

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 9, 2008

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, July 9, 2008, at 12:30 p.m., at the offices of the District, 1101 Central Avenue, Wasco, California. Those in attendance included:

Directors Present: Jeff Fabbri, Ted Page, Phil Portwood, Dan Waterhouse and Fredrick Wegis;

Directors Absent: James A. Crettol and Todd Tracy;

Others Present: General Manager, Will Boschman;
District Engineer, Paul Oshel;
District's Controller, John Wooner;
District's Staff Engineer, Craig Wallace;
District's Accountant, Judy Burns;
District's Exec. Secretary, Marsha Payne;
Districts Legal Counsel, Ernest A. Conant;
District's Consulting Engineers, Bookman-Edmonston, GEI
Consultants, Inc., represented by Marc Rozman and Isela Medina;
W.M. Lyles Representative, Rick Amigh;
Wells Fargo Bank representative, Michael Engelbrecht;
District's Bond Counsel, Jeff Stava and Sam Greenburg;
Preston Pipe representative, Steve Dunn;
Paramount Farming representative, Kim Brown; and
ACDF, LLC representative, Devin Aviles.

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

Approval of Agenda

It was noted that two new items came to the staff's attention after posting the agenda and needs action before the next meeting; 1) Consider Interim Wheeling Agreement with No. Kern Water Storage District, and 2) Consider Participation in Low Tech Pilot Project for Arsenic Treatment.

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

ACTION ITEMS

Minutes

On motion by Director Waterhouse, seconded by Director Page, the Minutes of June 11, 2008 were approved.

Treasurer's Report

Due to the Board Meeting being held early in the month, along with the July 4th Holiday, 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, presented the Financial Reports, including a Comparison of Actual & Budgeted Cash Balances to date. Discussion followed.

Accounts Payable

The Cash Disbursement List was presented for review and payment. Several items were discussed, including payments to consultants for marketing and well drilling expenses.

On motion by Director Portwood, seconded by Director Waterhouse, the Board authorized payment of the Accounts Payable as listed on the July 9, 2008 Disbursement List for Semitropic Water Storage District and Semitropic Improvement District. A copy of the Disbursement List is attached hereto as "Exhibit A".

Director Fabbri joined the meeting at 12:45 p.m.

Consider Resolution to Authorize Poso Creek IRWMP to Join Tulare Basin JPA

District Engineer, Paul Oshel, reported that the Poso Creek Integrated Regional Water Management Plan (IRWMP) Group has been invited to join other IRWMP Groups to form the Tulare Basin Hydrologic Basin, located in the Southern portion of the San Joaquin Valley. The Poso Creek IRWMP Group is requesting approval to enter into a Joint Powers Agreement with the Tulare Lake Hydrologic Region Water Related Entities in order to support common purposes and goals such as streamlining the process to acquire funding. Semitropic would take the role as lead agency for the Poso Creek IRWMP Group.

On motion by Director Waterhouse, seconded by Director Fabbri, the Board approved Resolution No. SID 08-5:

IN SUPPORT OF JOINING A JOINT POWERS AGREEMENT FOR TULARE LAKE
HYDROLOGIC REGION WATER-RELATED ENTITIES

Consider Resolutions of Acceptance for Bond Refunding and Execution of Bond Documents

Wells Fargo Representative, Michael Engelbrecht, presented the Bond documents and the Acceptance Resolution for the 2008 Series A Revenue Bonds in the amount of \$50M. Standard & Poors upgraded the bond rating from A- in 2007 to AA- for 2008 which means a lower interest rate and other benefits for the District. Discussion followed.

Bond counsel, Jeff Stava, presented 2 Resolutions that need Board action approving the execution of final transactions.

On motion by Director Waterhouse, seconded by Director Page, the Board authorized the Board President and General Manager to execute a Reimbursement Agreement and Purchase Contract with Wells Fargo Bank in the form of Resolution No. ST 08-3 and SID 08-4:

JOINT RESOLUTION OF THE BOARDS OF DIRECTORS OF THE SEMITROPIC WATER STORAGE DISTRICT AND THE SEMITROPIC IMPROVEMENT DISTRICT OF SEMITROPIC WATER STORAGE DISTRICT APPROVING AN INDENTURE, A REIMBURSEMENT AGREEMENT, A PURCHASE CONTRACT, A REMARKETING AGREEMENT, AND AN OFFICIAL STATEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

On motion by Director Page, seconded by Director Portwood, the Board authorized the Board President and General Manager to execute the Subordinate Water Revenue Bonds, Series 2007, in the form of Resolution No. SID 08-3:

SEMITROPIC IMPROVEMENT DISTRICT OF THE SEMITROPIC WATER STORAGE DISTRICT SUPPLEMENTAL RESOLUTION RELATING TO \$500,000 SUBORDINATE WATER REVENUE BONDS, SERIES 2007
(SUPPLEMENT TO RESOLUTION NO. SID-07-1 ADOPTED MAY 31, 2007)

Michael Engelbrecht, Jeff Stava and Sam Greenburg left the meeting at 1:20 p.m.

Consider Resolution Amend Purchase Policy and Adopt Purchase Order Policy and Procedures

Manager Boschman reported that District staff has been working on updating the Purchase Policy and is now ready to implement Purchase Order Policy and Procedures, contingent upon Board approval. District Controller, John Wooner, presented the proposed changes from the 1981 Policy to the updated Policy of 2008 and reviewed the Purchase Order Policy and the proposed process to purchase items to carry on the District's work.

The new Purchase Orders will either be generated by 1) hand requisition procedure of up

to \$5,000 value or 2) computer generated requisition, both of which require some form of approvals by upper management.

On motion by Director Portwood, seconded by Director Waterhouse, subject to legal review, the Board approved the Amended Purchase Policy and Adopted the Purchase Order Policy in the form of Resolution No. ST 08-2:

SECOND AMENDMENT TO RULES AND REGULATIONS OF THE
SEMITROPIC WATER STORAGE DISTRICT ESTABLISHING PURCHASE ORDER
POLICIES AND PROCEDURES OF SAID DISTRICT FOR
PURCHASES OF SUPPLIES, EQUIPMENT, MATERIALS AND SERVICES

Consider Resolution of Authorization on Preston Pipeline Escrow Account

Manager Boschman reported that in relation to the P-565 Project, Comerica Bank (the bank for the contractor, Preston Pipeline) has requested a Resolution of Authorization to establish authority for transactions on an escrow account. A representative of Preston Pipeline, Area Manager Steve Dunn, was present and expressed appreciation in working with the District and their willingness to help eliminate or solve any problems.

On motion by Director Page, seconded by Director Waterhouse, the Board approved Resolution No. SID 08-6:

ESTABLISH AUTHORITY FOR TRANSACTIONS ON AN ESCROW ACCOUNT
WITH DISTRICT AND PRESTON PIPELINE FOR SPECIFICATIONS WB-512
FOR CONSTRUCTION OF P-565 DISTRIBUTION SYSTEM

Consider Semitropic-Rosamond Water Bank Authority Amended & Restated Agreement

Legal counsel, Ernest Conant, reviewed the final draft of the Joint Powers Authority (JPA) Amended and Restated Agreement for the Semitropic-Rosamond Water Bank Authority (SRWBA). The Semitropic Contribution Agreement was also reviewed and final changes discussed.

These agreements are referenced in the SRWBA-San Diego County Water Authority Agreement. The other Contribution Agreements will also be signed soon by the respective Boards, Rosamond Community Services District and Valley Mutual Water Company.

On motion by Director Waterhouse, seconded by Director Portwood, the Board authorized execution of the JPA Agreement and the Semitropic Contribution Agreement for the SRWBA pending final review by staff and legal counsel

Consider Semitropic/Vidler/San Diego Consent and Memorandum of Assignment

Manager Boschman reported that Vidler sold its remaining interest in Semitropic Original Program to San Diego. Before close of escrow, the Kern County Water Agency took the

position that the water held in Vidler's name, which was to be transferred by Vidler to San Diego as part of the transaction, could not be sent out of County because it was brought in under Article 21 provisions and is therefore under State and local rules and guidelines. The water and capacity were therefore separated in the Assignment Agreement. Kern County Water Agency has indicated that the water may be sold to another agency within the County. Discussion followed.

On motion by Director Page, seconded by Director Waterhouse, the Board ratified the execution by the District of the Semitropic/Vidler/San Diego Consent and Memorandum of Assignment.

Consider Interim Wheeling Agreement with North Kern Water Storage District

Manager Boschman reviewed the terms and conditions of a 1 year Interim Wheeling Agreement with North Kern Water Storage District for conveyance and exchange of water between the two Districts. North Kern needs to get water into the CA Aqueduct and this will allow Semitropic to wheel it for them, which is similar to wheeling arrangements Semitropic has with other districts.

On motion by Director Fabbri, seconded by Director Portwood, the Board approved the execution of an Interim Wheeling Agreement with North Kern Water Storage District.

Consider Participation in Low Tech Pilot Project for Arsenic Treatment

Manager Boschman reported on a proposed Low Tech Pilot Project for Arsenic Treatment which is supported by Metropolitan Water District. Dirk Reed, formerly with MWD and now working with Black and Vetch as part of the GEI Team, has taken the lead to provide a pilot program for arsenic treatment. District Engineer, Paul Oshel, explained how the facility would work. The budget is approximately \$300,000 which could be funded as Project money thru the JPA as a reimbursement expense. Discussion followed.

General consensus determined that it was far too expensive and that further discussion is needed.

Design/Build Team Construction Update

W.M. Lyle's representative, Rick Amigh, reported that the Team has established a final alignment of the North / South Canal and Pipeline and the layout of System X is completed. The budget process will resume next week. Landowners have been contacted for Rights-of-Way and Easements and offer letters have been submitted to some landowners. A revised schedule sets a completion date of August 2009.

Rick Amigh also reported that Hanson Pipe has requested authorization to start manufacturing pipe for the System X Project at the Shafter Plant.

On motion by Director Page, seconded by Director Fabbri, the Board authorized Hanson Pipe to start manufacturing pipe for the System X Project at the Shafter Plant.

INFORMATIONAL AND UP-DATE ITEMS

Manager Boschman's written report on "District Activity During June 2008" dated July 3, 2008 was accepted for filing. In addition, Manager Boschman presented the following:

Water Supply Update

Manager Boschman reported that the 35% allocation from the State remains the same and the District continues to offer 50% supply for its Contract water users.

The District continues to minimize deliveries from the California Aqueduct in order to ease the obligation to return water to Banking Partners later in the year. To date, the District has only received 5,327 acre-feet from the Aqueduct of its 2008 allocation.

Status of Delinquencies

There was only one delinquent account – Bloemhof Ag Enterprises - \$771.26.

Banking Project Update

Manager Boschman reported on a letter received for the U.S. Army Corps of Engineers concerning allegations of discharge of dredged or fill materials into wetlands areas and possibly threatening Endangered Species. They also stated that Semitropic didn't acquire permits and gave the District 60 days to remove fill material from wetlands.

Legal counsel and environmental consultants are currently working on a reply to the Corps of Engineer's letter explaining their erroneous allegations and hopefully, will provide some insight that Semitropic is complying with the law in every way possible.

Devin Aviles, representative from ACDF, again requested that the District help them acquire an easement on the Chang property to lay pipeline for irrigating their almond trees. Staff and consultants have contacted the Chang family and made every effort possible to communicate with them and help acquire the easement. However, by general consensus, the Board indicated that it does not want to use eminent domain and cannot be of further help.

Energy Activities

Staff Engineer, Craig Wallace, reported that the District is involved in the Demand Curtailment program through EnerNoc. All four engine generators can now be remotely operated by EnerNoc for load shedding when needed however one engine had not been retrofitted properly which caused an overheating problem and therefore now is not operational.

Consultants Reports

John Jones reported on various activities performed for the District including well drilling activities and the task of acquiring drilling permits thru the County. The Board requested that pumps and equipment for the wells be ordered right away in order to have them on hand when the wells are developed and ready for production.

Office Addition

A draft floor plan of the office addition was submitted for Board review. The proposed addition will add approximately 2,900 square feet to the building and provide additional workspace for now and future needs.

Rosedale-Rio Bravo and Buena Vista Activities

Manager Boschman reviewed the contents of a letter received on June 16th from Rosedale-Rio Bravo and Buena Vista Water Storage Districts. The Manager also reported that the Managers from both Districts, Eric Averett and Dan Bartel, met with Boschman to talk and hopefully come to a better understanding of Semitropic's activities. Discussion followed.

Consulting Engineer's Report:

Mr. Marc Rozman from Bookman-Edmonston, GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during June 2008, which was accepted for filing.

Mr. Rozman also reported on engineering activities related to various projects including the Poso Creek IRWMP Grant Programs and the designs for 2008-2009 Winter Improvements. Isela Medina reported on construction activities for the P-565 Distribution System.

Legal Counsel

At 4:20 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))
- b. Conference with legal counsel to discuss contract negotiations
(Gov't Code Section 54956.8)

All visitors left the meeting.

At 4:25 p.m. the Board reconvened to open session. President Wegis stated that several

items were discussed, including a request from Preston Pipeline to substitute a subcontractor on the P-565 Distribution System.

On motion by Director Page, seconded by Director Portwood, the Board authorized the General Manager to conduct an informal hearing if requested and render a decision regarding any request by Preston Pipeline to substitute its designated subcontractor Paso Robles Tank..

At 4:30 p.m. the Board entered into Closed Session to discuss personnel matters. Those remaining were the Board and General Manager; all others left the meeting.

At 5:15 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed; however, no action was taken.

Adjournment

At 5:15 the meeting was adjourned by President Wegis until Wednesday, July 23, 2008 at 12:30 p.m. at the District office to continue the business of the District.

James A. Crettol, Secretary

APPROVED:

Fredrick A. Wegis, President