

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
July 8, 2009

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, July 8, 2009, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: James A. Crettol, Jeff Fabbri, Ted Page, Phil Portwood,
Todd Tracy, Dan Waterhouse and Fredrick Wegis;

Directors Absent: None;

Others Present: General Manager, Will Boschman
District Engineer, Paul Oshel;
District Superintendent, John Lynch;
District's Controller, John Wooner;
District's 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 Representative, Rick Amigh;
District Consultant, John Jones;
District Landowners Mark Palla, Don Ludy and Dan Fabbri;
ACDF, LLC Representative, Devin Aviles; and
Steve Gair, Representing Wingate Realty.

President Wegis led the flag salute, then introduced and welcomed all guests.

Public Comments

District landowners, Dan Fabbri and Don Ludy, addressed the Board stating that they are experiencing pH problems with their wells in the Delta System. The landowners requested that the Board consider in-canal treatment for high pH levels in the water which will harm sensitive crops. Discussion followed on cost effectiveness to treat in-canal rather than on-farm because of varied pH levels.

By general consensus, the Board approved an isolated pilot project in the north end of the Delta System where pH levels will be monitored at each turnout in the District to help determine which form of treatment would be best. Staff will arrange for a company to install and operate the pH adjustment facilities to the satisfaction of those receiving the water. Since it a pilot or demonstration activity, there will be no extra charge for water deliveries in 2009.

Approval of Agenda

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

ACTION ITEMS

Minutes

On motion by Director Waterhouse, seconded by Director Fabbri, the Minutes of the Regular Meeting on June 10, 2009 were approved as presented.

Treasurer's Report

Due to the Board Meeting being held early in the month, information for the financial records were not yet available for complete review by the Treasurer. The Treasurer's Reports will be submitted for approval at a later date.

District Controller, John Wooner reviewed a spreadsheet on well drilling costs with the Board. Discussion followed.

The Controller also reported that staff is working to restructure the 2008 Bonds and therefore need to negotiate a SWAP Agreement. Wells Fargo representatives have recommended Winters & Co. Advisors, LLC who have presented a proposal to serve as Swap Advisor to the District. The Advisor would provide transaction recommendations regarding the interest rate swap and complete the SWAP Agreement for the District.

On motion by Director Fabbri, seconded by Director Portwood, the Board approved hiring Winters & Co. Advisors, LLC to negotiate a SWAP Agreement on the District's behalf, pending final staff and legal review.

Accounts Payable

The Cash Disbursement List was presented for review and payment. Director Portwood stated that although energy reimbursement checks were being processed, it was unacceptable to wait so long before issuing checks to landowners for pump back costs. Manager Boschman stated that staff members recently held a meeting to discuss ways to make the payment process

more efficient. Every effort is being made to process reimbursements in a more timely manner. Discussion followed.

Several items were discussed, including the various projects that GEI Consultants are involved in for the District, the Arsenic Removal project expenses, final payment to Preston Pipelines for Winter Improvement construction and the District's share of a new well and pipeline connections with the Kern Water Bank Authority.

On motion by Director Crettol, seconded by Director Fabbri, the Board authorized payment of the Accounts Payable as listed on the July 8, 2009 Disbursement List for Semitropic Water Storage District and Semitropic Improvement District. A copy of the Disbursement List is attached hereto as "Exhibit A".

Consider ACWA's Request for Support of "Save Our Water" Program

Manager Boschman reported that the Association of California Water Agencies has partnered with the California Department of Water Resources to launch "Save Our Water," a public education program to promote water conservation in a variety of ways. Members are being asked to support the program in one of two ways: 1) financial contribution of \$10,000 or 2) provide significant in-kind support.

On motion by Director Fabbri, seconded by Director Tracy, the Board authorized financial support of \$10,000 of the "Save Our Water" public education program launched thru ACWA and DWR.

Consider an Oil, Gas & Mineral Lease with Western Energy Production

Manager Boschman reported that Western Energy approached the District requesting to lease the oil, gas & mineral rights on several parcels the District owns. After staff did some investigating, it was determined that Western Energy intends to drill for oil, gas & water under a 5 year term. Discussion followed.

On motion by Director Crettol, seconded by Director Fabbri, the Board authorized execution of a lease agreement with Western Energy, subject to further legal review. Also a clause will be inserted that any usable water belongs to the District that the drill site has to be approved by the District and a 3 year lease with payment up front.

Design/Build Team Construction Update

W.M. Lyle's representative, Rick Amigh, reported on the status of the SWRU Phase 2 project. While most work on the project is on hold until funding is available, efforts are still being made to secure landowner contracts, water service agreements and easements. Sedimentation cleanup and removal is set to occur this month on the Raw Water Processing

Plant. Minor modifications to the plant will be made during shutdown and operations will resume in the fall of 2009.

INFORMATIONAL AND UP-DATE ITEMS

Manager Boschman's written report on "District Activity During June 2009" dated July 2, 2009 was accepted for filing. In addition, Manager Boschman presented the following:

Water Supply Update

Manager Boschman reported that there were no changes from the State which remains at 40 percent allocation. This amount, together with the District's contribution of 10 percent allocates 50 percent to the District's Contract Water users.

Status of Delinquencies

The total amount of Contract Delinquencies is \$4,858.90: Kirschenman Bros. - \$1,777.64, Jesse & Delia Rodriguez - \$238.05, Skyview Dairy - \$1,566.59 and Jimi Valov - \$1,276.62.

Banking Project Update

The question was raised on buying back Contract Water from Water Users. The Manager led discussion on last year's program and incentives for releasing Contract Water this year.

On motion by Director Page, seconded by Director Tracy, the Board approved an incentive payment or credit of \$95.00 per acre-foot for Contract Water Entitlement released before August 31st and then reimbursement costs of about \$70.00 per acre-foot after that time. Also, advanced payments for energy billing and water pumped will be made at \$80.00 for electric and \$100.00 for diesel and natural gas. Payment reconciliation will occur after the water has been pumped.

The Manager reported that pursuant to discussion at the June Board meeting, staff is diligently checking on-farm activities to make sure landowners are complying with the Intermittent Water Service Contract requirements.

Manager Boschman also reported that the City of Tracy is ready to sign a groundwater banking contract for 3,500 AF/Yr of pumpback capacity and 10,500 AF of storage capacity. Negotiations have been underway preceding Tracy's demonstration project in 2008.

Semitropic-Rosamond JPA Activities

The Manager stated that there has been no word yet from the Los Angeles Department of Water and Power regarding the proposal submitted for a Groundwater Conjunctive Use Project.

At a recent meeting at the Antelope Valley-East Kern Board meeting, JPA representatives submitted a proposal to share facilities for mutual interest in water banking projects. AVEK appears willing to negotiate some sort of terms with the JPA.

Energy Activities

Manager Boschman stated that staff is currently drafting a Request for Proposals for solar energy installation on District property. There are approximately 4,000 acres of District land available for location of solar facilities.

Poso Creek IRWMP

Paul Oshel reported on a recent interview with Department of Water Resources and members of Integrated Regional Water Management Plan Groups on projects in disadvantaged areas. Presently, there may not be grant funds available from the State; however, some Federal funding may be available. Grant applications are currently being prepared.

Federal Funding

The Manager reported on Congressional funds allocated to the District thru Congressman Jim Costa. Approximately \$917,000 has been routed thru the U.S. Bureau of Reclamation toward groundwater storage projects within the District and another \$5M has been earmarked for 2010. Contacts within the Bureau are working to channel the funds thru to the District.

Office Addition

It was reported that a permit has been applied for from the City of Wasco and the contractor, Hall & Black Construction, has moved in a job trailer as preparation to commence construction.

Consultant's Reports

District consultant, John Jones, reported that he is currently working with District staff in coordinating pumpback agreements with landowners and turnouts. Far West /Corrosion reported good test results in that there was much less corrosion than originally anticipated. The video camera is still being utilized. Discussion followed on well drilling operations and well developing activities.

Correspondence

Exec. Secretary, Marsha Payne, reported two items of correspondence, including a letter of thanks for support from North West Kern RCD, and an invitation from Brenda Baldwin of PG&E for an upcoming dinner & musical production at Stars Theatre.

Consulting Engineer's Report

Mr. Dick Rhone from Bookman-Edmonston, GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during June 2010, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to the Groundwater Modeling, various grant proposals and construction activities in various stages of completion.

Closed Session

At 3:00 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))
-California Groundwater Association, et al. v. Semitropic Water Storage District
-State Water Contractors v. Salazar and related cases (Delta Smelt litigation)
- b. Conference with legal counsel to discuss contract negotiations
(Gov't Code Section 54956.8)
- c. Personnel Matters (Gov't Code Section 54957)

All visitors left the meeting except Steve Gair who reported land negotiations to the Board. Mr. Gair left the meeting at 3:10 p.m.

At 4:10 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including land negotiations.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized staff and consultants to pursue the purchase of property current in negotiations.

At 4:15 p.m. the Board went into executive session to discuss personnel issues and all staff left at that time.

At 4:45 p.m. the meeting was adjourned by President Wegis until Wednesday, July 22 at 12:30 p.m. at the District office to continue the business of the District.

Todd Tracy, Secretary

APPROVED:

Fredrick A. Wegis, President