

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
August 10, 2011

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, August 10, 2011, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: Courtney Howard, Jeff Fabbri, Phil Portwood, Todd Tracy, Dan Waterhouse and Fredrick Wegis;

Directors Absent: Pat McCarthy;

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;
W.M. Lyles Representatives, Rick Amigh;
No. Kern Representative, Dana Munn
Paramount Farms Representative, Mike Widhalm;
District landowners, Ted Page, Mark Palla;
Steve Gair, Representing Wingate Realty;
Jim James, Western Development & Storage; and

Via conference call: Peter Kiel, Esq. Representing Ellison, Schneider & Harris, LLP
Catherine McEfee, Representing ESA Associates.

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

ACTION ITEMS

Approval of Agenda

It was noted that two new items came to Staff's attention after posting the Agenda and will need action before the next meeting: 1) Consider GEI Task Order No. 08-2011 – Implement

Agricultural Water Conservation & Efficiency Grant, and 2) Consider GEI Task Order No. 09-2011 – Poso Creek IRWMP Activities (July to Dec 2011)

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

Minutes

On motion by Director Waterhouse, seconded by Director Portwood, the Minutes of the Regular Meeting on July 13, 2011 were approved as presented.

Treasurer's Report

The Treasure's Report for July 2011 was presented for review and approval along with financial statements and cash flow charts.

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

On motion by Director Waterhouse, seconded by Director Tracy, the July 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) Buena Vista WSD for purchase of water and wheeling for Semitropic landowners, 2) filter system for domestic well at the well drilling yard, 3) and Utility Cost Management (UCM) for utility consulting services per agreement.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the August 10, 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 Financial Support for "Running Dry Beyond the Brink" Project

Manager Boschman reminded the Board of the Presentation given by Jim Thebaut at the July Board meeting and his request for financial support to continue production of the Bay Delta Project in an effort to educate people of critical water issues on a national level. The Manager recommended \$10,000 toward support of the Project after Thebaut meets at least 80% of his budget or \$400,000 (whichever comes first) commitment on the Project budget. Discussion followed.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized an amount of \$10,000 pledged toward production of “Running Dry: Beyond the Brink” Project which takes a neutral look at California Bay Delta issues. Financial support will be forwarded once Jim Thebaut, the producer of the documentary, meets 80% or \$400,000 (whichever comes first) of the financial commitment toward production of the Project.

Consider Extending Energy Consulting Agreement with Aviva

The Manager reported that Greg Allen of Aviva Energy Corp. (formerly known as Advanta Energy Corp.) has provided energy consulting services to Semitropic pursuant to an agreement signed in 2005. However, an amended agreement has been submitted to include expanded duties for Aviva Energy to advise the District and manage the process of development by third-parties of solar/photovoltaic or other electric generation facilities on lands owned by Semitropic. Discussion followed on the revised scope of work, consulting fee and performance bonus included in the revised agreement.

The Board agreed to continue the \$750.00 monthly consulting fees; however, the performance bonus appeared to be high. Staff was requested to work with Greg Allen to revise the fee scale and cap the dollar amount. This item will be further discussed and possibly action taken at the August 24th Special Board Meeting.

Consider Safety Program Consulting Agreement with Brad Fore

Deputy Manager Gianquinto reported that Brad Fore of Amped Safety Innovations, Inc. recently submitted a proposal to complete a comprehensive evaluation of the District’s safety program. The evaluation would be done on a not-to-exceed amount of \$6,000. Upon conclusion of the analysis, Mr. Fore will submit a recommendation on the Safety Program and a report will be presented.

On motion by Director Howard, seconded by Director Waterhouse, the Board authorized execution of a consulting agreement with Amped Safety Innovations, Inc. for a comprehensive evaluation of the District’s safety program for an amount up to \$6,000.

Consider Landowner Request to Change Assessment

The Deputy Manager stated that District landowner, Oscar Mendoza, requested a change to the water assessment from \$32.50 to .50 cents as there is no turnout or water service on his property except for a domestic well to serve a house. Discussion followed regarding the District policy of lands remaining idle for at least 3 years before considering a change of assessment. The Board requested that staff research the topic further and report at the next Board meeting.

Consider Purchase Agreement for Easements from Burlington-Northern/Santa Fe Rail Road

Deputy Manager reported that an agreement had been reached with Burlington-

Northern/Santa Fe Rail Road (BNSF) for easements on Parcels SWRU 2-8, X-21 & 2X-22. A formal purchase agreement has been prepared for signature for the District to purchase necessary easements for the SWRU pipeline.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized execution of the purchase agreement with BNSF for easements on lands for the SWRU pipeline.

Consider GEI Task Orders

The Deputy Manager presented three GEI Task Orders for Board consideration and discussion:

- 1) Task Order No. 08-2011 – Implementation of the WaterSMART Bay-Delta Agricultural Water Conservation and Efficiency Grant (Budget of \$190,000 to cover District-level facility improvements to enhance conjunctive use management of groundwater and surface water by installing pumps, motors, turbine and meters.)
- 2) Task Order No. 09-2011 – Poso Creek Integrated Regional Water Management (IRWM) Plan Activities for the second half of the 2011 year [July – December] (Budget of \$40,166 for planning & implementation of the Poso Creek IRWM Plan.)
- 3) Task Order No. 11-2011 – 2011 Groundwater Management Plan Update (Budget of \$20,000 to identify and develop modifications to update the 2011 Groundwater Management Plan.)

On motion by Director Portwood, seconded by Director Tracy, the Board authorized staff to execute GEI Task Orders 08-2011, 09-2011 and 11-2011 in order to carry on the business of the District.

Design/Build Team Construction Update

W.M. Lyle's representative, Rick Amigh, reported that several Water Service Agreements and Easements have recently been signed. Negotiations have moved forward with BNSF in regard to the purchase of property for the SWRU Project. The District returned a signed Purchase Sales Agreement to BNSF for execution which will hopefully, be completed in September.

Considerable work was done on the Draft HCP by Entrix during the month. The Raw Water Processing Plant remains idle until additional material testing can be completed as requested by Clean Harbors. The sediment removal is now scheduled to begin on August 15th.

Manager Boschman congratulated W.M. Lyles, noting that they are listed at #34 on the Top 50 California Contractors in the Engineering News Record.

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 July 2011, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to assisting staff with coordinating with DWR on the California Statewide Groundwater Elevation Monitoring (CASGEM); final design/layout for three outlet structures on the Entry Ponds to the Pond-Poso Spreading Grounds; various Poso Creek IRWMP activities; and implementation of various DWR grants.

INFORMATIONAL AND UP-DATE ITEMS

Manager Boschman's written report on "District Activity During July" dated August 3, 2011 was accepted for filing. In addition, the following items were presented:

Delta Wetlands EIR Update

District legal counsel, Ernest Conant, explained the background concerning the District's involvement with the Delta Wetlands project. Mr. Conant introduced Jim James, the Project Manager, and via conference call, Peter Kiel, Delta Wetlands legal counsel and Catherine McEfee with ESA, an environmental consulting firm.

Jim James made a presentation to the Board, explaining the project which consists of 4 islands in the Delta – 2 for habitat restoration and 2 with approximately 215,000 AF of water for storage. The project was fully permitted in 2001 and a number of Southern California Agencies, including Semitropic, have been designated as the Final Place of Use in the EIR.

Peter Kiel and Cathy McEfee explained the Board's roll in the process and necessary actions to be taken. Ernest Conant stated that the next steps would be a Special Board Meeting and Public Hearing scheduled for August 24th. The Board would review formal comments in the EIR from the public, the written responses, and then proceed to consider whether to adopt a Resolution to certify the EIR. Discussion followed.

Rick Amigh, Jim James, Peter Kiel and Cathy McEfee left the meeting at 2:00 p.m.

Water Supply Update

Manager Boschman reported that there has been no change in the State allocation of 80%. In-District demand is a little lower than originally anticipated. Paul Oshel reported that by the end of the year, about 100,000 AF of water will be delivered to Kern Water Bank and about 66,000 AF of water will be delivered to Pioneer Project. There have been requests to bank more; however, at this point, there is no place to put it. About 80,000 AF of Table A Water has been purchased for deliveries as non-banked water and no return obligation.

Deputy General Manager Report

Deputy Manager, Jason Gianquinto, reported that 1) the Cardno/Entrix team initiated work on the preparation of a revised Habitat Conservation Plan and development of the request for “Take-Authorization” on the SWRU well field; 2) the Stand Tank Rehabilitation Project is complete on the P-384 standtank, however, the exterior coating of the B-230-2 tank was peeling from previous coating, therefore a change order was submitted for \$20,900 for additional sweep blasting and complete epoxy prime coat application.

The Deputy Manager also reported that for now, the accounting staff will continue to use the current software and Solomon program until a new Controller is in place and has an opportunity to participate in the selection of a new software package.

We still have not received funds from FEMA for the emergency work reimbursement. We received a letter of obligation to precede with the long term repairs on Poso Creek; however, the repairs will not commence until funds are received.

Status of Delinquencies

The total delinquent accounts are: \$1,060.36. The accounts include Primex Farms LLC - \$16.78, and Jessie & Delia Rodriguez - \$1,043.58.

Banking Project Update

The Deputy Manager reported on the issue of “fracking” and water quality. The Board discussed sending a letter to landowners regarding protecting the water basin and advising against open pit drilling. The subject of injection wells was also discussed with the concern that it may compromise the integrity of water wells. More information will be provided as it becomes available.

Semitropic-Rosamond Water Bank Authority Activities

Manager Boschman reported that there was a significant breach in the levy at the Antelope Valley Water Bank (AVWB). Repair work to the levy plus erosion repairs may cost from \$75,000 to \$100,000 as the failure was larger and deeper than first thought.

A meeting is scheduled for tomorrow morning with Los Angeles Department of Water and Power Management Staff for further discussions on a banking project.

Energy

The Manager reported that the District still continues to receive interest from various solar energy companies. Greg Allen will be very helpful as a consultant to the District in talking to proposers of the projects to help determine which facilities might be the most beneficial and a good fit for the District’s needs.

Other Business

O & M Superintendent, John Lynch, reported that the hydro plant is currently down due to failure of the internal seals. It will be down until probably January when the canal levels are low again and repairs can be made. Discussion followed.

Staff discussed Winter Work projects which will start after January 1, 2012 with an anticipated short winter shut-down period. One project will be cleaning sand and silt from the canals as it is destroying District pumps.

Closed Session

At 2:35 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)

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

At 3:40 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed including real property negotiations and various contract negotiations; however, no action was taken.

Adjournment

The meeting was adjourned by President Wegis until Wednesday, August 24, 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