

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
December 14, 2011

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, December 14, 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, Scott Kuney;
District's Consulting Engineers, Bookman-Edmonston,
GEI Consultants, Inc., Represented by Dick Rhone;
District Consultant, John Jones;
W.M. Lyles Representatives, Rick Amigh;
District's Bond Counsel, Jeff Stava of Nossaman;
North Kern Water Storage District Representative, Richard Diamond;
North-West Kern RCD Representative, Brian Hocket; and
District landowner, Mark Palla.

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 Portwood.

Minutes

On motion by Director Portwood, seconded by Director McCarthy, the Minutes of the Regular Meeting on November 9, 2011 were approved as presented.

Treasurer's Report

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

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

On motion by Director Waterhouse, seconded by Director Fabbri, November 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) Acid Source for service of the Delta Ph facility; 2) Kern County Water Agency for 60% of 2012 water charges; and 3) 2009 groundwater pumpback true-up payments to District water users.

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

Manager Boschman reported that due to a series of events that caused major flooding on Poso Creek in December 2010, money was only recently received from FEMA to assist affected landowners for reimbursement of repairs on damages. Deputy Manager Gianquinto stated that Brian Hockett (who was present) was persistent in contacting FEMA in an effort to get reimbursement funds which covered about 82% of the repairs. Further repair work is needed along Poso Creek; however, we have until July 2012 to complete the repairs and still apply for reimbursement to assist with the effort.

The Controller, Bobby Salinas, reported on the 2012 cash flow projections for the District.

Consider Membership/Support of Water Association of Kern County (WAKC)

Manager Boschman reported that due to management change of the Water Association and retracting of the campaign for water awareness, a higher fee schedule structural move on size and nature of the Association Member has been adopted by Water Association Directors. The fees will be used for publication of educational materials and water awareness outreach to Kern County citizens thru television educational spots. Staff recommends \$5,000 membership fees for support of the WAKC and its Water Awareness Campaign.

On motion by Director Tracy, seconded by Director Waterhouse the Board authorized an amount of \$5,000 toward support of the Water Association of Kern County and its Water Awareness Campaign.

Consider Executing Joint Powers Agreement for Participation in the Kern River Watershed Coalition Authority

Deputy Manager Gianquinto reported that the Central Valley Regional Water Quality Control Board has proposed a “Long-Term Irrigated Lands Regulatory Program” on farm discharge water and taking the position that any amount of discharge waste may harm the groundwater and therefore should be regulated. The Regional Board takes the position any person discharging must either be individually permitted pursuant to a waste discharge requirement or subject to a waiver of such requirement, either as individuals or through coalition groups.

Local public agencies have formed the Kern River Watershed Coalition Authority in order to combine resources to review, analyze, comment upon and reduce the cost of compliance with the proposed program and the costs previously administered by the Kern County Water Agency. Provost & Pritchard has been hired to represent the Districts and farmers in activities relating to the Water Quality Regulations. A Joint Powers Agreement has been prepared by legal counsel for consideration of execution by participants. The projected total cost to fund activities in 2012 is \$52,400. Discussion followed.

On motion by Director McCarthy, seconded by Director Fabbri, the Board authorized execution of the Joint Powers Agreement for participation in the Kern River Watershed Coalition Authority.

Consider Resolution Providing for the Borrowing of Funds for 2012 and the Issuance of 2012 Tax Revenue Anticipation Notes (TRAN)

The District’s Bond Counsel, Jeff Stava, prepared and submitted 2012 Tax and Revenue Anticipation Notes for Board authorization to renew the Line of Credit with Wells Fargo. Jeff Stava reported that the Line of Credit is renewable each year and 2012 is essentially the same as 2011. The maximum amount that can be borrowed in 2012 is \$4.3 Million which can be drawn all at once or in increments but must be paid in full at the end of the year. Discussion followed.

On motion by Director Waterhouse, seconded by Director McCarthy, the Board authorized Resolution SID 11-7:

RESOLUTION PROVIDING FOR THE BORROWING OF FUNDS FOR
FISCAL YEAR 2012 AND THE ISSUANCE AND SALE OF SEMITROPIC
IMPROVEMENT DISTRICT OF THE SEMITROPIC WATER STORAGE
DISTRICT 2012 TAX AND REVENUE ANTICIPATION NOTES

Jeff Stava left the meeting at 12:55 p.m.

Consider Entering Into an Agreement with BHK for 2011 Audits for the District and its 401(K) Plan

Manager Boschman reviewed a consulting service agreement submitted by Barbich, Hooper & King (BHK) for preparation of the 2011 Audit.

Two agreements were submitted for Board consideration; 1) routine services for yearly audit, and 2) provide services for audit of 401(k) Semitropic Employee Retirement Plan. Discussion followed.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized the Manager to execute the consulting services agreements with BHK for the 2011 Audits for the District and its 401(k) Plan.

Presentation by No. Kern WSD Regarding Comments on Kern Delta's Draft EIR

The Manager of No. Kern Water Storage District, Richard Diamond, made a presentation to the Board on a dispute over Kern River Water. An Environmental Impact Report (EIR) was recently released by Kern Delta Water District and comments are due by January 13, 2012. No. Kern is hoping to solicit comments from Semitropic in support of their efforts.

In essence, Kern Delta has proposed a project called the "Kern River Water Allocation Plan" which takes water historically used by No. Kern thru Kern River rights, now to be used by Kern Delta. The EIR also includes taking water from the City of Bakersfield to be used in Kern Delta. Mr. Diamond used charts and graphs to explain how Kern River water has historically been allocated.

He also reported on actions being taken and anticipated by the City of Bakersfield, which together with the actions by Kern Delta would significantly reduce its water supply. No. Kern is trying to negotiate settlement discussions with Kern Delta and maybe develop a Management Plan instead of settling thru a lawsuit.

District's legal counsel, Scott Kuney, reported on the legal aspects of the negotiations and stated that these actions will hurt the water balance of the whole region. Further discussions regarding comments on the EIR will be scheduled in the near future with Semitropic and No. Kern representatives.

Richard Diamond left at 1:30 p.m.

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. Design work and engineering was completed to connect the new Paramount Farms irrigation system to the P667 Distribution System. This feature will become part of the Z System in the future. Construction is scheduled to commence in early 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 November 2011, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to the Groundwater Model Update; two grant proposals which would help fund the Groundwater Management Plan Update and development and design information regarding the selection of a turbine generator for the Junction Pumping Plant site. Mr. Rhone also discussed additional storage options for Metropolitan Water District.

INFORMATIONAL AND UP-DATE ITEMS

Manager Boschman's written report on "District Activity During November" dated December 9, 2011 was accepted for filing. In addition, the following items were presented:

Deputy Manager Gianquinto reported that per the Board's request, staff has researched computer programs to update the accounting system. The total costs for the upgrade is about \$120,000.

Kern County Water Agency (KCWA) made a decision to remove itself as the coordinating entity for the Long Term Irrigated Lands Regulatory Program. The District along with 16 other Kern County water districts have formed a Joint Powers Authority (JPA) and engaged 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.

The Deputy Manager reported on progress of the DHCCP/BDCP. KCWA is holding a series of workshops on the subject to facilitate a better understanding by the Member Units. GEI Task Orders were discussed which included 2012 General Services for \$120,000 and two 2012 WaterSMART Grant Applications for a total cost of \$20,000.

Water Supply Update

Manager Boschman reported that the State continues to hold its initial 60% allocation for 2012. The State is now predicting that the San Luis Reservoir may fill sometime in late January to early February. Noncontract water should be available thru the spring.

Status of Delinquencies

There were three delinquent accounts for November 2011: Rio Grande Farms - \$1,131.50, Ajit Rangoola - \$3,734.40 and Jessie & Delia Rodriguez - \$1,923.78 for a total of \$6,789.68.

Semitropic-Rosamond Water Bank Authority Activities

The Manager reported that about 23,000 AF of water has been delivered for storage at the AVWB, including 21,400 for Homer, LLC and 1,500 for Rosamond Community Services District.

W.M. Lyles completed work on the West Feeder Connection and work continued on restoration of the levees.

Energy

There have been recent discussions with EnerNoc and others regarding the District's energy program. A new RFP may be presented to bring in new proposals for District consideration.

John Lynch, District's O & M Superintendent, reported that his crew is scheduled to overhaul the hydro plant this winter/spring. There are six wells at the AVWB that need equipment in order to be prepared to recover water.

Poso Creek IRWMP

District Engineer, Paul Oshel, reported that an Environmental Account was filed with the State to streamline water exchanges within the District. Grant awards for Prop. 84 are expected to be announced in January.

Closed Session

At 2:20 p.m. the District's legal counsel, Scott Kuney, 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 with the Board.

At 4:05 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed including pending litigation and contract negotiations.

On motion by Director Fabbri, seconded by Director Waterhouse, the Board voted to not counter-sign the SRWBA-AVEK agreement at this time.

Staff members left the meeting and the Board continued in Executive Session to discuss personnel matters with legal counsel.

Adjournment

The meeting was adjourned by President Wegis until Wednesday, December 28, 2011 at 12:30 p.m. at the District office to continue the business of the District.

APPROVED:

Todd Tracy, Secretary

Fredrick A. Wegis, President