

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  
February 11, 2015

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, February 11, 2015, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: Jeff Fabbri, Phil Portwood, Tim Thomson  
Todd Tracy, Dan Waterhouse and Rick Wegis;

Directors Absent: Pat McCarthy;

Others Present: General Manager, Jason Gianquinto;  
District Superintendent, John Lynch;  
District Engineer, Paul Oshel;  
District Controller, Bobby Salinas;  
Staff Engineer, Craig Wallace;  
District Accountant, Judy Burns;  
District Executive Secretary, Marsha Payne;  
District's Legal Counsel, Ernest A. Conant;  
District's Consultants, Will Boschman and John Jones;  
District's Consulting Engineers, Bookman-Edmonston,  
GEI Consultants, Inc., Represented by Dick Rhone;  
W.M. Lyles Representative, Rick Amigh;  
Wells Fargo Securities Representatives, Mike Engelbrecht  
and Albert Reyes;  
Paramount Farms Representative, Mike Widhalm;  
Balance Public Relations Representative, Dean Florez;  
Maricopa Orchards Representative, Jon Reiter;  
Westside Farming Representative, Devin Aviles;  
District Landowner, Mark Palla;  
North West Kern RCD Representative, Brian Hockett;  
NRC Representative, Celine Morales;  
Sandridge Partners Representatives, John Vidovich, Ted Page,  
Ceil Howe and Peter Meier

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

## **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 SWRU Amendment No. 11 – 2015 Reverse Flow Improvement Project.

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

### **Wells Fargo Securities Presentation and Consideration of Resolution Authorizing 2015 Second Lien Revenue Bonds**

President Wegis welcomed Michael Engelbrecht, Wells Fargo Securities Representative. Mr. Engelbrecht cited a long history with the District and gave a presentation showing that Wells Fargo is among the top 5 municipal bond underwriters, is a leader as underwriter of California agricultural water district financing, and has the capital to commit, underwrite and directly extend credit. Market trends show that interest rates have gone down and investors are putting money back into the bond market. Discussion followed regarding possibly refunding a portion of the 2009A Bonds which could be of significant savings to the District.

Albert Reyes, of Nossaman LLP Attorneys at Law, acting as District's Bond Counsel following the untimely death of Jeff Stava, presented a Board Resolution which authorizes the actions to complete the Bond transactions and sets the parameters of financing. The Draft Preliminary Official Statement was submitted for review and discussion (and each Board member having received a copy of the draft) followed on the general terms of the bonds, security, disclosures and costs to the District. Wells Fargo will do a pre-pricing exercise so the District has a good idea of the closing.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized the sale of bonds in the form of Resolution No. SID 15-01:

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC  
WATER STORAGE DISTRICT APPROVING AN INDENTURE  
OF TRUST, A CONTINUING DISCLOSURE AGREEMENT, A  
PURCHASE CONTRACT, ESCROW INSTRUCTIONS, AND  
AN OFFICIAL STATEMENT; MAKING CERTAIN  
DETERMINATIONS RELATING THERETO; AND  
AUTHORIZING CERTAIN OTHER ACTIONS IN  
CONNECTIONTHEREWITH

Mr. Engelbrecht and Mr. Reyes left the meeting at the conclusion of their presentation and discussion with the Board.

## **Minutes**

The Minutes of the Special Board Meeting on January 7 and Regular Board Meeting on January 14, 2015 were presented for approval.

On motion by Director Waterhouse, seconded by Director Portwood, the Minutes of the Special Board Meeting on January 7 and Regular Board Meeting on January 14, 2015 were approved.

## **Treasurer's Report**

The Treasurer's Reports for January 2015 were presented for review and approval.

On motion by Director Waterhouse, seconded by Director Tracy, the January 2015 Treasurer's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

## **Financial Report**

District Controller, Bobby Salinas, presented a newly formatted Income Statement for Board review and well as the Projected Cash Flow Balance for 2014 and Projected Cash Flow Report for 2015.

## **Accounts Payable**

The Cash Disbursement List for February 11, 2015 was presented for review and payment. Discussion followed regarding payment to Tibban Mfg for a mud puppy used in well drilling; W.M. Lyles for repair and operation of the raw water processing plant during November & December; a security service to patrol equipment when there's not an overnight crew working; and payment to Sun Trust Bank for the 2005 Swap Agreement.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized payment of the Accounts Payable as listed on the January 14, 2015 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 North-West Kern RCD Mobile Irrigation Lab**

Brian Hockett of the North West Kern Resource Conservation District reported that the Mobile Irrigation 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. Comparing the various irrigation systems over many years, the most efficient systems for permanent crops are the drip and microsprinkler systems. Due to the current severe drought situation, these systems are used by about 95% of Kern County farmers. Discussion followed.

The Mobile Irrigation Lab service is made possible through contributions by water districts of Kern County and various State and Federal agencies such as the Bureau of Reclamation, CalFed, Bay Delta and the Department of Water Resources. The NWKRCDD is requesting a contribution of \$10,000 from Semitropic.

On motion by Director Fabbri, seconded by Director Waterhouse, the Board authorized a contribution of \$10,000 toward the funding of the NWKRCDD Mobile Irrigation Lab Program.

Celine Morales of the U.S. Department of Agriculture, Natural Resources Conservation Service shared 3 programs currently being offered to farmers:

- 1) Environmental Quality Incentive Program (EQIP)  
Local resource for innovative conservation solutions to improve land
- 2) Drought Assistance  
Technical and Financial Assistance
- 3) Conservation Stewardship Program (CSP)  
Helps agricultural producers maintain & improve their existing conservation systems and take additional steps to improve the resource conditions on their land—including soil, air, water quality and quantity and energy conservation.

#### **Consider Authorization of Addendum #5 to SWRU Supplemental EIR**

The Manager stated that Addendum #5 to the Stored Water Recovery Unit Supplemental EIR is necessary to support the modifications to the design of the north-south conveyance system and changes on the source of electrical service for the operation of the SWRU's deep wells and pumping plants. Discussion followed.

On motion by Director Portwood, seconded by Director Fabbri, the Board authorized Addendum #5 to SWRU Supplemental EIR.

#### **Consider Authorization of Eminent Domain Process for the Purchase of the Virginia Frances Arnett Chesse Estate Property**

Manager Gianquinto reported that the District has been in the process of purchasing some property for a reservoir near the SWRU well field which will connect to the North-South pipeline and to Poso Creek. The owner of the property has died and the heirs have been uncooperative which has stalled the process. Ernest Conant, District's legal counsel, reported on the steps to be taken to acquire the property. Discussion followed.

On motion by Director Tracy and seconded by Director Portwood, the Board authorized staff and legal counsel to initiate the eminent domain process for the purchase of the Virginia Frances Arnett Chesse Estate Property for the purpose of constructing a reservoir near the SWRU well field.

### **Consider Groundwater Banking Agreement with Mid-Valley Ranch**

Will Boschman reported that a final draft has been accepted on a Groundwater Banking Agreement with Mid-Valley Ranch and is seeking Board approval to finalize and execute the Agreement. Mr. Boschman stated that Mid-Valley Ranch will acquire 1,200 shares, split by 1,000 shares for Mid-Valley and 200 shares by Lazy Dog Ranch. The landowner is responsible for acquiring water to store. Discussion followed.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized the General Manager to execute a Groundwater Banking Agreement with Mid-Valley Ranch.

### **Consider Renewal of Agreement with EnerNOC for Demand Response**

The Manager stated that the District has been working with EnerNOC on the Demand Response Program; however, the agreement is getting ready to lapse. A 3-year extension has been prepared which covers the demand response on the standby generators and shutting off of the wells. The District will be responsible for maintenance of the wells. Discussion followed on details of the Agreement.

On motion by Director Fabbri, seconded by Director Portwood, the Board authorized execution of a 3-year extension agreement on the EnerNOC Demand Response Program.

### **Consider Agreement with Balance Public Relations (BPR)**

Dean Florez gave a quick update on BPR activities and contacts made during the past month. Several legislators and officials have also shown interest in visiting Semitropic and will schedule meetings as their schedules allow.

Mr. Florez reported that the State will begin to process Water Bond fund distributions in July 2015. Discussions will be forthcoming to develop a plan for Semitropic's projects to fit the requirements for receiving a portion of the Water Bond funds.

### **Consider SWRU Amendment No. 11-2015 Reverse Flow Improvement Project**

Manager Gianquinto reported that SWRU Amendment No. 11 to the Design/Build Contract with W.M. Lyles is for the 2015 Reverse Flow Improvement Project. Metropolitan Water District of So. California has agreed to fund improvements to increase recovery capacity in the amount of \$5.8 M. W.M. Lyles estimate for total cost was \$5.9 M, the additional costs will be paid by the District with the expectation of payments from pending sale of Shares.

On motion by Director Fabbri, seconded by Director Tracy, the Board approved SWRU Amendment No. 11 for the 2015 Reverse Flow Improvement Project.

## **CONSULTANT REPORTS**

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

W.M. Lyle's Representative, Rick Amigh, reported that one Purchase/Sale Agreement was approved and the other is set for final approval in early March.

The Raw Water Processing Plant (RWPP) is scheduled to restart in early February. Upon completion of the 2015 SWSD Reverse Flow Improvements Project, the RWPP will need to treat approximately 300 cfs. Expansion and relocation of the RWPP will be required to accommodate this increase capacity.

Electrical and civil engineering continues on the Pond Road Substation. Electrical equipment was ordered in December by the Design/Build Team. Field work will commence on both the Pond Road Substation and the PGE Smyrna Substation in March.

W.M. Lyles continued working with GEI on the administration and construction of the SWSD 2015 Reverse Flow Project. Amendment No. 11 was submitted for execution. Several tasks are scheduled to be completed during the District shut-down.

Pond-Poso Canal repairs were made during January , including replacing and repairing several damaged canal panels.

### **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 January 2015, which was accepted for filing.

Mr. Rhone reported on activities related to the preparation of Addendum #5 to the SWRU SEIR; the Poso Creek RWMG; evaluation of a potential water supply project; identification of conflicts between the High Speed Rail alignment and District landowner facilities; assistance with energy reconciliation; Delta Wetlands land fallowing water transfer; and 2015 Reverse Flow Improvements Project.

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

Will Boschman of Groundwater Storage Services, Inc. reported on activity during January 2015 which included finalizing agreements with Castaic Lake Water Agency and Mid-Valley/Lazy Dog which were approved by the Board a few months ago. Contacts were made regarding additional storage and/or water supply.

Mr. Boschman spent some time with Aqua Planet Utilities Inc., a new company that has acquired exclusive rights to a new desalinization process that does not involve reverse osmosis and has significant energy savings. It currently needs funding for field testing with large flow rates including agricultural wells. More information on this project will be presented later.

Mr. Boschman represented the District at various meetings including Kern Water Bank, Semitropic-Rosamond Water Bank Authority and the State Water Contractors. The State Water Project allocation was reported to remain 10% and moving in a positive direction to increase to 15%.

### **Strategic Policies Presentation – Joe Rosso**

Joining the meeting via conference call, Joe Rosso of Strategic Policies, LLC presented a quick overview of 2014 Congressional actions affecting the District. The 2014 Appropriations Bill was not passed and Congress froze the budget with no new money for 2015. However, there appears to be about \$96 million of unclaimed money in the Bureau budget which might be prioritized to fund programs in the Western drought areas.

A new Commissioner, Stephen Lopez, was appointed to the U.S. Bureau of Reclamation as Mike Conner has been appointed to a higher position. As funding opportunities for San Joaquin Valley projects become available, Mike Conner may be instrumental in helping the District acquire funding. Further discussion followed.

### **Developing Water Resources, Inc.**

John Jones of Developing Water Resources, Inc. reported that staff continued well development operations.

The drilling staff completed the well near Garces and Hwy. 43 and is swabbing the well at this time. The well is near an old artisan well and appears to be a strong producer.

Mr. Jones also reported that another application for a well permit was submitted to the Kern County Environmental Health Department.

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

Manager Gianquinto's written report on "District Activity During January" dated February 6, 2015 as accepted for filing. In addition, the following items were presented:

#### **Irrigated Lands Regulatory Program**

The Manager reported that at the Kern River Watershed Coalition Authority (KRWCA) meeting was held on February 5. At that meeting the Groundwater Assessment Report (GAR), the Sediment Discharge and Erosion Assessment Report (SDEAR), the Comprehensive Groundwater Quality Management Plan (CGQMP) and the Surface Water Monitoring Plan were submitted to the Regional Water Quality Control Board (RWQCB) as required.

The fees for 2015 were estimated to be \$6.25 per irrigated acre for lands enrolled in the ILRP. Also, a mailing will be going out from KRWCA to the high vulnerability area landowners reminding them of the requirement to complete the Nitrogen Management Plan (NMP) which needs to be available on farm for potential inspection by the RWQCB by March 23, 2015. Three

informational meetings will be held in February and March at various locations to provide information to help complete the Nitrogen Management Plan.

### **2015 Water Supply**

As previously reported, DWR increased the allocation to 15% for 2015 SWP Table A water.

### **Delta Issues**

The Manager stated that DWR is considering abandoning the HCP portion of the BDCP in favor of a Section 7 environmental process. The regulatory agencies are not willing to issue a 50-year permit without having significant reductions in water supply.

### **Kern Groundwater Management Authority**

Manager Gianquinto reported on the Kern Groundwater Management Authority and the recent workshop which provided an overview of the Sustainable Groundwater Management Act. There were two committees formed, the Safe Yield Committee and White Water Committee which will hopefully provide comments in helping develop the regulations under the Groundwater Management Act. Manager Gianquinto serves on both committees.

### **Delta Island Fallowing**

The Manager stated that District staff is scheduled to meet with DWR to review the data collected from the 2014 fallowing operation by Land IQ. This meeting will provide DWR the opportunity to review the methodology used to access conserved water.

The District is continuing to work with John Meek to prepare farm leases for the islands in the event the lands are not fallowed.

With regard to the potential fallowing operations for 2015, the SWRCB issued a "Notice of Surface Water Shortage and Potential for Curtailment of Water Right Diversions for 2015." The notice basically advises all water right holders that if hydrologic conditions do not significantly improve in the next several months, the SWRCB will again begin to stop or limit diversions of water.

### **Smyrna Intertie**

The District's Design Build Team and PG&E are working diligently on the Smyrna Intertie to complete the project within the June-July time frame.

### **Closed Session**

At 2:40 p.m. the District's legal counsel, Ernest A. 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) 7 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) *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*
  
- b. Conference with Real Property Negotiators (Govt. Code Section 54956.8)
  - Property: Land Retirement Opportunities
  - Negotiator: General Manager
  - Negotiating Parties: Multiple
  - Under Negotiation: Price and Terms
  
- c. Conference with legal counsel to discuss Anticipated Litigation  
(Gov't Code Section 54956.9)

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

At 5:15 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including various legal issues and agreements.

On motion by Director Fabbri, seconded by Director Waterhouse, the Board authorized the General Manager to enter into a contract with Dean Florez of Balance Public Relations for Legislative and Regulatory Advocacy for the District.

**Adjournment**

The meeting was adjourned at 5:15 p.m. by President Wegis until Wednesday, February 25, 2015 at 12:30 p.m. to continue the business of the District.

APPROVED:

/s/ Todd Tracy, Secretary

/s/ Fredrick A. Wegis, President