

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
November 9, 2011

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, November 9, 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, Courtney Howard, Pat McCarthy, Phil Portwood, Todd Tracy, Dan Waterhouse and Fredrick Wegis;

Directors Absent: None;

Others Present: General Manager, Will Boschman;
Deputy General Manager, Jason Gianquinto;
District Engineer, Paul Oshel;
District Superintendent, John Lynch;
District Controller, Bobby Salinas;
Staff Engineer, Craig Wallace;
District Accountant, Judy Burns;
District 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;
District's Energy Consultant, Greg Allen;
W.M. Lyles Representatives, Rick Amigh;
Paramount Farms Representative, Mike Widhalm; and
Steve Gair, Representing Wingate Realty.

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

ACTION ITEMS

Approval of Agenda

The Agenda was reviewed and unanimously approved as posted on motion by Director Tracy, seconded by Director Howard.

Minutes

On motion by Director Portwood, seconded by Director Tracy, the Minutes of the Regular Meeting on October 12, 2011 were approved as presented.

Treasurer's Report

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

The Board Treasurer, Director Waterhouse, stated that he had reviewed the Treasure's Reports and Financial Statements for August, September and October 2011 and found them to be in order and acceptable to be filed.

On motion by Director Waterhouse, seconded by Director Portwood, the August, September and October 2011 Treasure's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Accounts Payable

The Cash Disbursement List was presented for review and payment. Several items were discussed, including 1) computer software with support agreements, upgrades to the computer system servers and new monitor for the Controller; 2) repair of a water leak by W.M. Lyles where So. California Gas hit a water line; and 3) 2009 groundwater pumpback true-up payments to District water users.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the November 9, 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".

Consider Resolution to Order Filing of List of Delinquent Tolls and Charges

Manager Boschman reported that this is the time to adopt the resolutions to start the process for Ordering Filing of Delinquent Tolls and Charges for Water Year 2011.

On motion by Director Portwood, seconded by Director Tracy, the Board adopted Resolutions No. BW 11-7 and PP 11-7:

ORDER THE FILING OF DELINQUENT
TOLLS AND CHARGES (WATER YEAR 2011)

Consider Resolutions to Adopt Annual Investment and Reserve Policies

Deputy Manager Gianquinto reported that the District’s Annual Investment and Reserve Policies have been review and it appears that the Policies need to be amended to reflect the change in personnel.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board adopted Resolution No. ST 11-8:

ADOPTING AN ANNUAL INVESTMENT POLICY
FOR THE
SEMITROPIC WATER STORAGE DISTRICT

On motion by Director Waterhouse, seconded by Director Fabbri, the Board adopted Resolution No. ST 11-9:

ADOPTING AN ANNUAL RESERVE POLICY
FOR THE
SEMITROPIC WATER STORAGE DISTRICT

Consider Contract Amendment for Mid Valley Ranch

Manager Boschman reported that Mid Valley Ranch LLC recently submitted a request to amend their Contract after purchasing a piece of property adjacent to their existing farmland. The property has only rights to Noncontract water and the groundwater underlying their land is high salinity.

Craig Wallace reported that Mid Valley’s Ranch Manager, Alan Scroggs, made a request to Modify its Contract Agreement and Supplemental Water Agreement to include the additional 145 acres. Mid Valley currently has approximately 678 acres with a water service contract adjacent to this property with 2.4 AF/Ac entitlement and an additional Supplemental Water Agreement allowing a total of up to 5 AF/Ac of entitlement. After “diluting” the entitlement and spreading the water over the additional acres, the total allowed would be about 4.1 AF/Ac. Mr. Scroggs has indicated this is an ample water supply for almond and pistachio production.

Discussion followed. The only foreseen impact may be that Mid Valley might call on SAW water more often than in the past but there would be no increase in the amount of water allocation.

On motion by Director Fabbri, seconded by Director Waterhouse, the Board authorized a Contract Amendment for Mid Valley Ranch, LLC to include an additional 145 acres to their Contract water to be spread over the existing and new acreage with no additional allocation.

Presentation by Greg Allen for Constellation Solar Lease Project

Manager Boschman reported that a few months ago, Constellation Energy indicated they would like to make a proposal on the Solar Lease Project and requested 90 days for due diligence work and submit the proposal at the end of January 2012. Greg Allen of Aviva Energy, the District's energy consultant, has negotiated terms of a development agreement with Constellation for the Board to consider.

Mr. Allen reported that Constellation is merging with another large energy supplier, and is eager to proceed with investigating the feasibility of a large scale solar facility with the District. There have also been discussions regarding a joint venture agreement with Constellation, Elecnor and EneXco to work together for one interconnect agreement with PG&E at the Smyrna Substation with one set of lines and metering equipment which would lower costs for all parties and make the approval process more streamlined. Further discussion continued on the Solar Lease Project. It is anticipated that a proposal will be forthcoming in early 2012.

Design/Build Team Construction Update

W.M. Lyle's representative, Rick Amigh, reported that efforts are still underway to get Water Service Agreements signed, as well as the outstanding easements related to Systems X, Y and Z. The District was finally able to complete the purchase of 15 acres of land from Burlington Northern-Santa Fe Rail Road that will support the construction of the SWRU Project. Environmental work continued on the Well Field HCP.

Engineering and design work to construct pipelines and turnouts within the SWRU for connecting the new Paramount Farms irrigation system west of Gun Club Road and north of Poso Creek to the existing P667 Distribution System. This will initially be paid for by the landowner with expectations of future reimbursement. Construction is expected to occur in December or January 2012.

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 October 2011, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to the Groundwater Monitoring Committee Meeting; the collection and compilation of data for the Groundwater Model Update; uploading data on the California Statewide Groundwater Elevation Monitoring (CASGEM); and communication with DWR regarding implementation of Grants.

INFORMATIONAL AND UP-DATE ITEMS

Manager Boschman's written report on "District Activity During October" dated November 4, 2011 was accepted for filing. In addition, the following items were presented:

District Controller, Bobby Salinas, presented cash flow projections, budget reports and the summary of income and expense accounts for Board review and discussion.

Deputy Manager Gianquinto reported that progress is being made on acquisition of Water Service Agreements and Easements for the SWRU. It is anticipated that funds from FEMA will be issued thru North-West Kern RCD soon. The District along with 16 other Kern County water districts have signed a joint funding agreement to engage Provost and Pritchard to act as coordinator for the respective landowners and operators with respect to activities related to the pending water quality regulations being drafted by the Central Valley Regional Water Quality Control Board.

Discussion followed regarding accounting software and Water Information Management System(WIMS) which is currently being used. Unfortunately, as of January 1, 2012, WIMS will no longer be supported but will be replaced with LATIS which is being developed to fit the District's needs.

Water Supply Update

Manager Boschman reported that the State has announced an initial 60% allocation for 2012. The State is predicting that the San Luis Reservoir will fill by the end of November or early December which means that there is a lot of carry over water that needs to be vacated before it is lost by other Districts and agencies.

Status of Delinquencies

There were two delinquent accounts for October 2011: Primex Farms LLC - \$16.78 and Jessie & Delia Rodriguez - \$1,923.78 for a total of \$1,940.56.

Manager Boschman reported that the Agreement with the City of Tracy has been approved for about a month; however, the KCWA and the State still need to approve it in final form. The Agency as informed the District that because the City of Tracy is not a member unit, a \$5.00 wheeling charge will be applied to help recover processing costs.

The District is preparing to take in Homer water under an agreement with KCWA. Discussions of the terms are currently underway.

Semitropic-Rosamond Water Bank Authority Activities

The Manager also reported that the AVWB is taking in water for storage under Homer, LLC.

John Jones reported on another problem with the control structures at the AVWB which was repaired. W.M. Lyles continues construction of a permanent connection to the West Feeder which is intended to be operational within the next few weeks. The spreading ponds were stocked with mosquito fish which appear to be quite effective.

Poso Creek IRWMP

District Engineer, Paul Oshel, reported that the Prop 84 Grant will be administered by North Kern Water Storage District on behalf of the Poso Creek Group.

Other

The Deputy Manager reported on discussions with Occidental representatives who have indicated interest in attending a Board meeting to explain “fracking” procedures and the work Occidental is doing within the District.

SEMITROPIC WATER STORAGE DISTRICT
PUBLIC HEARING NOVEMBER 9, 2011
TO FIX THE SERVICE CHARGE AND
ADDITIONAL WATER USE CHARGE
FOR SURFACE WATER SERVICE FOR 2012

President Wegis called the hearing to order at 2:00 p.m. He noted that a quorum was present and that the attendance had been noted in the usual fashion. He turned the hearing over to legal counsel and staff for presentation of 2012 water charges.

Staff reported that this is the time and place set by the Board for fixing the Service Charge and Additional Water Use Charge for Surface Water Service for 2012.

It was noted that there were no guests present regarding hearing matters and no written comments were received by the District.

Hearing no comments or objections, the Board proceeded with fixing the charges for 2012. The following documents were presented as attachments to the Minutes:

“AFFIDAVIT OF MAILING TO WATER USERS AND PERSONS AUTHORIZED TO RECEIVE WATER BILLINGS FOR WATER SERVICE IN BUTTONWILLOW AND POND-POSO IMPROVEMENT DISTRICTS of October 28, 2011”, attaching a letter to Water Users and persons authorized to receive water billings for water service, which is enclosed, a “NOTICE OF FIXING SURFACE WATER SERVICE AREA SERVICE CHARGE AND ADDITIONAL WATER USE CHARGE FOR 2012, AND THE TIME AND PLACE OF HEARING THEREON”.

The aforementioned affidavit is attached hereto as “Exhibit B”.

A “PROOF OF PUBLICATION” from The Bakersfield Californian for Buttonwillow Improvement District and Pond-Poso Improvement District of “NOTICE OF FIXING SURFACE WATER SERVICE AREA SERVICE CHARGE AND ADDITIONAL WATER USE CHARGE FOR 2012 AND THE TIME AND PLACE OF HEARING THEREON”.

The aforementioned proof of publication is attached hereto as “Exhibit C”.

The Board reviewed “Statement of Wilmar L. Boschman, General Manager, at the November 9, 2011 Public Hearing Fixing 2012 Contract Water Charges”, which is attached hereto as “Exhibit D”.

The following resolutions were presented for Board’s consideration.

On motion by Director Portwood, seconded by Director Fabbri, Resolution Nos. BW 11-8 and PP 11-8 were adopted:

RESOLUTION FIXING SURFACE WATER SERVICE AREA SERVICE
CHARGE AND ADDITIONAL WATER USE CHARGE FOR 2012

The Public Hearing closed at 2:05 p.m., and the Board reconvened to regular session.

Closed Session

At 2:06 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*
 - 7) *Central Delta v. Semitropic Water Storage District (Delta Wetlands)*
- 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)

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

At 2:20 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed including pending litigation and real property negotiations.

On motion by Director Fabbri, seconded by Director Waterhouse, the Board authorized entering into a Joint Defense Agreement and Reimbursement Agreement with Delta Wetlands, subject to final review by legal counsel.

Adjournment

The meeting was adjourned by President Wegis until Wednesday, November 23, 2011 at 12:30 p.m. at the District office to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President