

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,
February 14, 2018

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, February 14, 2018, 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;
District Engineer, Isela Medina;
District Contract Administrator, Becky Ortiz;
District Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District Consultants, Will Boschman;
District's Legal Counsel, Ernest Conant and
Steve Torigiani;
District's Consulting Engineers, GEI Consultants,
Inc., Represented by Larry Rodriguez;
W.M. Lyles Representative, Rick Amigh;
Balance Public Relations Representative, Dean
Florez;
Maricopa Orchards Representative, Jason Pucheu;
North West Kern Resource Conservation District
Representative, Brian Hockett;
Agua Via Representative, Floyd Wicks;
Wonderful Orchards Representative, Tim Gobbler;
Other Attendees included: Matt Giannelli,
Lucy Alaniz and Mark Hutson.

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 Portwood, seconded by Director Waterhouse.

Minutes

The Minutes of the Regular Board Meeting on January 10, 2018 and Special Board Meeting on January 30, 2018 were presented for approval.

On motion by Director Waterhouse, seconded by Director Portwood, the Minutes of the Regular Board Meeting on January 10, 2018 and Special Board Meeting on January 30, 2018 were approved as presented.

Treasurer's Report

The Treasurer's Reports for January 2018 were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Tracy, the Treasurer's Reports for January 2018 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 2018 Actual and Projected Cash Flow Report. The cash balance is about \$3M higher than projected due to in-District improvements and construction projects that were not completed in 2017.

Accounts Payable

The Cash Disbursement List for February 14, 2018 was presented for review and payment. Discussion followed regarding the ending balance of water purchased from Buena Vista; services for clearing weeds and maintenance of canals; and, costs incurred to move water to Cawelo Water District.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the February 14, 2018 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."

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh reported that design work continued in January on the SWRU XYZ Intertie Project. The existing utilities in the Lateral X-C alignment were potholed and the design will be adjusted accordingly. The initial budget is being developed based upon the 50% design.

The piping modifications were completed in late January on the Gun Club Reverse Flow Pump #3. Repairs were also completed in January on the Junction Pumping Plant Manifold.

The railroad car bridges have been ordered and construction is scheduled to commence in March to replace existing canal bridges.

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

Brian Hockett, Manager of the North-West Kern Resource Conservation District, presented the Annual Report on the Mobile Irrigation Lab for the 2017 irrigation season. A significant amount of the Mobile lab work done in 2017 was performed on lands within Semitropic. Discussion followed on a comparison chart showing test results by crops from 1988 through 2017 of drip irrigation system vs. micro/sprinkler. In order to continue the service for the benefit of the landowners, financial support of \$10,000 was requested from the District.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized financial support of \$10,000 for the North-West Kern RCD Mobile Lab.

Consider Kern River Water Coalition Authority Governance Structure

Manager Gianquinto stated that at its January 10, 2018 meeting, the Board discussed the proposed change to the governance structure of the Kern River Water Coalition Authority (KRWCA); however, no Board action was taken.

In further detail, District's legal counsel Ernest Conant reported that some landowners have expressed a desire to become more involved in the KRWCA and there has been discussion of landowners taking over the governance duties as directors and officers. The water district managers could stay involved as support members. Discussion followed on the pros and cons of various governing scenarios.

By general consensus, the Board expressed its desire to maintain the JPA status but would support a change in the governance structure with landowner representation as directors and officers.

Consider Borrow Material Agreement with High Speed Rail Authority

District Engineer, Isela Medina, reported that the District has been negotiating for quite some time with the High Speed Rail Authority (HSRA) on an agreement for borrow material. The HSRA expressed interest in using material from the Pond Poso Spreading Grounds (PPSG) for the High Speed Rail Project and proposed building the Ponds in exchange for the material.

The HSRA has recently found additional material elsewhere and has scaled back on the initial proposed project for the District to about half the original project agreement. Discussion followed.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized the General Manager to enter into an Agreement for Borrow Material with the High Speed Rail Authority in exchange for building a portion of the Phase 2 of the District's Pond Poso Spreading Grounds, subject to final review of the general manager and legal counsel. The Agreement will also provide that if additional borrow material is needed the HSRA will lower the existing ponds in exchange for the material.

Consider GEI Report on District Land Retirement Program

The Manager stated that the District started working with GEI in 2011 on a land retirement program for the purpose of reducing groundwater pumping and conserving groundwater resources

within the District, preserving overlying rights of the lands for the benefit of all landowners within the District which pays General Project Service Charge, and possibly use the land as conservation habitat to partially offset the cost of the acquisition. The main benefit of the land retirement program is a conserved water credit for the benefit of all lands paying the general project service charge.

The Manager reviewed GEI's Memorandum on the Land Retirement Program and discussion follow. No action was taken.

Consider Water Exchange Agreement: Pacific Ag Resources and City of Tracy

Manager Gianquinto reported on a proposed exchange agreement with the City of Tracy whereby the City of Tracy would deliver 10,500 AF of water to Semitropic and Semitropic would in turn transfer 5,250 AF of 2017 Table A to Berrenda Mesa on behalf of common landowner Pacific Ag Resources. The transaction to deliver CVP water needs to take place by the end of February 2018.

On motion by Director Fabbri, seconded by Director Tracy, the Board approved execution of a Water Exchange Agreement with the City of Tracy on behalf of Pacific Ag Resources

Consider Water Exchange Agreement: Maricopa Orchards and Westlands Water District

Manager Gianquinto reported on a proposed exchange agreement with the Westlands Water District on behalf of common landowner Maricopa Orchards whereby Westlands Water District would deliver up to 12,000 AF to Semitropic by the end of February in exchange for up to 6,000 AF of Semitropic Table A which will be transferred to Wheeler Ridge for the 2018 irrigation season.

On motion by Director Fabbri, seconded by Director Tracy, the Board approved execution of a Water Exchange Agreement with Westlands Water District on behalf of Maricopa Orchards.

Consider California Water Fix Options

Manager Gianquinto reported that the due to the federal contractor's withdrawal from the California Water Fix, the State Water Contractors and DWR are exploring the development of a phased approach for the construction of the project such that the project would be constructed in two phases. The first Phase of the project will be a 6,000 cfs facility with two intake facilities and a single tunnel. The second Phase will include the second tunnel and third intake thereby completing the 9,000 CFS project.

Gianquinto further noted that KCWA is enquiring as to the District's willingness to contribute to the "GAP" funding of the project currently estimated to be \$135 M. It is currently estimated that the District's share of GAP funding is on the order of \$3M to \$3.7M. The GAP funding would likely be subject to an additional supplemental funding agreement. The Board will need to make a decision soon on gap financing. Considerable discussion followed.

CONSULTANT REPORTS

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 January 2018, which was accepted for filing.

Mr. Rodriguez also reported on activities related to the Land Retirement Report and meeting with the California Water Commission on grant funding under the Water Storage Investment Program for the Tulare Lake Storage and Floodwater Protection Project. Comments were provided on the EIR and the assessment of Public Benefit Ratio for the Project.

Work continued on evaluation of the District's GIS methods and protocols for managing ET data and comparison of methods used by Land IQ and ITRC for the estimation of evapotranspiration.

GEI worked with District staff in preparing and submitting two grant proposals under Reclamation's Watersmart Drought Resiliency funding program. One proposal involves equipping wells with a maximum available grant funding of \$300,000 and the other grant proposal involves a new pumping plant on Buena Vista WSD's Cox Canal with available grant funding of \$750,000.

Balance Public Relations

Dean Florez of Balance Public Relations reported on the background of the Water Storage Investment Program where the Governor wanted water storage, which the California Water Commission (CWC) is to implement. The CWC developed their own criteria for grant funding which unfortunately, set unattainable standards and no applicant has yet qualified for grant funding.

Mr. Florez gave an update on the Governor's race and other potential candidate positions.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that work continued on preparation of two Water Purchase Agreements, one between Semitropic and Agua Via and another agreement where Semitropic landowners will be given an opportunity to purchase some of the water produced by Agua Via. It was also noted that Agua Via has engaged Dr. Ken Schmidt.

Montecito Water District has signed a banking agreement with Semitropic and final implementing documents have been processed. The program is now ready to convey water to storage when Montecito has water available and as soon as Semitropic has capacity available.

Mr. Boschman represented the District at various meetings, including Kern Water Bank Authority where recharge for storage was steady and similar to previous years. CEQA documents regarding the Bike Path proposed along the west side of Enos Lane from the Kern River to Buena Vista Lake are complete and ready for review.

The Southern California Water Bank Authority held its first quarterly Board meeting on January 17, 2018. It was a short meeting to authorize the payment of bills and report of operations.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. reported that the Kelly bushings for the drilling rig were rebuilt and ready for staff to reinstall. The drilling staff has been installing two discharge lines from Turnout 2 to the recharge basins at Schofield Road.

Far West Corrosion submitted a report and recommended refurbishing the electrical test stations on the steel pipe. The recommendation report is available for review at the District office.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During January" dated February 9, 2018 was accepted for filing. In addition, the following items were presented:

Spring Well Measurements

The Manager reported that the 2018 Spring well measurements have just been completed and it appears that groundwater levels have come up and are still rising.

It was reported that the District has suffered a tremendous amount of copper theft. Around \$300,000 of rehab work needs to be done due to theft and related damages. Discussion followed on possible ways to curb the theft.

Water Supply

The 2018 State Water Project allocation was increased to 20% as of January 29, 2018. Banking Partners have not yet indicated their intentions for the coming year.

Duck Club Water

The District's 2017 deliveries to the duck clubs stopped at the end of December.

SGMA – Groundwater Sustainability Activities

District staff continued working with GEI representatives on development of the GSP for Semitropic.

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 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) State Water Project:
 - 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

 - 3) Water Supply Acquisition
 - a. Negotiating Parties: North of the River Mutual Water Company
 - b. Under Negotiation: Price and Terms

Mr. Conant and Mr. Torigiani left the meeting prior to discussion of item c.3). At 4:30 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed.

On motion by Director Toretta, seconded by Director Portwood, the Board approved Contract Amendment #3 with RMC on the Tulare Lake Project.

After discussion on the West Stanislaus Project, by general consensus, the Board decided that it was a big commitment to undertake at this time and will not move forward on the West Stanislaus Project, absent significant changes to the draft agreement.

On motion by Director Tracy, seconded by Director Waterhouse, the Board authorized the General Manager to execute an agreement reviewed in closed session to purchase water from North of the River Municipal Water District.

Adjournment

The meeting was adjourned at 4:35 p.m. by President Wegis. The next Adjourned Meeting was scheduled for Wednesday, February 28, 2018 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President