

**MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE TULARE IRRIGATION DISTRICT HELD ON THE
11th DAY OF OCTOBER 2016 AT THE HOUR OF 9:00 A.M.**

Call to Order:

Directors present at the meeting held at the date and time above designated were President David Bixler, Vice President Rick Borges, Mike Thomas and Dave Martin. Director Scott Rogers was absent. Staff present at the meeting were J. Paul Hendrix, General Manager and Secretary; Kathi Artis, Controller and Treasurer; Beth Holmes, Assessor-Collector, Wayne Fox, O&M Superintendent; Aaron Fukuda, Engineer; and Marco Crenshaw, Watermaster. Also present was Alex Peltzer, District Counsel; and Scott Kuney, Special Counsel (via teleconference). The meeting was called to order by President Bixler.

Public Comments:

There were no public comments to come before the Board.

Approval of Minutes:

Director Bixler then noted that the minutes of the regular meeting September 13, 2016 had been distributed and asked if there were any errors or omissions noted therein. There being none, by the motion of Director Martin and second by Director Borges, unanimously carried by all board members present, the minutes of the meeting were thereupon approved.

Closed Session:

The Board adjourned to closed session per Government Code §54956.8 and §54956.9(b). The Board then returned to open session, having one reportable action to address under item 6.C of today's meeting agenda.

Watermaster Report:

Lake Kaweah Storage and Operations - Mr. Crenshaw reviewed the Kaweah River operational situation, noting that the lake stood at about 9,660 AF as of October 10th. He further addressed the exchange operations within Rayo WC and the remaining balance of Kaweah River water in the District's account.

Water Management Activities - Mr. Hendrix then indicated that Friant contractors have been offered an exchange with USBR by which a portion of this year's Restoration Flows now residing in San Luis Reservoir may be exchanged with Unreleased Restoration Flows still in Millerton Lake. He added that, as an alternative, the San Luis water may be sold or otherwise leveraged with west-side interests under some other program yet to be defined. Upon further discussion, the Board advised that the District indicate its interest in participating in the exchange and taking possession of its share of the 5,200 AF of URF supply in Millerton for subsequent delivery to the District's service area.

O&M Superintendent Report:

Routine Work, Outside Work and Construction Projects - Mr. Fox reported on the maintenance activities undertaken during the past month in the delivery system and within upstream diversion channels. His report consisted of a summary of the third quarter O&M written report, wherein was highlighted field safety program activities, maintenance activities, vehicle/equipment repairs, herbicide

applications, and work on major construction projects.

Mr. Fox thereupon brought up the ongoing search for a tool truck/pole cat, noting that the District was unsuccessful in securing such a truck during a recent auction. He presented information on a suitable 2005 Chevrolet 3500 truck for sale at Kingsburg Truck Center for \$38,109. After describing its features, the Board indicated support for pursuing the purchase of this vehicle.

Treasurer Reports:

Approval of Financial Statements - Ms. Artis then presented the financial statements for the month of September 2016 for the Board's review and consideration. She cited revenues to-date totaling \$3.47 million, including one-half of the annual assessment now recorded as income. Regarding expenses, Ms. Artis then summarized expenses, citing water acquisition thus far of \$2.03 million as well as other line items. She highlighted total operational expenses of \$6.37 million along with the additional costs of capital outlay and loan principal payments. Ms. Artis next reviewed the statement of cash flows and statement of net assets, noting certain line item in each. Construction-in-progress figures received some discussion and inquiries from the Board.

Ms. Artis then reported on the status of the District's investments, citing yield rates of 1.24% in the Tulare County pooled fund, .61% at the state LAIF, and 1.02% with CalTrust. She also referred the Board to the graphical depiction of such investment rate trends since January 2009. Ms. Artis reasserted that the District possesses sufficient cash to cover six months of expenses and noted that \$7.65 million remains of the original borrowing for the USBR 9(d) contract conversion loan.

Approval of Bill Payments - Ms. Artis next presented the list of bills submitted for ratification and approval by the Board. Several questions were fielded by staff, including credit card fuel purchases, the categorization of Friant O&M costs and others. By the motion of Director Borges, second by Director Thomas and unanimously carried by all board members present, the Board accepted the financial statements and, by said motion, check nos. 47748 through 47849 totaling \$950,607.14 were all either ratified or approved as paid, exclusive of any voided or withheld checks.

District Investment Policy - Ms. Artis next presented the Board with the current investment policy, stating that Calif. Government Code statutes require that it be reviewed and approved on an annual basis. With no changes being proposed, upon the motion of Director Thomas, second by Director Martin and unanimously carried by all board members present, said policy was ratified as presented.

Management Staff Reports:

Mid-Kaweah GSA - Mr. Hendrix summarized last month's GSA board and advisory committee meetings, indicating the consulting engineer's reports given thereat were well received. He added that the larger Kaweah compliance efforts need a focal point to ensure progress and to initiate the SGMA-required coordination discussions. The Greater Kaweah GSA is now in the process of seeking membership in its several committees.

2016 Crop Survey - Mr. Crenshaw presented a historical chart and current map of cropping patterns within the District. the Board reflected upon the information as to the implied trends in cropping decisions of District landowners over time.

Reserve Fund Policy - Mr. Hendrix brought up some considerations in the management of District reserves that may make for a more efficient use of cash on hand as well as allow for more flexibility in categorization of certain expense items. He noted that extreme financial conditions brought on by the lack of water sale revenues and ongoing collection of assessment funds to pay for USBR costs which are minimal when no Friant water is allocated. He added that this results in the need to reallocate cash reserves to adjust for such unanticipated circumstances, and the Board indicated support for coming up with recommendations in this regard.

Water Sale Rates - Mr. Hendrix summarized the discussion held in September regarding the current and projected annual expense budget versus anticipated income. He reiterated prior data which indicated that per acre-foot water sale rates in the \$45 to \$50 range were going to soon be needed to cover current shortfalls, exclusive of inflationary effects. Upon further discussion, the Board indicated (a) a preference to maintain the winter/summer rate differential in any effort to implement a rate increase, and (b) to initiate a process to inform landowners of the District's intent to enact a maximum rate increase to \$55 per acre-foot.

Matters for Consideration of Board Action:

Resolution Nos. 16-12, 16-13 - Mr. Hendrix presented the established form of resolution to levy the annual assessment to partially fund CVP water purchases in 2016 and for groundwater recharge operations. He further presented the established form of resolution to fix the annual charge for 2016 to defray the costs to the District of the USBR-imposed Friant surcharge and environmental restoration fees. It was moved by Director Borges, seconded by Director Martin, duly put and carried, that Resolution No. 16-12 levying an assessment of 0.8% of the District assessed valuation on all lands within the District, be approved and adopted. It was additionally moved by Director Martin, seconded by Director Borges and unanimously carried by all board members present, duly put and carried, that Resolution No. 16-13, fixing a charge of \$16 per acre on all lands within the District, be approved and adopted.

Offer to Purchase Water Stock - At the conclusion of closed session held earlier, it was reported that the District intend to submit an offer to J. Martin del Campo for the purchase of one share of Tulare Irrigation Co. stock.

Board Member Report of Meetings:

Director Bixler asked if any of the Directors have reports on meetings they attended or wished to discuss at this time.

Director Borges made mention of the September 26th annual meetings of Tulare IC, noting that the same slate of board members and officers were enacted and that an assessment of \$80 was approved.

Director Borges next summarized the October 6th meetings of the K&SJRA and KBWQA. He noted that the Association board was reappointed, although discussions were held regarding the interest of Corcoran ID to serve on the board. He added that updates were provided on the formation of GSAs and that the KDWCD management fee is being reduced for the next fiscal year. Regarding the KBWQA meeting, Director Borges noted that elections were held for board seats and that an annual membership meeting had also been held.

Director Bixler next reviewed matters dealt with at the September 30th ACWA board meeting in Sacramento. He mentioned that a 3% dues

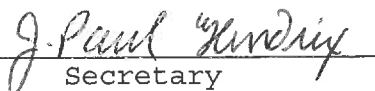
increase was approved and that the potential for GSA membership in the organization received discussion with the ultimate intent to allow for acceptance of their membership applications should there be interest in doing so on their part.


Closed Session:

The Board adjourned again to closed session per Government Code §54956.9(a) and, upon return to open session, the following actions were announced:

- 1) The Board authorized the filing of litigation on behalf of the District, its landowners and water users, against the United States of America in the Court of Federal Claims, Washington, D.C.
- 2) The Board authorized and approved a settlement agreement entitled "Settlement Agreement Regarding The California WaterFix (Friant Division Contractors)," effective October 1, 2016.

There being no other items to come before the Board of Directors, the meeting was then adjourned.


Secretary


President