

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 12, 2011

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, October 12, 2011, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: Jeff Fabbri, Pat McCarthy, Phil Portwood, Todd Tracy and Fredrick Wegis;

Directors Absent: Courtney Howard and Dan Waterhouse;

Others Present: General Manager, Will Boschman;
Deputy General Manager, Jason Gianquinto;
District Engineer, Paul Oshel;
District Superintendent, John Lynch;
Staff Engineer, Craig Wallace;
District's Accountant, Judy Burns;
District's Exec. Secretary, Marsha Payne;
District's Legal Counsel, Ernest Conant;
District's Consulting Engineers, Bookman-Edmonston,
GEI Consultants, Inc., Represented by Dick Rhone;
District Consultant, John Jones;
W.M. Lyles Representatives, Brad Zeimet;
Kern County Water Agency Representative, Curtis Creel;
Brian Hockett, Representative of NW Kern RCD;
Steve Gair, Representing Wingate Realty; and
District's New Controller, Luis "Bobby" Salinas

President Wegis opened the meeting with the flag salute, then introduced and welcomed all guests. Manager Boschman introduced Luis "Bobby" Salinas who will begin October 24th as the District's new Controller. Mr. Salinas has worked for Barbich Hooper King Dill Hoffman Accountancy Corporation as Accounting Supervisor since 1998 and has been involved in the District Audit process for most of that time. The Board welcomed Mr. Salinas as the new Controller and wished him a long and successful career at Semitropic.

Public Comment

Brian Hockett from NW Kern Resource Conservation District (RCD) presented an update on activities of RCD's Mobile Irrigation Lab within the District. The Mobile Lab has been assisting

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. Mr. Hockett thanked the Board for their continued support.

Mr. Hockett also reported that the Mobile Lab will be testing systems within the District again in the spring. Discussion followed regarding anticipation of reimbursement funds from FEMA in an amount of \$69,000 to \$72,000 for repair work needed on Poso Creek due to flooding in last December's storms. Mr. Hockett says they too are waiting patiently and checking with FEMA on a frequent basis.

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 Poso Creek LLC Letter of Credit & Financial Guarantee of Bond of Security of Promissory Note.

On motion by Director Fabbri, seconded by Director Portwood, the revised Agenda was unanimously approved by the Board.

Minutes

On motion by Director Portwood, seconded by Director Fabbri, the Minutes of the Regular Meeting on September 14, 2011 were approved as presented.

Treasurer's Report

The Treasure's Report for September 2011 was presented for review and approval.

The Board Treasurer, Director Waterhouse, was not in attendance; therefore, President Wegis requested that the September Treasure's Reports be set for approval at the next scheduled Board Meeting.

Accounts Payable

The Cash Disbursement List was presented for review and payment. Several items were discussed, including 1) consulting services for well permits, and 2) repair of damages on 3 towers hit by lightening during a recent electrical storm.

On motion by Director Portwood, seconded by Director McCarthy, the Board authorized payment of the Accounts Payable as listed on the October 12, 2011 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".

District's legal counsel, Ernest Conant, joined the meeting at 12:45 p.m.

Consider Participation Agreement with MU for Funding of BDCP/DHCCP

President Wegis introduced Curtis Creel with the Kern County Water Agency who then gave a presentation on the proposed amendment to the Delta Habitat Conservation and Conveyance Program. The Delta Conveyance staff reorganized the program to run smoother and hopefully resolve various issues. The Supplemental Funding Agreement is designed to:

- Create a new management structure
- Address Permittee Issues
- Allow Contractors to see work products
- Streamline document review process
- Contractors agree to define benefits of DHCCP & how costs will be allocated
- Contractors that ultimately do not participate will get their money back if DHCCP goes to construction

The estimated share of DHCCP costs to KCWA is \$12 Million. Accordingly, the Agency is preparing an amendment to the contract between the Agency and its Member Units for allocation of costs among the Member Units including Semitropic. The financial obligation to the District under this agreement is approximately \$1.4 Million.

Mr. Creel stated that the Board is essentially being asked to authorize execution of the Second Amendment to the contract between the KCWA and District for the continued development of the BDCP-DHCCP planning effort to complete the EIR/EIS.

On motion by Director Portwood, seconded by Director McCarthy, the Board authorized the General Manager to execute the Second Amendment to the contract between the KCWA and the District, contingent upon review and approval by the District's legal counsel.

Mr. Creel left the meeting at 1:20 p.m.

Consider 2012 Budget, Set Water Rates and Adopt Related Resolutions

Manager Boschman commended Deputy Manager Gianquinto and the accounting staff on preparation of the Budget. In absence of a Controller, the staff worked diligently together to develop a detailed 2012 Budget in an effort to keep the District operating as smoothly and efficiently as possible.

The Deputy Manager presented to the Board the projected revenue and expenses for 2012. For budgeting purposes, it is assumed that the District will receive 80% of its annual water entitlement; the cost of water is projected to be approximately \$80.19/AF.

The Budget was presented in a little different form than in the past which now includes interest on debt service, depreciation and capital adjustments. The total 2012 proposed Budget is \$45,426,929.24, slightly up from 2011. In addition, it was determined there would be no end of the year payment in 2011. Power charges will remain at 11¢. In addition, the Board set the Contract Water rates at \$80.00/AF and Noncontract Water rates at \$60/AF winter, \$70/AF unallocated and \$80/AF allocated (based on 3.5 AF/AC). Discussion followed.

On motion by Director McCarthy, seconded by Director Tracy, the Board approved the 2012 Budget and adopted Resolution No. ST 11-7 and Resolution No. SID 11-6 in accordance with staff recommendations and as adjusted by the Board:

RESOLUTION ADOPTING 2012 BUDGET

On motion by Director Portwood, seconded by Director Fabbri, the Board approved Resolution No. BW 11-6 and Resolution No. PP 11-6 pursuant to final review:

RESOLUTION FIXING SURFACE WATER SERVICE AREA PRELIMINARY SERVICE CHARGE AND PRELIMINARY ADDITIONAL WATER USE CHARGE FOR 2012 AND SETTING NOTICED PUBLIC HEARING THEREON

Consider Poso Creek LLC Letter of Credit & Financial Guarantee of Bond of Security of Promissory Note

Deputy Manager Gianquinto reported that last year Poso Creek LLC requested to split its \$18 Million note repayment obligation with the District of 50% on letter of credit and 50% on a performance bond. Recently, the District received a request to further reduce the obligation of letter of credit to 18% and the remainder of 82% on a performance bond. District staff proposed agreement with the stipulation that they maintain at least 20,000 AF of water in storage (45,000 AF currently). Essentially \$750,000 will remain on the letter of credit with the balance on a performance bond.

On motion by Director Fabbri, seconded by Director McCarthy, the Board authorized the requested change of obligation for Poso Creek LLC on a letter of credit and 82% on a performance bond with the stipulation that at least 20,000 AF of water is maintained in storage.

Design/Build Team Construction Update

W.M. Lyle's representative, Brad Zeimet, reported that there are currently 9 outstanding Water Service Agreements yet to be signed, as well as 5 outstanding easements related to System X and about a dozen in Systems Y and Z. The District also signed a Purchase Sales Agreement to Burlington Northern-Santa Fe Rail Road for easements, which is set to close at the end of October. Environmental work continues on the SWRU Well Field HCP and the Raw Water Processing Plant remains idle.

Consulting Engineer's Report

Dick Rhone from Bookman-Edmonston, GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during September 2011, which was accepted for filing.

Mr. Rhone also reported on engineering activities including project concepts for the 2012 WaterSMART Grant for the Groundwater Banking Program; uploading data on the California Statewide Groundwater Elevation Monitoring (CASGEM); collection and compilation of data for the Groundwater Model Update; various Poso Creek IRWMP activities; and commenced work to update the District's existing Groundwater Management Plan.

INFORMATIONAL AND UP-DATE ITEMS

Manager Boschman's written report on "District Activity During September" dated October 5, 2011 was accepted for filing. In addition, the following items were presented:

Deputy Manager Gianquinto reported to the Board as requested from last month's meeting regarding participating with other Kern County water districts in funding the Valley Floor HCP. After further investigation, staff suggested participating in the group funded HCP Project as well as continue the District's own HCP efforts. This may provide two opportunities to complete the HCP Project. At a later date, it can be determined which project is best for the District to continue.

On motion by Director Tracy, seconded by Director Fabbri, the Board authorized \$1,000 be allocated toward participation in the Valley Floor HCP with other Kern County water districts.

The Deputy Manager also reported on a meeting with Occidental representatives who reported that the oil companies are drilling much deeper for injection wells compared to the District's water table. Discussion followed.

Water Supply Update

Manager Boschman reported that there are early projections of 40%-45% initial allocations for 2012. Discussion followed regarding Winter Shut-Down for repair and maintenance work on various systems. A notice will be sent to notify landowners of the shut-down time period and 2012 initial allocations.

Status of Delinquencies

There was only one delinquent account for September 2011: Primex Farms LLC - \$16.78.

Semitropic-Rosamond Water Bank Authority Activities

Manager Boschman reported that water is being taken in for storage at AVWB under Homer LLC on behalf of Palmdale Water District. Another entity, a developer under DMB Homes has acquired some "Nickel" Water who needs a place to store it which would be under second priority basis.

The Manager also reported that there continues to be on-going delays in finalizing the Joint Use of Facilities Agreement with AVEK.

Energy

O & M Superintendent, John Lynch, reported that the Hydro Plant is still down; however, repairs are scheduled for January.

The Manager reported that Greg Allen who is working with Constellation Energy on developing a project has submitted a revised agreement for staff review.

Poso Creek IRWMP

District Engineer, Paul Oshel, reported that DWR announced Final Approval of the \$8.25 Million funding for the Poso Creek Group. North Kern WSD and the City of Shafter will handle the administration aspects of the grant award.

Consultant Reports

John Jones reported on activities on the Semitropic-Rosamond Recharge Ponds. Flow control boxes were installed during repairs and Rosamond staff started filling the ponds as soon as repairs were completed. District representatives met with an entomologist and support person from Lancaster Mosquito Abatement District who took samples from the ponds where it was reported that mosquitoes were breeding. They recommended aquatic weed control and mosquito fish in the ponds.

Mr. Jones also reported that District staff installed a submersible test pump in the Kimberlina-Gun Club area to test perched water for volume and quality. The pump was able to maintain 210 gallons per minute.

Closed Session

At 3:10 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) 6 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) *Rosedale RBWSD, et al v. Kern Water Bank Authority*
- b. Conference with legal counsel to discuss Real Property Negotiations
(Gov't Code Section 54956.8)

- c. Conference with legal counsel to discuss Contract Negotiations (Gov't Code Section 54956.8)
- d. Personnel Matters (Gov't Code Section 54957)

All visitors left the meeting. Legal counsel reported on various legal issues and discussed real property negotiations with the Board.

At 3:25 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed including pending litigation and real property negotiations. No action was taken.

Adjournment

The meeting was adjourned by President Wegis until Wednesday, October 26, 2011 at 12:30 p.m. at the District office to continue the business of the District.

APPROVED:

/s/ Fredrick A. Wegis, President

/s/ Todd Tracy, Secretary