

**MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE TULARE IRRIGATION DISTRICT HELD ON THE
8th DAY OF JANUARY 2013 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, Dave Martin and Scott Rogers. Staff present at the meeting were J. Paul Hendrix, General Manager and Secretary; Richard Tapley, Controller and Treasurer; Wayne Fox, O&M Superintendent; Marco Crenshaw, Watermaster and Aaron Fukuda, Engineer. Also present were David Fenn, a representative of Sun World, and Eric Quinley with Friant WA. The meeting was called to order by President Bixler.

Public Comments:

There were no comments from any members of the public in attendance to come before the Board.

Approval of Minutes:

Director Bixler then noted that the minutes of the regular meeting held on December 11, 2012 had been distributed and asked if there were any errors or omissions noted therein. The minutes of the meeting were thereupon approved as presented by the motion of Director Borges and second by Director Martin.

Watermaster Report:

Lake Kaweah Operations and Supplies - Mr. Crenshaw indicated that about 21,000 AF is retained in storage in Lake Kaweah, and that a flood release may be activated should the lake level reach 30,000 AF. He made mention of a small flood release which occurred last December, during which the District's diversions totaled about 6,000 AF. Of that total, he noted that 9% was sold to water users, 66% was recharged in basins and 25% recharged as canal and ditch seepage. Mr. Crenshaw then indicated that the District retains about 2,600 AF of CVP water from last year and has about 2,500 AF of Kaweah entitlement in storage. He cited rainfall totals to-date and that the Kaweah watershed snow pack stands at about 89% of average as of January 7th. He lastly noted that the outlook is not favorable for a solid pre-irrigation run during the January/February period. Director Martin commented that, with changing cropping patterns, water demands nearly year-round, and receding groundwater levels, the District may need to revisit the optimal irrigation run intervals to take advantage of supplies when available.

Water Management Activities - Mr. Hendrix then outlined the plan to satisfy a District obligation for water which was provided by Sun World back in 2006 at no cost. Payback of this water is to take the form of a transfer/sale to a water user in Madera ID, with the revenues to be shared equally between the District and Sun World. He indicated that, of the total 3,500 AF involved in the sale, one-third will be transferred into Madera ID during each of the next three years.

Mr. Hendrix then introduced Eric Quinley, Maintenance Manager of the Friant Water Authority, to outline a proposed plan to divert flushing flows from the Friant-Kern Canal into the District's Main Intake Canal. Mr. Quinley proceeded to review the canal treatment process for Western Milfoil and resultant need to dewater and later refill the canal with flows from Millerton Lake. He noted that the treatment constituents were Clearcast (containing Imazamox) and Sonar (containing Floridone), and that residual amounts of these substances remain in the canal reach in which the District's Canal turnout resides. Mr. Quinley went on to say that the District may be asked to take delivery of this water for a period of time to allow for fresh water from Millerton Lake to fill this and upstream reaches prior to

restoring the canal to full service to its terminus at the Kern River in Bakersfield. He indicated that contaminant levels of the prime constituent of concern, Floridone, will be determined and provided to District staff prior to any request to divert water from the Friant-Kern Canal. The Board further discussed the situation and advised staff to continue the dialogue with the Authority to gauge the feasibility of accepting any such flushing flows.

O&M Superintendent Report:

Routine Work, Construction Projects - Mr. Fox reported on the maintenance activities undertaken during the past month in the delivery system and within upstream diversion channels. Grading and weed-mowing along with herbicide applications within the Main Intake Canal took up much of the routine work. Mr. Fox then said that the Swall Basin project was essentially complete. He added that cell no. 3 may yet need some bottom ripping to break up compacted soils from heavy equipment during construction. SCADA equipment installations are scheduled to occur soon, and consideration is being given to fencing the perimeter to minimize unwanted public access. He said that smaller construction work has been undertaken on some culvert crossings under county roads.

Quarterly O&M Report - Mr. Fox next reviewed the 4th quarter 2012 O&M activity report and addressed work categories including general maintenance, vehicle maintenance, herbicide applications, and construction projects.

Treasurer Reports:

Approval of Financial Statements - Mr. Tapley brought to the Board's attention the financial statements for the month of December 2012 for their review and consideration. He first reviewed the statement of revenue and expense, citing operations non-operations revenue totaling \$5.39 million for the year and then reviewed expenses stemming from water acquisition and associated activities, and then those related to system O&M, equipment and shop, general operating, and administrative activities, all combined totaling \$5.88 million for the year. Mr. Tapley then reviewed the statement of net assets for the month, citing key figures regarding assets, accounts receivable, fixed assets, capital investments, construction in progress, liabilities and designated reserve funds. He cited total assets of \$45.03 million and liabilities of \$11.82 million. He noted too the designated cash funds of \$11.85 million as of the end of the year. Mr. Tapley next reviewed the statement of cash flows and associated highlights therein. Director Thomas asked a few questions concerning delinquent water sales payments and reporting of such in the net assets statement.

Mr. Tapley thereupon cited current investment yields for the State LAIF and the County Investment Pool, those being .32% and 1.61% accordingly. He also noted the dollar amounts residing in these accounts and presented a graphical representation of investment return rates since 2008. Lastly, Mr. Tapley referenced the debt service amortization schedules for the two borrowings with Banc of America, noting that the next installment payments are due for both on March 1st.

Approval of Bill Payments - Mr. Tapley next presented the list of bills submitted for ratification and approval by the Board. He pointed out bill payments for health insurance, ACWA dues, temporary accountant fees, and others as were asked about by the Board. By the motion of Director Rogers and second by Director Thomas, the Board accepted the financial statements and check nos. 43290 through 43421 totaling \$353,919.06 were all either ratified or approved as paid, exclusive of any voided or withheld checks.

Status of 2011 Audit Review - Mr. Tapley indicated that the required parts of the audit report were completed and that only the management

discussion & analysis (MD&A) section remains. He added that the full report should be complete in about one week.

IRS Audit - Mr. Tapley then told the Board that an IRS agent has been reviewing the adequacy of the District's handling of vehicles assigned and furnished to management staff, the vehicle stipend provided to the General Manager, Board stipends for meeting attendance, and needed corrections on prior tax year 1099 forms.

Management Staff Reports:

Exchange Agreement with Lindsay-Strathmore ID - Mr. Hendrix summarized the status of discussions and negotiations with LSID concerning an extension and modifications to the agreement. He noted that, as of January 1st, LSID was no longer transferring its daily two-thirds Wutchumna WC entitlements to the District.

License Agreement with Monrovia - Mr. Fukuda proceeded to brief the Board on the status of the lease agreement with Monrovia Nursery and joint use of the Packwood Canal traversing their property. He noted that discussions with Nursery representatives were ongoing as to a solution for the disposition of operational discharges from Nursery property now entering the Canal and flowing downstream of the property. The prior such agreement expired in December 2011. In reaction to the District's concerns, Monrovia is now evaluating the feasibility of directing all its discharges to the St. Johns River as opposed to relying on the Packwood Canal. Director Thomas asked of the roles, if any, of the RWQCB, KDWCD and the Kaweah Sub-watershed Coalition in this matter, and whether the District should be communicating with any of these agencies as to their respective positions.

Ag. Water Management Plan - Mr. Fukuda then announced that the District's revamped water management plan as required per newly-adopted DWR regulations was submitted on time, the deadline being Dec. 31st of last year. He noted that there were some districts like Tulare which followed through and submitted a plan and some who chose not to do so.

Matters for Consideration of Board Action:

2013 Preliminary Budget - Mr. Hendrix reviewed the highlight of the budget and overall comparisons with total revenues and expenses for the prior two years. He then made note of projected water sales and exchanges/transfer income, KRPA revenues, grant income, CVP water cost, capital items and engineering/planning expenses associated therewith. Mr. Hendrix concluded with the projected cash flow resulting in a drop in cash reserves of about \$482,000 at the end of 2013. He concluded with the observation that, as cash reserves reach higher levels, there may be ways in which water sale rates could be lowered to bring reserves down to target levels, and that a study of rate adjustments to achieve that end would be made by staff. Upon the motion of Director Borges and second by Director Thomas, the 2013 preliminary budget was approved.

Resolution No. 13-01 - Mr. Hendrix brought to the Board's attention the subject resolution and associated listings of appointments, proxies and representations to be identified as among board members and staff. With certain changes to the slate of such persons identified for 2012, Resolution No. 13-01 was adopted with the motion of Director Borges, second by Director Thomas and duly put and carried.

Professional Services Agreement - Mr. Hendrix next summarized the work of Richard Zack in the research and documentation of the District's developmental history since its formation in 1889. He stated that an agreement identifying the work to be performed, costs totaling \$30,000, product ownership, and indemnity clauses for preparation of the manuscript had been drafted and approved as to form by the

District's and Mr. Zack's attorney. By the motion of Director Borges and second by Director Thomas, the agreement was approved for execution by the appropriate District officers.

License Agreement - Mr. Fukuda then reviewed the need of a landowner, J. Holcomb, to gain access to a parcel he wishes to purchase adjacent the District's Main Intake Canal. He explained that the only access to the property from his existing land nearby is by use of the concrete bridge crossing at the Cameron Creek drop structure. By the motion of Director Borges and second by Director Thomas, said license agreement between the District and Jack Holcomb was approved for execution.

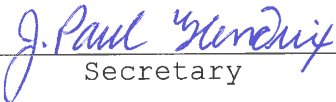
Board Member Report of Meetings:

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

Director Thomas first summarized the key agenda items of the Tulare IC quarterly board meeting held on January 7th, citing an assessment of \$40 per share and no delinquencies as of the prior assessment. He next brought up the highlights of the Wutchumna WC board meeting held last December 12th. He made note of an assessment of \$250 per share and ongoing work to repair the Ragle gate structure and installation of a flow measurement meter thereat.

The Board then adjourned to a closed session per Gov't. Code §54957. Upon returning to open session the Board, with the motion of Director Thomas and second by Director Borges, approved merit salary increases for the positions of O&M Superintendent and Engineer of 8% and 2%, respectively.

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


Secretary


President