orchards Representative, Tim Gobler; and
District landowners or representatives:
John Wedel, Bret Sill, Mark Hudson, Mike
Pitligiano, Igal Treibatch and Tal Fagelman.

Vice President Portwood 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 Tracy, seconded by Director Fabbri.

Minutes

The Minutes of the Regular Board Meetings on August 9, 2017 were presented for approval at the next Board meeting.

On motion by Director Tracy, seconded by Director Fabbri, the Minutes of the Regular Board Meeting on August 9, 2017 were approved.

Treasurer's Report

Due to the absence of the Treasurer, the August 2017 Treasurer's Reports will be presented for review and approval.

Financial Report

District Controller, Bobby Salinas, reviewed the Financial Reports along with the Actual and Projected Cash Flow Report. Since it is still early in the month, the District is still receiving invoices for August. The cash flow balances are on track for the end of year projections.

Accounts Payable

The Cash Disbursement List for September 13, 2017 was presented for review and payment. Discussion followed regarding PG&E utility bills; consultant's contract expiration dates on the Tulare Lake Flood Control Project; and, water purchased from Buena Vista in July.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized payment of the Accounts Payable as listed on the September 13, 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 Continuation of Emergency Declaration (Public Contract Code Sect. 22050 (a)(1) (as Declared May 17, 2017)

The Manager requested the continuation of the Emergency Declaration made by the Board at its May 17, 2017 meeting. This would allow more time for completion of three small projects, including 1) System "A" Booster; 2) P667-3 Lateral Extension, and 3) Lateral B-4 Turnout Addition.

On motion by Director Tracy, seconded by Director Fabbri, 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 Resolution Adopting Debt Management Policy

The Manager stated that the District previously did not have a Debt Management Policy in the past but felt it beneficial to adopt a Policy now. Bobby Salinas reported that the purpose of the Policy is for the District to utilize reasonable debt financing to fund long-term improvements and ensure equitable allocation of costs. Long-term improvements may include the acquisition of land, facilities and infrastructure; and enhancements or expansions to existing facilities for obtaining, storing and delivering irrigation water. Debt can be issued to fund the planning, pre-design, design, land and/or easement acquisition, construction, and related fixtures, equipment and other costs as permitted by law. The District will not issue debt to cover operating needs.

Staff recommended that the Board authorize a Resolution adopting the Debt Management Policy.

On motion by Director Tracy, seconded by Director Fabbri, the Board authorized Resolution No. ST 17-12:

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SEMITROPIC WATER STORAGE DISTRICT APPROVING THE SEMITROPIC WATER STORAGE DISTRICT DEBT MANAGEMENT POLICY

Consider Resolution Authorizing Issuance of 2017 Refunding Revenue Bonds

Michael Engelbrecht from Wells Fargo Securities, gave a presentation on the 2017 Refunding Revenue Bonds with the purpose of issuing revenue bonds to provide funds to refund its outstanding indebtedness and provide additional funding for an improvement project. The proposed transaction would refund the outstanding Series 2009 bonds, which would stay on the same terms but lower the interest rate; and refinance outstanding 2016 Warrants, lowering the interest rate, amortize over 20 years and lower the payments. Mr. Engelbrecht and bond counsel Albert Reyes summarized the various documents for the Board to consider related to the refinancing, including the Preliminary Offering Statement (POS) provided to the Board.

The District recently received an A+ Credit Rating from Standard and Poors, helping to significantly lower the interest rates on the issuance. The savings is estimated to be over \$8.8 Million including all fees and costs.

On motion by Director Fabbri, seconded by Director Toretta, the Board authorized Resolution SID 17-05:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC WATER STORAGE DISTRICT APPROVING AN INDENTURE OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, A PURCHASE CONTRACT, ESCROW INSTRUCTIONS, AND AN OFFICIAL STATEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

Consider Execution of Indenture of Trust Between the Semitropic Improvement District & Wells Fargo Bank, National Association, Trustee

Manager Gianquinto stated that certain documents have been prepared relating to the Refunding Revenue Bonds 2017 Series A and recommended Board authorization in order to further pursue the transaction.

On motion by Director Fabbri, seconded by Director Toretta, the Board authorized execution of the Indenture of Trust by and between Semitropic Improvement District of Semitropic Water Storage District and Wells Fargo Bank, authorizing issuance of Refunding Revenue Bonds 2017 Series A.

Consider Escrow Instruction from the Semitropic Improvement District to Wells Fargo Bank, National Association, Escrow Agent

The Manager presented the Escrow Instructions to the Board for review and action.

On motion by Director Fabbri, seconded by Director Toretta, the Board authorized execution of the Escrow Instructions from the Semitropic Improvement District of Semitropic Water Storage District to Wells Fargo Bank, National Association, as Escrow Agent to establish, hold in trust and administer a special account designated as “Escrow Fund” for the Refunding Revenue Bonds 2017 Series A.

Consider Potential Well Share Agreement (Fistook Farms LLC)

Staff Engineer, Craig Wallace, reported that Fistook Farms met with staff to discuss a well sharing agreement. A Memorandum was presented for Board consideration. There are two potential issues and staff is asking for general direction prior to moving forward. One is regarding water quality of the existing and/or potential new well and the other is the ability to connect the well to Semitropic’s system and provide surface water service in a cost effective manner. Discussion followed.

The Board asked that staff gather more information, get a closer estimate of costs and determine water quality of the well. The item was tabled for now but will be considered at a later date.

Consider Landowner Request to Transfer Contract Water (Dan Fabbri)

The District’s Contract Administrator, Becky Ortiz, reported that a request was received from Dan Fabbri, District landowner, to transfer Contract Water from Parcel 047-290-11 to Parcel 047-260-11. Ms. Ortiz stated that Mr. Fabbri is selling Parcel 047-290-11 to the High Speed Rail Authority who will have no need for the water. There will be no impacts to the District.

On motion by Director Fabbri, seconded by Director Tracy, the Board approved the transfer of Contract Water from Parcel 047-290-11 to Parcel 047-260-11, both belonging to Dan Fabbri.

Update Re: Tulare Lake Project (GEI)

Larry Rodriguez, from GEI Consultants, gave a Presentation to update the Board on the Tulare Lake Storage and Floodwater Protection Project. A public meeting was held at the District on September 12, 2017 for discussion and comments on the EIR. There were 2 attendees and only one comment has been received which was from the California Department of Water Resources. The Prop. 1 Grant Application was submitted to the California Water Commission on August 14, 2017. The Water Supply Improvement Project will provide public benefits including:

- Ecosystem Improvement to Delta fisheries and historic Tulare Lake Bed.
- Flood Management.
- Recreation Improvement to the historic Tulare Lake Bed such as water fowl habitat.
- Emergency Response (DWR bank water in SWSD to be made available for South of Delta emergency).
- Project benefits must be quantified and monetized for future (2030 and 2070) conditions.

So called “Non-public” benefits include:

- Improved water supply and operation flexibility for the SWP.
- Improved conjunctive use.
- Improved water quality in the SWP and local groundwater basin.

The California Water Commission anticipates finishing project analysis and cost review around January 2018 and establish a “short list” of candidates for Prop. 1 funding.

Consider Authorization for Continuing Support for the Development of the California Water Fix

The Manager reported that Kern County Water Agency has requested that each Member Unit decide on whether it is “in” or “out” of participation in continuing support for development of the California WaterFix. Staff recommended the District authorize funding up to \$2.9M for the District’s estimated share of 2018 GAP funding (\$136M per KCWA) to continue development of the project. Discussion followed. Litigation related to Cal WaterFix was to be further discussed in Closed Session.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle’s Representative, Rick Amigh, reported that designs were updated on the North/South Conveyance, SWRU In Lieu Service Area Systems X, Y and Z and the Well Field to accommodate the current operations of the District. Construction continued on small select portions of the SWRU project that serve target areas that provide benefit to the District and landowners.

The Design-Build Team continued development of engineer and budget work on the SWRU XYZ Intertie Project. On the Tulare Lake Storage and Recovery Project, Lyles provided assistance with budget and construction impact analysis to support the District August 14, 2017 Draft EIR submittal and grant application.

The System A Booster Station Project was completed in August, as well as completion of Lateral P-667-3. Both Project are currently in operation. Kern County permits were acquired on Turnout B-4 Modifications and work was coordinated with the landowner to minimize impacts to his watering operations.

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 August 2017, which was accepted for filing.

Mr. Rodriguez also reported on activities related to preparation of a Technical Memorandum on the Gun Club Pumping Plant; Poso Creek IRWMP Update; release of the Public Draft of the EIR and funding application to the Water Storage Investment Program (WSIP) on the Tulare Lake Project; preparation of data for the Groundwater Model Update through 2016; and draft of a recharge monitoring plan near the Fabbri subsurface recharge project.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via continued working on two Water Purchase Agreements, one of them with the District.

Aqua Planet's President, Mike Young, reported again that they are making very significant progress in securing financial backing needed and expects initial funds to be available soon.

California Water Service will notify the District soon on their decision of whether or not they want to proceed with the agreement.

Montecito Water District reports that the current activity is related to processing CEQA and other documents. Since Semitropic could not receive their water for storage this year, they apparently exercised their best option to have Metropolitan take most of the water in San Luis Reservoir on an exchange basis.

Mr. Boschman represented the District at various meetings, including the ACWA Energy Committee Meeting, Kern Water Bank, ACWA Groundwater Committee and Southern California Water Bank Authority.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that the KW truck was repaired and passed inspection for the Department of Transportation requirements. The drilling crew completed developing the County well which produced over 2,700 gpm.

Drilling staff did a complete inventory of the casing and conductor pipe that the District has in the well yard. Staff video logged 4 District wells.

Balance Public Relations

Dean Florez of Balance Public Relations was not able to attend the Board meeting due to activities in Sacramento; however, the Manager reported that several legislators are scheduled to tour the District soon. A number of letters of support have been received for the Tulare Lake Project and a few more are expected to arrive soon. Mr. Florez is tracking a number of bills concerning water issues.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During August" dated September 8, 2017 was accepted for filing. In addition, the following items were presented:

California Water Fix

- The State Water Resource Control Board change in Point of Diversion Permit is needed to allow use of the future northern intakes is expected to be completed by November 2018.
- The California Water Plan will need to be reviewed by the Delta Stewardship council to determine if the California WaterFix is consistent with the Delta Plan.
- The Federal Record of Decision (ROD) is still outstanding with no indication of when it may be completed.
- KCWA is targeting September 28, 2017 Board Meeting to make a decision as to a funding commitment.

State Water Project

- As noted last month, should 2018 result in a wet year, it is highly likely that any 2017 water remaining in San Luis Reservoir at the end of 2017 has a higher than average probability for spilling. KCWA is limiting carry-over water to about 200,000 AF. Our goal is to have no more than 15,000 AF of 2017 carryover water in San Luis Reservoir going into 2018 and it is likely that Non-Contract water will be available to all water users for the first portion of 2018. The District is maximizing storage in Kern Water Bank and Pioneer. It is also planning to move about 27,000 AF to Cawelo for storage for future return back to the District.

Duck Club Water

The District initiated delivery of Duck Club Water this month utilizing Poso Creek and North Pintail Slough. It is expected that Duck Club Water will be delivered through the end of the year as needed.

Kern Groundwater Authority

At the monthly Kern Groundwater Authority (KGA) Board meeting, Dennis Mullins, Director of Wheeler Ridge Maricopa Water Storage District was elected as Chairman to replace Joe Macilvane. Provost and Pritchard and Terry Erlewine was named to replace Eric Averett as planning Director for the KGA.

Other

The District received a Grant Award from the Bureau of Reclamation for \$750,000 on the Semitropic-Shafter-Wasco Irrigation District Intertie which will enhance transfers of water between the two Districts. There were two projects in the State that were awarded \$750,000 each, Santa Margarita Water District and Semitropic.

The Buttonwillow County Water District submitted a request to reduce the assessment on parcel 101-020-08-00-6, which is 30 acres of land where Buttonwillow's wastewater facility is located. The land has not been farmed since 2010 and will not be farmed in the future. The Manager will reply with a letter to reduce the amount of General Project Service Charge assessment on this parcel.

Closed Session

At 2:20 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) *San Joaquin County Resources Conservation District, et al. v. California Regional Water Quality Control Board, Central Valley Region*
- 4) *North Kern Water Storage District, et al v. City of Bakersfield and North Kern Water Storage District, et al, v. Kern Delta Water District*
- 5) *Center for Food Safety, et al, v. Department of Water Resources, et al.*
(Sac Sup #34-2016-80002469)
- 6) *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.*
- 7) *California Department of Water Resources v. All Persons Interested, etc. (Sac Sup #34-2017-00215965)*

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: West Stanislaus
 - b. Under Negotiation: Price and Terms
- 2) Water Supply Acquisition:
 - a. Negotiation Parties: Agua Via
 - b. Under Negotiation: Price and Terms

3) Water Supply Acquisition:

- a. Negotiation Parties: California Department of Water Resources, Kern County Water Agency and its Member Units, and State Water Contractors
- b. Under Negotiation: Price and Terms

At 3:00 p.m. the Board reconvened to open session. Vice President Portwood stated that several items were discussed.

On motion by Director Tracy, seconded by Director Toretta, the Board authorized counsel to file an answer in the Validation Action on the California WaterFix to maintain its position in the project; unless the deadline is extended.

On motion by Director Tracy, seconded by Director Toretta, the Board made known its intent to be “all-in” to fund its share of costs on the California WaterFix, subject to various conditions, including securing Landowner commitments and successful passage of the Prop. 218 Assessment. No action was taken relative to the District funding its estimated share of “GAP” Funding for 2018.

Adjournment

The meeting was adjourned at 3:05 p.m. by Vice President Portwood until Wednesday, September 27, 2017 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President