

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
January 13, 2016

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

Directors Absent: Dan Waterhouse;

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 Accountant, Mariela Garza;
District Contract Administrator, Becky Ortiz;
District Executive Secretary, Marsha Payne;
District Dispatcher, Santos Castaneda;
District Staff Accountant, Maria Bernardo;
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 Representative, Jason Pucheu;
Wonderful Orchards Representative, Andrew Edstrom; and,
Via conference call, Kevin O'Brien, Representing Downey
Brand Attorneys, LLP.

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

The General Manager introduced new District employees, including Santos Castaneda who was recently hired as Dispatcher and Maria Bernardo who joined the team as Staff Accountant. Also joining the meeting today are employees Mariela Garza who was promoted to Accounting Supervisor and Becky Ortiz who was promoted to the new position of Contract Administrator.

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 meeting: Consider Financial Support for North-West Kern RCD Mobile Irrigation Lab.

On motion by Director Tracy, seconded by Director Fabbri, the Amended Agenda was unanimously approved.

Minutes

The Minutes of the Regular Board Meeting on December 9, 2015 were presented for approval.

On motion by Director Portwood, seconded by Director Tracy, the Minutes of the Regular Board Meeting of December 9, 2015 were approved.

Accounts Payable

The Cash Disbursement List for January 13, 2016 was presented for review and payment. Discussion followed regarding certain items on the Disbursement List, including expenses on the Raw Water Processing Plant; repair on shop doors at the well drilling yard that were broken by vandals; and reconciliation to Banking Partners who overpaid on expenses for the Raw Water Processing Plant.

On motion by Director Portwood, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the January 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 Resolutions Authorizing Change of Trustees for Local Agency Investment Fund

Manager Gianquinto stated that due to personnel changes, it has become necessary to make a change of authorized Trustees for the Local Agency Investment Fund which approves designated employees to transfer money to investment accounts.

On motion of Director Portwood, seconded by Director Tracy, the Board authorized a change of Trustees of the Local Agency Investment Fund for both Buttonwillow and Pond-Poso Improvement Districts in the form of Resolution No.'s BW 16-01 and PP 16-01:

AUTHORIZING CHANGE OF TRUSTEES FOR
LOCAL AGENCY INVESTMENT FUND

Consider Resolution to Authorize Execution of a Contract with USBR for Section 215 Water

Manager Gianquinto reported that in years past, temporary water was made available from the U.S. Bureau of Reclamation. With a forecast of “El Nino” year ahead and possible flood water, the Board was asked to consider a Resolution to authorize the purchase of surplus water, known as CVP Section 215 Water, if and when it becomes available this year.

On motion by Director Portwood, seconded by Director Thomson, the Board authorized execution of a standard agreement with USBR to purchase Section 215 Water, if and when it becomes available under Resolution SID 16-01:

RESOLUTION AUTHORIZING EXECUTION OF CONTRACT WITH U.S. BUREAU OF RECLAMATION PROVIDING FOR SECTION 215 WATER

Consider Annual Extension of Consulting Agreement with Joe Rosso of Washington Advocacy Group, LLC

The Manager stated that the consulting contract with Joe Rosso is due to expire and asked the Board to consider extending the contract through 2016 at the rate of \$3,000 per month. Mr. Rosso of Strategic Policies, LLC has been instrumental in working with representatives of the U.S. Bureau of Reclamation to help acquire funding for District projects. Following discussion, the Board made a request for Mr. Rosso to attend a Board meeting in the near future, or join via conference call, for an informational update and also discuss upcoming District projects and funding possibilities.

On motion by Director Tracy, seconded by Director Fabbri, the Board authorized staff to extend the consulting agreement with Joe Rosso of Strategic Policies, LLC.

Consider Proposal from Land I.Q. for Evapotranspiration Calibrated Remote Sensing Analysis

Manager Gianquinto reviewed a Proposal for a Scope of Work submitted by Land IQ for development of evapotranspiration (ET) which is calibrated remote sensing for data collection and station monitoring to measure how much water is being used at a specific location. Calculation of ET can be done at ground level measurements or by remotely sensed modeling.

The Scope of Work was developed based on individual task discussions and requests from Semitropic which include:

- Task 1 – Instrumentation and Semitropic District Wide ET Analysis for 2016
- Task 2 – (Optional) Delta Transfer Support Instrumentation and ET Reduction Analysis
- Task 3 – (Optional) Retrospective Analysis of ET

ET is also good for the landowners in that it develops a soil moisture profile and calculates how much water is being lost. The cost for the first year of work is estimated to be between \$163,000 to \$225,000, including equipment. Discussion followed.

On motion by Director Portwood, seconded by Director Tracy, the Board authorized the General Manager to retain Land IQ for the purpose of development of evapotranspiration calibrated remote sensing analysis within Semitropic's service area.

Consider Financial Support for North-West Kern RCD Mobile Irrigation Lab

Manager Gianquinto called attention to the annual report of the North-West Kern Resource Conservation District on the Mobile Irrigation Lab for the 2015 irrigation season.

The Mobile Lab has assisted growers throughout Kern County since 1988 in the management of their irrigation water, enabling them to be more efficient in the use of water. The service is made possible through contributions by water districts of Kern County and various State and Federal agencies such as the Bureau of Reclamation, CalFed, Bay Delta, and Department of Water Resources. The NWKRCD is requesting a contribution of \$10,000 from Semitropic.

On motion by Director Tracy, seconded by Director Fabbri, the Board authorized a contribution of \$10,000 toward the funding of the NWKRCD Mobile Irrigation Lab Program.

Financial Report

District Controller, Bobby Salinas, reviewed the Actual and Projected Cash Flow Report for December 2015 year-end balance and for January 2016. Because pumpback was shut down early for repairs to the Aqueduct, recovery was about 12,000 acre-feet short, which will affect income for January.

Treasurer's Report

Due to the absence of the Treasurer, the December 2015 Treasurer's Reports will be presented for review and approval at the February 2016 Board Meeting.

Consider Landowner Request to Release Land from Semitropic Boundaries

By general consensus, this item was tabled for discussion at a later meeting when all Board members are present.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported that operations of the Raw Water Processing Plant continued to treat flows of 270cfs to 300cfs in December. However, due to DWR shut down of the Aqueduct for emergency liner repairs, pumpback operations concluded on January 3, 2016. Lyles will prepare the RWPP for non-operation and make any miscellaneous repairs, if needed.

The Pond Road Substation continued to operate and currently supplies electrical service to the majority of the District facilities north of the Diltz Pumping Plant. PG&E performed a one day maintenance shutdown at their Smyrna Substation on January 5th during which the District had some minor warranty work done at the Pond Road Substation as well.

Final fabrication of the turbine components was completed in December as well as factory testing of the generator. Shipping of the generator will occur in January.

Construction of the shade structures began in December and will be completed in January for the 2015 Reverse Flow Project. Close out documents will be assembled and submitted in January on the construction of the Water Treatment Reservoir and Expansion of the Raw Water Processing Plant.

W.M. Lyles, GEI and the District continued to work on preconstruction tasks for the Tulare Lake Floodwater Storage and Recovery Pilot Project. Plans, specification and the preliminary budget will be completed in January. The District continues to pursue the necessary permits and access agreements to allow construction to commence in early 2016.

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 December 2015, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to participation in the monthly regional Poso Creek IRWM Group and communication with SSJMUD's General Manager regarding their participation, as well as discussion on a replacement for Paul Oshel; staff assistance with energy reconciliations and currently waiting for final data to close out 2014; and, preliminary analysis of the volume of water that could be transferred from the four Delta Islands under various fallowing and export capacity scenarios.

GEI staff reviewed various purchase and easement agreements and preparation of exhibits to support the Feasibility Study on the Tulare Lake Flood Water Project, as well as continued developing a coordinated schedule between the various consultant teams to identify critical path items. Design and engineering continued on the Pilot Project to support submittals to DWR and for construction. GEI provided assistance to the District for the preparation of an amended Notice of Exemption for the pilot project that includes an alternative conveyance facility.

GEI also completed the draft of the 2015 Agricultural Water Management Plan Update and provided to District staff for review.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported on current communications with both Aqua Planet Utilities and Agua Via who have requested information on poor quality water from irrigation wells within Semitropic to help develop their plans for financing their similar but different technologies for low-cost desalinization.

During the month, Mr. Boschman continued follow-up with contacts and/or presentations for numerous agencies regarding additional storage and/or water supply. Several contacts and meetings were at the ACWA conference in early December.

Castaic Lake Water Agency is scheduled to pay about \$8,000,000 in January which is the balance of the \$8.45 million required to pay their capital payment under their storage agreement. Payment had been delayed pending processing of the grant funds which are anticipated to be disbursed in mid-January.

In early December, Mr. Boschman attended the ACWA conference in Indian Wells where he represented Semitropic on behalf of Semitropic-Rosamond Water Bank Authority and the Kern Water Bank Authority in the semiannual ACWA/JPIA Insurance Board Meeting. He also participated in the ACWA Energy Committee meeting as well as the Groundwater Committee meeting.

Several other meetings were attended by Mr. Boschman on the District's behalf, including the Kern Water Bank Board, Delta Coalition and the State Water Contractors Committee meeting in Sacramento. Mr. Boschman reported on discussion topics of several of 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 one mile south of Seventh Standard Road on the west bank of the Lerdo Canal to drill North Kern #1 well. Although the rig is set up on site, the drilling crew is still moving the rest of the drilling equipment to that location. Weather is hampering their ability to access the location.

The developing unit has been moved to the well site located north of Pond on Wildwood Road; however, weather conditions are also slowing the setup of the developing unit.

Staff is working to refurbish the large roll up doors on both of the shops where the springs have broken.

Staff video logged a well the District drilled south of Pond on Dorsy Avenue. The District has made the video log available for District and landowners for a nominal price.

Balance Public Relations

Dean Florez of Balance Public Relations gave his year-end report titled "2015 Lobbying & Outreach Review." Mr. Florez reported on legislative advocacy and the political relationships developed during the past year on the District's behalf with both Federal and State legislators. Many legislators and candidates have been brought to visit the District in an effort to become knowledgeable of Semitropic's Groundwater Banking Program as well as Kern County farmers' concerns regarding water issues.

Mr. Florez presented some 2016 expectations as well as new member and candidate education efforts, upcoming events and reviewed the current standings of California and San Joaquin Valley water issues.

INFORMATIONAL AND UP-DATE ITEMS

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

Delta Issues

Over the past couple of months there have been a number of discussions regarding the California Water Fix (formerly BDCP) relative to the affordability of the project given the expected yield and the lack of assurances. Most recent, the District has been working with the KCWA and other Agricultural participants in the Valley to develop specific project needs which would make the project work for valley agriculture.

Outreach Activities

Manager Gianquinto reported on various meetings he and others attended on the District's behalf including the California Water Commission meeting in Sacramento; a meeting with representatives from Ducks Unlimited and the new regional representative, Matt Kaminski who replaced Chris Hildebrandt; as well as meetings with representatives from KCWA, Westlands WD and San Luis-Mendota Water Authority to discuss an Ag Proposal relative to the Cal Water Fix.

The Manager also reported that the State remains at 10% for its 2016 allocation of the SWP Entitlement.

Kern Groundwater Management Authority

The Kern Groundwater Management Authority meeting was held on December 21.

Kern County Water Agency

Manager Gianquinto reported that Kern County Water Agency Director, Mike Radon resigned his seat mid-term and the Agency will be seeking a replacement Director.

Also, it was announced that Jim Beck is retiring from his position as General Manager of the Kern County Water Agency. Jim's official last day will be March 29, 2016.

Closed Session

At 2:30 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) Alpine Helicopter Service

Mr. Kevin O'Brien joined the meeting via conference call for further discussion on the District's Groundwater Sustainability Plan and the connection to the Kern Groundwater Authority.

At 4:15 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including various legal issues and agreements.

On motion by Director Tracy, seconded by Director Portwood, the Board conditionally rejected Wilbur-Ellis of December 18, 2015 claims on the basis some were not being filed in a timely manner and rejected other Wilbur-Ellis claims and directed legal counsel to submit a letter of rejection.

Adjournment

The meeting was adjourned at 4:20 p.m. by President Wegis until Wednesday, January 27, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President