

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
September 14, 2016

The regular meeting of the Board of Directors was called to order by President Wegis on Wednesday, September 14, 2016, 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, Tom Toretta,
Todd Tracy; Dan Waterhouse and Rick Wegis;

Directors Absent: None;

Others Present: General Manager, Jason Gianquinto;
District O & M Superintendent, John Lynch;
District Controller, Bobby Salinas;
Staff Engineer, Water Resources, Isela Medina;
Staff Engineer, Craig Wallace;
District Contract Administrator, Becky Ortiz;
District Accounting Supervisor, Mariela Garza;
District Executive Secretary, Marsha Payne;
District's Consultants, Will Boschman and John Jones;
District's Legal Counsel, Ernest Conant and Steve Torigiani;
District's Consulting Engineers, GEI Consultants, Inc.,
Represented by Dick Rhone and Larry Rodriguez;
W.M. Lyles Representative, Rick Amigh;
Shafter-Wasco Irrigation District Representative, Dana Munn;
Maricopa Orchards Representative, Jason Pucheu; and
Aviva Energy Representative, Greg Allen.

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

ACTION ITEMS

Approval of Agenda

There being no new items to consider, the Agenda was unanimously approved as posted on Motion by Director Waterhouse and seconded by Director Tracy.

Minutes

The Minutes of the Regular Board Meeting on August 10, Special Board Meeting on August 31, and Special Board Meeting on September 6, 2016 were presented for approval.

On motion by Director Tracy, seconded by Director Fabbri, the Minutes of the Regular Board Meeting on August 10, Special Board Meeting on August 31, and Special Board Meeting on September 6, 2016 were approved.

Treasurer's Report

The Treasurer's Report for August 2016 was presented for review and approval.

On motion by Director Waterhouse, seconded by Director Tracy, the August 2016 Treasurer's Reports for Semitropic Water Storage District and Semitropic Improvement District were approved for filing.

Financial Report

District Controller, Bobby Salinas, reviewed the Actual and Projected Cash Flow Report for August 2016, including the revenue and expense. It was reported that energy costs have increased and Contract Water revenues have decreased. The end of year cash balance is projected to be approximately \$11.2 M.

Accounts Payable

The Cash Disbursement List for September 14, 2016 was presented for review and payment. Discussion followed regarding the pension plan audit for 2015. The Controller reported that there was excess cash in the plan account due to unvested employees dropping out. The Pension Plan Trustees voted to use the excess cash to cover expenses related to the fund.

On motion by Director Waterhouse, seconded by Director Tracy, the Board authorized payment of the Accounts Payable as listed on the September 14, 2016 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 GEI Task Order for Continued Evaluation of Recycled Water

Manager Gianquinto presented GEI Task Order 13-2016 for Evaluating Use of the City of Delano's Treated Wastewater for wetlands and wildlife purposes. The Task Order is to cover activities to further develop the project proposed by Ducks Unlimited to use secondary un-disinfected wastewater from the City of Delano to create private wetlands within the Tulare Basin. GEI previously conducted an investigation to identify acceptable uses of Delano's recycled water with consideration for potential impacts to Semitropic's groundwater banking program and obstacles to implementation. The results provided that water quality is acceptable and no significant regulatory obstacles are anticipated.

The next steps are to further define the project to a level that can be presented to the Regional Water Quality Control Board for conceptual approval, then develop a Preliminary Engineering Report to seek project funding. The Budget for this additional work is not expected to exceed \$30,000.

On motion by Director Fabbri, seconded by Director Toretta, the Board authorized execution of GEI Task Order 13-2016 for Evaluating Use of the City of Delano's Treated Wastewater for wetlands and wildlife purposes.

Consider Proposal: Lease of District Land for Gypsum Facility

Manager Gianquinto presented a proposal from Brunni Ag for a lease of approximately 5 acres within the 160 acre parcel of District owned land for a gypsum facility. Brunni Ag is proposing a year-to-year lease at \$500/Ac and will carry liability insurance of \$1M per the District's general requirements. Discussion followed concerning dust control.

On motion by Director Tracy, seconded by Director Fabbri, the Board authorized the General Manager to execute a lease agreement with Brunni Ag for an approximately 5 acres within the 160 acre parcel of District land (SE ¼ of Section 28 T27S R23E) for a gypsum facility.

Proposed Tulare Lake Storage and Floodwater Projection Project

Manager Gianquinto reported that there are two more issues for further discussion on the Proposed Tulare Lake Storage and Floodwater Projection Project. This item will be further discussed in Closed Session.

CONSULTANT REPORTS

Design/Build Team Construction Update

W.M. Lyle's Representative, Rick Amigh, reported that the Raw Water Processing Plant was prepared for shutdown and is not expected to resume operations this fall/winter. Minor modifications will be made to the plant to improve pH monitoring and polymer mixing when the plant resumes operations.

W.M. Lyles continued to work with District staff and GEI to develop an alternative design for the meter calibration facility located at Pumping Plant A. The new design will relocate the measuring tank from above the forebay to a location adjacent to the pumping plant, which will improve accessibility to the facility and also eliminate any conflicts that could have occurred during maintenance at the plant.

Consulting Engineer's Report

Richard "Dick" Rhone from GEI Consultants, Inc. presented the "Consulting Engineers' Report on Projects for Semitropic Water Storage District" for work during August 2016, which was accepted for filing.

Mr. Rhone also reported on engineering activities related to: preparation of the biennial monitoring reports and estimates of crop water use; draft of a white paper on the differences between a conceptual and numeric groundwater model relative to the requirements of the Sustainable Groundwater Management Act; completing the second amendment modification to the MOU regarding So. San Joaquin Municipal Utility District's participation in the Poso Creek IRWM

Group; continued work on the Preliminary Engineering Report and Design for the Delano Wastewater Recycling Project; and, attended a meeting with Bureau of Reclamation to discuss the draft Environmental Assessment for the Pond Road Solar and Well Telemetry projects.

Larry Rodriguez reported on activity related to the Feasibility Study on the Tulare Lake Storage and Floodwater Protection Project which included a revision of the current draft of the Alternatives Analysis Report, project design, plus review and development of exhibits for the various agreements being considered by the District.

Groundwater Storage Services, Inc.

Will Boschman of Groundwater Storage Services, Inc. reported that he continued to assist Agua Via in developing a plan to start their water quality improvement project. Communications continued with Aqua Planet regarding their progress on acquiring initial funding for their project. The storage agreement with California Water Service was finalized and submitted for execution.

Mr. Boschman attended an all-day conference at CSUB on the topic of the latest technology and procedures for cleaning up oilfield produced water. Speakers presented the latest treatment process as well as emerging technology. It was estimated by the University that there could be as much as 100,000 AFY of water that could potentially be produced from within the Central Valley oilfields.

Mr. Boschman assisted with a meeting attended by representatives from two solar companies, Tenaska and Lend Lease, W.M. Lyles and District Staff. The meeting explored how planning, design, and construction could be coordinated by sharing facilities, easements and operations with the solar companies plus the Stored Water Well Field.

Mr. Boschman attended a meeting hosted by Rosedale-Rio Bravo WSD to discuss with Mike Young from Australia, how the Australian water market model could be applied locally to help deal with SGMA requirements. Other meetings attended include the ACWA Energy Committee, Kern Water Bank Board Meeting, and Semitropic-Rosamond Water Bank Authority Board Meeting.

Developing Water Resources, Inc.

John Jones of Developing Water Resources, Inc. submitted a written report and presented an oral update of progress on well drilling activities.

The drilling staff completed drilling the last well for North Kern. The well was swabbed and cleaned up very quickly. The site was prepared for the developing unit to move in for development of the well and discharge the water into the North Kern distribution system. The drilling rig was moved to the next well site which is located 1 mile south of Garces and 1 ½ miles west of Magnolia. The well will be drilled to a depth of 1,275 feet.

The video well camera logged one well for Semitropic.

Balance Public Relations

Dean Florez of Balance Public Relations submitted a written report and Manager Gianquinto

reported on his behalf. Assembly Bill (AB) 453 was submitted to Governor Jerry Brown for signature, although it has not yet been signed. Mr. Florez has had contact with various Assembly and Senate candidates and has several lined up to visit the District in the coming weeks.

INFORMATIONAL AND UP-DATE ITEMS

Manager Gianquinto's written report on "District Activity During August" dated September 9, 2016 was accepted for filing. In addition, the following items were presented:

Delta Issues

DWR transmitted the draft Biological Assessment for California Water Fix to the U.S. Fish and Wildlife Service and the National Marine Fisheries Service. At the Member Unit Manager's meeting it was reported that the Federal Agencies will not be able to complete the BA until early 2017. It is likely that the ROD/NOD will be delayed which will ultimately delay a decision on continued funding of the Cal Water Fix.

The Public Water Agencies are continuing discussion on the method for allocating the costs of the Cal Water Fix among the State and Federal contractors. There is talk of utilizing a 45% Federal and 55% State allocation for participation with a true up based upon actual utilization. The KCWA is preparing an alternative proposal based upon shares in the project which will be presented to the Member Units in detail at the October Member Unit Managers Meeting.

Kern Groundwater Authority

At the August 3rd meeting of the Kern Groundwater Authority (KGA) the Board directed its members to consider formation of a single GSA for those members willing to participate. The KGA Board is seeking to take action in 90-days to form a single GSA provided that is the desire of its members.

2016 Water Supply

The 2016 SWP allocation remains at 60%. As of August 31st, Semitropic has approximately 21,585 AF remaining in San Luis Reservoir to satisfy our remaining District demands of approximately 24,616 AF. This is adequate to meet the District's remaining Contract, Non-Contract and SAW obligations; however, the District will begin operation of select shared wells to fulfill the District's remaining shared well obligation.

Other Business

The Manager also stated that Jim Thebaut of the Chronicles Group, Inc. has developed a 25-minute video and will hold a screening at Harris Ranch in the near future. He may also attend the October Board Meeting and present the video to the Board.

Staff Engineer, Craig Wallace, gave an update on the Well Telemetry Project. Redtrac is creating a tool, using MS Excel, electronic meters and telemetry that remotely reads energy usage

and water flows, then allocates the true cost of the energy between the farmer and Semitropic based on the delivery point of the water, the time of use cost of the energy and certain other factors.

Greg Allen of Redtrac reported that he and his team had been working with the District's engineers, Isela Medina and Craig Wallace, in development of the energy/water allocation system. The goals of the new system are:

- Accurately allocate energy costs based on actual metered data
- Timely create and reconcile bills for farmers and Banking Partners
- Reduce labor costs and increase accuracy of field data collection process
- Reduce third-party and District personnel cost of ongoing manual calculations and utility bill review

The system is fully functioning for both hardware, communication and excel calculation for several Test Scenarios. Further testing will be on-going.

Closed Session

At 1:35 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) 8 items
 - 1) *Wilbur-Ellis Co. v. Semitropic Water Storage Dist., et al., and related actions*
 - 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*
 - 8) *County of San Joaquin, et al. v. Metropolitan Water Dist. Of Southern Cal., et al and related actions*
- b. Conference with Real Property Negotiators (Govt. Code Section 54956.8)
Potential Water Supplies
Negotiator: Jason Gianquinto, General Manager
- c. Conference with legal counsel to discuss Anticipated Litigation
(Gov't Code Section 54956.9)

At 3:30 p.m. the Board reconvened to open session. President Wegis stated that several items were discussed, including legal issues, agreements and proposals; however, no action was taken.

Adjournment

The meeting was adjourned at 3:30 p.m. by President Wegis until Wednesday, September 28, 2016 at 12:30 p.m. to continue the business of the District.

APPROVED:

Todd Tracy, Secretary

Fredrick A. Wegis, President