

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  
October 19, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, October 19, 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, Tim Thomson, Tom Toretta,  
Todd Tracy; Dan Waterhouse and Rick Wegis;

Directors Absent: Phil Portwood;

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 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 and Steve Torigiani;  
District's Consulting Engineers, GEI Consultants, Inc.,  
Represented by Dick Rhone;  
W.M. Lyles Representative, Rick Amigh;  
Balance Public Relations Representative, Dean Florez;  
Sandridge Partners Representative, Ted Page;  
Agua Via Representative, Floyd Wicks;  
Wonderful Orchards Representative, Tim Gobler; and  
The Chronicles Group, Inc. Representative, Jim Thebaut.

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

**Public Comment**

Jim Thebaut of the Chronicles Group, Inc. reported to the Board on his latest endeavor to bring public awareness of the reality of California's Drought and its effect on the State. Mr. Thebaut is currently producing a documentary film project to be released on cable and public television to educate Americans on the incredible vulnerability we are experiencing in California with antiquated water infrastructure, drought, water shortages, pollution, climate changes, and

poverty that each contribute to our food security risks, health and well- being of our entire nation.

Mr. Thebaut requested that the Board consider further financial support to help with completion of the project and marketing. The Board will consider the request for further support in closed session.

## **ACTION ITEMS**

### **Approval of Agenda**

There were no new items to consider; however, three items were deleted from the Agenda, including Consider Authorization for Execution of Purchase/Sale Agreement on Boschma Property; Consider Adoption of 2016 Revision of the Semitropic Employee Handbook; and Consider Authorization for Filing Notice of Exemption on Annexation of Sec. 5 & 6, T25S, R23E. Not enough information was available to make decisions on these items at the October meeting but they will be resubmitted for considered at a later date.

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

### **Minutes**

The Minutes of the Regular Board Meeting on September 14, 2016 were presented for approval.

On motion by Director Waterhouse, seconded by Director Tracy, the Minutes of the Regular Board Meeting on September 14, 2016 were approved.

### **Treasurer's Report**

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

On motion by Director Waterhouse, seconded by Director Tracy, the September 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 September 2016, including the revenue and expense. There was a change in the capital expenses due to delay of the solar project until early 2017; therefore a balance of approximately \$17.5 M is projected for the end of year 2016.

**Accounts Payable**

The Cash Disbursement List for October 19, 2016 was presented for review and payment. Discussion followed regarding the cost of security at the well drilling site and the cost of natural gas to operate the engine generators at the North and South Plants.

On motion by Director Waterhouse, seconded by Director Toretta, the Board authorized payment of the Accounts Payable as listed on the October 19, 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 2017 Budget, set Water Rates & Adopt Related Resolutions**

Manager Gianquinto reported that the Finance Committee met with staff to review the 2017 Budget. Controller Bobby Salinas reviewed the highlights of the 2017 Budget to the Board based on a 60% water allocation from the State and no anticipated banking activity. The 2017 cost of State Water Project contract water will be about \$15 M.

It was the consensus of the Board that the Contract Water rates tentatively be set at \$100/AF (SWP \$56.00 and Additional Water Use Charges \$44.00) and Noncontract Water rates at \$105/AF Winter, \$112/AF Summer and \$118/AF Allocated (based on 3.5AF/AC), subject to the hearing process to follow. Power charges were increased slightly to 11.5¢.

Director Waterhouse stated that the Finance Committee had reviewed the 2017 Budget and Water Rates with staff and recommended adoption of the Budget and Water Rates as presented.

On motion by Director Waterhouse, seconded by Director Thomson, the Board approved the 2017 Budget and adopted Resolution No. ST 16-06 and Resolution No. SID 16-05 in accordance with staff recommendations:

RESOLUTION ADOPTING 2017 BUDGET

On motion by Director Fabbri, seconded by Director Tracy, the Board approved Resolution No. BW 16-06 and Resolution No. PP 16-06 pursuant to final review:

RESOLUTION FIXING SURFACE WATER SERVICE AREA PRELIMINARY SERVICE CHARGE AND PRELIMINARY ADDITIONAL WATER USE CHARGE FOR 2017 AND SETTING NOTICED PUBLIC HEARING THEREON

**Consider Resolutions to Adopt Annual Investment and Reserve Policies**

Controller Bobby Salinas reported that the District's Annual Investment and Reserve Policies have been reviewed and updated accordingly for 2017. There were no significant changes on either the Annual Investment or the Reserve Policies.

On motion by Director Waterhouse, seconded by Director Tracy, the Board adopted Resolution ST 16-07:

ADOPTING AN ANNUAL INVESTMENT POLICY  
FOR THE  
SEMITROPIC WATER STORAGE DISTRICT

On motion by Director Waterhouse, seconded by Director Tracy, the Board adopted Resolution ST 16-08:

ADOPTING AN ANNUAL RESERVE POLICY  
FOR THE  
SEMITROPIC WATER STORAGE DISTRICT

**Consider Addendum to Initial Study for Groundwater Banking & Exchanges Within Poso Creek Plan Area, Resolution and Notice of Determination**

Staff Engineer Isela Medina presented the Addendum to the Board stating that Southern San Joaquin Municipal Utility District has been a stakeholder in the Poso Creek Integrated Regional Water Management Plan Group. Recently Southern San Joaquin submitted a request to join as a voting member to the existing Poso Creek IRWM Group and a full participant in the banking, transfer, and exchange of water supplies in the region and thus share in the responsibility of meeting the regions water management objectives as outlined in the Poso Creek IRWMP.

An Addendum to the Initial Study for Groundwater Banking & Exchanges within Poso Creek Plan Area would update the list of participants to include Southern San Joaquin but will not result in any new, unmitigated significant environmental impacts and does not require reopening of any prior approved documentation.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board authorized Resolution SID 16-06:

CERTIFICATION OF AN ADDENDUM TO THE INITIAL STUDY AND NEGATIVE  
DECLARATION FOR GROUNDWATER BANKING AND EXCHANGES WITHIN THE  
POSO CREEK PLAN AREA

**Consider Authorization for Execution of Tulare Lake Storage and Floodwater Protection Project Agreement Between Semitropic and Sandridge Partners, L.P.**

Manager Gianquinto reported that there are a few more issues for further discussion on the Proposed Tulare Lake Storage and Floodwater Projection Project. This item will be further discussed in Closed Session.

## **CONSULTANT REPORTS**

### **Design/Build Team Construction Update**

W.M. Lyle's Representative, Rick Amigh, reported that work has continued to complete the purchase of the balance of properties on which the well field reservoir will be located. The legal process should conclude soon and then Semitropic will own the reservoir property.

The Raw Water Processing Plant was prepared for shutdown, therefore, minor repairs and maintenance were performed. The Hazardous Business Plan with Kern County has been updated to reflect the expanded operation of the RWPP.

Final closeout documents are being assembled and will be completed soon on the Junction Pumping Plant Turbine Generator.

W.M. Lyles continued to work with District Staff and GEI to develop an alternative design for the meter calibration facility located at Pumping Plant A. GEI is now working on final drawings which will be completed soon. Lyles will finalize pricing and schedule upon receipt and submit to District Staff for review.

W.M. Lyles is also working with District Staff on the alignment along Hwy. 46 of the Lateral X-A pipeline that will provide two landowner services. A budget will be developed and submitted later in October for review.

### **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 August 2016, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to: preparation of the biennial monitoring reports and estimates of crop water use; draft of a white paper on the differences between a conceptual and numeric groundwater model relative to the requirements of the Sustainable Groundwater Management Act; administrative activities regarding various grants; and prepared work plans and budgets for a Proposition 1 Water Storage Investment Plan (WISP) funding application for the Tulare Lake Storage and Floodwater Protection Project.

GEI also reviewed data gathered to support a draft report on the Delano Wastewater Recycling Project which will be available for review in November. On the Pond Road Solar Project, activities included communication with District staff and BOR to discuss the draft Environmental Assessment as well as cultural resources support for well telemetry instrumentation at approximately 310 well locations within the District. Work continued on the redesign effort of the Meter Testing Facility.

### **Groundwater Storage Services, Inc.**

Will Boschman of Groundwater Storage Services, Inc. reported that Agua Via is having some difficulty in coming up with a plan that works for them and Semitropic. Their objective is to start with a modified Reverse Osmosis process for about a three year period during which they

would gather field data that is needed to develop the new thin layer membrane. There are still a few remaining issues including disposal of waste stream, defining the classification of a “new source of water”, and decisions on the best well locations.

Aqua Planet representatives have reported that they are in meaningful discussions with several investors on acquiring initial funding for their project. California Water Service has the storage agreement which was finalized for execution.

Contact was made with Mr. John Wieland with Lend Lease who reported that they are still working on their agreement for a solar project which is patterned after the Tenaska agreement.

Mr. Boschman attended several meetings on the District’s behalf, including the Kern Water Bank, the ACWA Groundwater Committee, State Water Contractors, as well as the Semitropic Rosamond Water Bank Authority.

### **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 is being prepared to move east of Magnolia on Woollomes Road. The developing unit has moved to the well in the vicinity of Garces and Magnolia where staff is swabbing the well. The video camera was used to log this well.

### **Balance Public Relations**

Dean Florez of Balance Public Relations reported that Governor Jerry Brown signed Assembly Bill (AB) 453 which will have a direct positive impact on the District. Mr. Florez reported on various legislative issues as well as possible outcomes of several close races in the upcoming election.

The priority after the election will be to bring new legislative members to the District for a presentation and tour in an effort to familiarize the new member with Semitropic’s Groundwater Banking Program and Central Valley water issues.

### **INFORMATIONAL AND UP-DATE ITEMS**

Manager Gianquinto’s written report on “District Activity During September ” dated October 6, 2016 was accepted for filing. In addition, the following items were presented:

### **Delta Issues**

On September 15, the SWRCB released a draft proposal for the Phase 1 update of the Bay-Delta Water Quality Control Plan requirements for salinity in the southern Delta and San Joaquin River flows. The new flow requirements are proposed for the protection of fish and wildlife, and the revised salinity requirements are to protect Delta agricultural water use. Staff is reviewing draft

documents and anticipates that the SWRCB will release technical documents within the next couple of months which will address Delta outflows and Sacramento River inflows.

### **Kern Groundwater Authority**

The Manager led discussion on Sustainable Groundwater Management Authority (SGMA) and Groundwater Sustainability Agency (GSA) compliance. Semitropic is a member of the Kern Groundwater Authority (KGA) which has directed its members to consider formation of a single GSA for those members willing to participate. The KGA Board is seeking to take action in 90-days to form a single GSA provided that is the desire of its members. There are still unknown issues that will need further discussion and understanding before a decision can be made.

### **Closed Session**

At 2:10 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) 8 items
  - 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) *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*
  - 8) *County of San Joaquin, et al. v. Metropolitan Water Dist. Of Southern Cal., et al and related actions*
- 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)

At 3:50 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including legal issues, agreements and proposals.

On motion by Director Waterhouse, seconded by Director Tracy, the Board approved and authorized the execution of the Tulare Lake Storage and Floodwater Protection Project Agreement Between Semitropic and Sandridge as to substantially the form presented to and discussed with the Board and subject to the Board's approval of and authorization of the execution of all related

agreements including the Purchase and Sale of Easement Agreement and Escrow Instructions.

**Adjournment**

The meeting was adjourned at 3:55 p.m. by President Wegis until Wednesday, October 26, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

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Todd Tracy, Secretary

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Fredrick A. Wegis, President