

Saturday, January 12, 2019

## Annual Meeting of Shareholders - Farmers Union Ditch Meeting

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### Board Present:

Sam Rosti, Lloyd Akins, Paul Akins, Tom Foster

Craig Waddell, Ditch Rider

Rosalie Cope, Secretary/Bookkeeper

Jerry Kiser, Attorney for FUD

Sam Rosti called the meeting to order at 1:06 p.m.

Proxies were counted and verified by Rosalie Cope: 118.2138 shares represented *which did not constitute a quorum.*

2018 Annual Meeting Minutes were read by Sam Rosti. Lowell Hursh made a motion to approve minutes as read, Maureen Sellers seconded, minutes approved.

### Financial Report:

Income Projected for 2018 = \$442,503.00	Actual	\$467,122.52
Plus Interest Earned		<u>\$ 1,202.61</u>
Total		\$468,325.13

Expense Projected for 2018 = \$366,081.72	Actual	\$388,207.85
Plus Depreciation		<u>\$ 21,005.00</u>

**Net Income = \$59,112.28**

Income Projected for 2019 = \$474,616.00

Expense Projected for 2019 = \$398,292.83

### Budget Highlights:

Storage Water rental in 2018 \$42,500.00

Anticipated Increases to Lucky Peak O&M in 2020

*(For major maintenance issues by the B.O.R.)*

**Assessments:**

2017 FUD Share	<b>\$673.76 or \$61.25 per inch</b>
2018 FUD Share	<b>\$773.76 or \$70.34 per inch</b>

Sam Rosti reported Farmer's Union earned \$1,202.61 in interest on the machinery fund which was set aside in savings in 2017. Farmer's Union also received a check for \$42,500.00 from Water District No. 63 for rental of storage water in 2018. Farmer's Union has sold storage water for the past couple of years to help keep the fees passed on to shareholders at a minimum.

Sam stated, in an effort to optimize funds the Board made a decision to move the checking and savings accounts to a Bank that offered money market checking and better interest rates on savings. At this time funds are divided into several accounts including:

- Business Share Savings – Equipment Purchase at 0.100% apr
- Business Premium MM Savings – Equipment Purchase at 0.300% apr
- Business Premium MM Savings at 0.250% apr
- Business Money Market Checking at 0.200% apr
- 24 Month Business Promo CD at 2.368% apr
- 12 Month Business Promo CD at 2.550%

Sam also noted the 2019 assessment for Farmer's Union shares will be increasing by \$100.00 to prepare for increasing O&M costs at Lucky Peak. Jerry Kiser will go into more detail in his report. Sam stated Farmer's Union fees are about half of what other water companies are charging. He did explain Farmer's Union however is not a district, but a stock company.

Phil Fry asked why Farmer's Union is paying an accounting service for an annual audit. Sam Rosti explained the Board made the decision to have an annual audit done several years ago and thinks it is a good idea for transparency. Rosalie Cope stated the accounting firm also files annual taxes and forms which are necessary to retain non-profit status. Another shareholder asked if State Law requires an audit. Sam stated there is no law requiring the company to have an audit, the Board just feels like it is a good idea. Another shareholder stated she would like to see the audit continued.

A representative from Buckhorn Estates East HOA asked how many inches of water there are per share. Sam responded that a Farmer's Union share consists of 11 inches of water which is 9 gpm, equaling 99 gpm in the State of Idaho. Sam said one inch of water is an acre ft. of water which equates to enough water to cover one acre of ground with one inch of water. Craig Waddell said all deliveries are set up with a cipoletti trapezoidal weir. It comes over a certain width and he has a "cheat" sheet provided by the water master to determine how much water to deliver. He said the

water is regulated as need be. Craig said in a short water year a percentage of cutbacks will be determined by the Board and he will cut everyone back accordingly. Shareholders are regulated by the number of shares owned. The Buckhorn Estates East HOA representative asked how usage is enforced. Sam said Farmer's Union is in the process of regulating pump sizes. He explained there is a dedicated boundary for the delivery area and the company does not take any new property outside of the delivery area. Sam stated electric flow meters or submerged weirs are required for measuring. She said landscapers, etc. are taking water out of the ditch and asked if that was legal. Sam said no, if a shareholder sees someone taking water out of the canal they need to contact the ditch rider and report the situation. The question was asked, can someone sell their shares? Sam said Farmer's Union subsidizes with the purchase of storage water from Arrowrock, Anderson Ranch and Lucky Peak reservoirs and is not aware of any shareholder having "too much" water. Sam said the shareholder would need to attend a regular meeting where the Board would compare the number of acres to water shares and make a determination as to whether or not water could be sold. Sam also stated the Board would require the water to remain in the same lateral.

Another shareholder asked for some background on the conveyance loss passed on to Boise Valley shareholders. Sam said communication is ongoing with BVID.

A shareholder asked what is happening at Seaman's Gulch and Hill Road. Sam said Suez is expanding their delivery area. He stated the Board meets monthly and the plan was brought to the Board for approval. The project will be done before water comes in and Suez has a crossing agreement with Farmer's Union.

Sam Rosti reported reservoirs at 45% of normal for this time of year. Last year at this time the three reservoirs were at 42%. The basin snow pack is at 65% and same time last year was 69-70%. Sam stated we still need more snow but it isn't as bad as it seems. He said all Boise River water users are involved in a cloud seeding project through Water District 63 sponsored by Idaho Power.

### **O&M Report – Craig Waddell**

Craig Waddell reported there are a lot of projects in the works. He said the City of Boise has begun work on the project at the Whitewater Park at the Farmer's Union intake and at this time all water in the river is being diverted through the Farmer's Union intake then diverted back into the river so they can keep the river dry in the construction area.

Craig reported work at State Street is behind schedule and there has been a problem with beavers in that area.

New automated gates have been built for Boise City Parks and Rec. which will be in place by next year. Craig said the new gates will automate the Farmer's Union intake so water will remain at a steady volume. He said the electronic portion necessary to

automate the gates cannot be installed until water is out of the canal next fall. Craig reported a lot of work has been done on the intake structure to accommodate construction.

Craig said there is a problem on Pierce Park. The ditch riders are shoring up the bank and doing quite a bit of tree removal. He said there is also a washout area in the canal and a construction company has been hired to help haul in concrete. There is already quite a bit of concrete in the Pierce Park area and the ditch riders are going to work on reinforcing the bank all the way to Bloom.

Sam Rosti reported the shop has been painted and quite a bit of cleanup has been done around the yard. He stated the Board discussed selling the Clover property and relocating the shop to a more central location on the canal however decided it would be best to wait until the negotiations and work on the Whitewater Park is complete. Sam reiterated there will be a fully automated state of the art dam in the river and 500-600 feet of box culvert in the first entrance of the canal that has been paid for by the City of Boise totaling approximately 5-6 million dollars. Sam said this has been about a 10 year project and is nearing completion.

A shareholder asked what the maintenance costs will be. Sam said in the agreement the City is required to pay for maintenance and cleaning on any and all structures installed as part of this project. It was asked why the City would do that? Sam responded because they wanted to put in a water park and the Farmer's Union water right superseded the City's work. Sam stated the ditch riders are monitoring all of the projects affecting the canal.

### **Legal Report – Jerry Kiser**

Jerry Kiser reported there has been ongoing litigation involving the State Department of Water Resources regarding how water is calculated when released for flood control. A settlement has been reached on the refill issue which involves two different water rights. The first relates to 3.6 million acre feet of water which is a water right without priorities. New developments, new water claims, etc. cannot claim this water right. The second is protective of refill. The settlement is not for the full quantity sought which would be roughly  $\frac{3}{4}$  of the volume of the three reservoirs, instead it is approx.  $\frac{5}{8}$ . Part of the settlement involves passing a new law. With the assistance of Speaker Bedke and Mike Moyle House Bill #1 has been introduced to legislation and should be coming out of committee early next week. The bill is expected to pass without issue. Once the bill is passed the water rights as proposed will go back before the judge in the State River Basin adjudication. If approved by the judge it is finalized. If for some reason the judge does not approve, everything goes back to the Supreme Court. The settlement is a good resolution.

Jerry Kiser reported on the Lucky Peak O&M costs. Jerry stated at this time last year Farmer's Union was working with the Bureau of Reclamation regarding including flood control as a component of the reservoir for spreading the cost of O&M. The

Bureau of Reclamation has agreed to include flood control as a component which will be absorbing a lot of the cost therefore reducing the cost passed on to the storage account holders. This will save irrigators a lot of money. The original projection from the B.O.R. was anywhere from \$200 thousand to \$10 million dollars in extraordinary expenses increasing the cost per acre ft. \$10 to \$11 overall. The projected cost to be passed on to irrigators in 2019 was \$5.60 per acre ft. With the inclusion of flood control that has been decreased to \$3.50 per acre ft. There are still major extraordinary expenses that were expected to be rolled into the 2019 assessment which were moved around and bumped back. We will now see these costs in the 2020 "true up". There are ways to mitigate the costs such as low interest loans and Jerry said we will be looking into those options throughout the year. A shareholder asked if this means increasing assessments in 2019 will not be necessary. Sam Rosti responded the Board was aware of the huge increase in O&M expenses coming in the future so they started looking into investment accounts, selling storage water and other ways to set aside funds. The Board made a decision to begin increasing assessments over a period of time in order to accumulate funds necessary to cover the cost rather than a significant one-time increase. As part of this plan there will again be a \$100 increase per share in 2019. Sam reiterated the formation of the Treasure Valley Water Users Association to negotiate with the Bureau of reclamation on behalf of the irrigators has been instrumental.

Jerry reported crossings and canal right-of-way developments related to subdivisions and growth are an ongoing, never ending battle. Farmer's Union is constantly being contacted by utilities, developers, etc. wanting to do something in the canal; on the right-of way or both. The Board requires crossing agreements, looks at all projects carefully and is involved with detailed analysis and imposing requirements to protect the ability to clean maintain and repair the canal in order to keep the water flowing when it needs to be delivered to the consumers.

- 1) The Whitewater Park is the largest and is expected to be done mid-February with the portions of the project that would impact the ability to deliver water. They expect to have the structure in place prior to water coming in.
- 2) The State Street and Collister project is currently behind schedule and the Board will be having a conversation with them in the near future.
- 3) Other projects include utility crossings of which the Suez Water project at Seaman's Gulch is an example. Suez approached the Board about crossing the canal and provided plans. At that time they wanted to incorporate a flush station to flush the water station into the canal. The Board outlined requirements and Suez decided to use the ACHD drain along Hill Road, however they still needed to get a water line across the canal from Seaman's Gulch to Hill Road. The original plan was to bore which in order to meet the specs required by the Board was too costly so they have now resolved to open trenching. Work is ongoing now and should be complete soon.

Jerry Kiser reported FEMA is taking a position that any work done in the floodway will require a development permit. Jerry stated approximately 8 years ago legislation was passed involving the EPA and FEMA that dealt with requiring development

permits in floodways. That legislation expressly excluded work done by irrigation entities for maintenance and repair of structures and facilities in the floodway. FEMA is now stating that anything considered development of property in the floodway has to be approved by the local governmental agency. For Farmer's Union that includes portions of the canal from the diversion structure to State Street. The plan would require a development permit from Boise City to do just about anything including mowing grass to replacing an air conditioner condenser, etc. FEMA has been working through IDWR to draft a set of rules and regulations they intend to adopt. The rules and regulations were proposed to be in place by October 1<sup>st</sup> of 2018 and for whatever reason there has been no more correspondence. It is the intent of FEMA to get the rules and regulations in place and require irrigation entities comply but at this time there is no requirement. A shareholder asked why this is being proposed. Jerry stated they don't want people changing and altering how flood flows act in the floodway and have taken a reasonable basis far beyond what it should be.

Earlier a question was brought up about conveyance loss in relation to Boise Valley shareholders. Lloyd Akins explained Boise Valley water is not natural water in the Farmer's Union canal therefore when a Boise Valley shareholder has an agreement with Farmer's Union to deliver water there is an automatic loss of 30 percent for the conveyance fee. This process was established when the canal was originated in 1916 when Boise Valley sold their portion of the canal to Farmer's Union, not something that has been agreed upon recently. The 30 percent shrinkage is standard for everyone on the canal except a few shareholders on the south end which is 50 percent. Lloyd said 30 percent sounds like a large amount, but speculates the actual water loss is actually more. Another shareholder asked if the loss is due to seepage. Lloyd stated the loss is due in part to both seepage and evaporation. He said in 1960 there was a water exchange and 1,000 inches of what is called Jacobs water came into the canal. For conveyance of the water Farmer's Union received 330 inches of the water, Capital View Irrigation received 330 inches and 330 inches was distributed to what is now Lexington Hills subdivision. Lloyd stated he does not know if Boise Valley charges shrinkage to shareholders for water delivered by Farmer's Union but is something shareholders would need to address with the Boise Valley Ditch Co. Lloyd said a Boise Valley share equates to one inch of water which is 9 gpm. He reiterated there have been no new agreements. Sam Rosti stated there is a lot of history with the Boise Valley system and there has been a lot of water transferred out and into the Farmer's Union canal as per the 1916 agreement. Sam said water is delivered to Boise Valley shareholders free of charge, no maintenance fees, etc. Everything below the check where Boise Valley water has been transferred into the canal is assessed because they are under the jurisdiction which costs Farmer's Union O&M to deliver.

A shareholder asked if Farmer's Union issues license agreements on laterals or is Farmer's Union only concerned about developments adjacent to the canal? Jerry Kiser said the Board primarily deals with the main canal however there are a few situations where the company will get involved in lateral arrangements because they impact the canal. As a general rule a crossing of the lateral is a matter for the lateral

to address. If the lateral has issues, questions or problems the Board will do what they can to help. Laterals are different entities, legally and practically. When there is a problem on the lateral Farmer's Union typically receives the calls so the Board does like to be aware of what is taking place on the laterals. The shareholder asked if when Farmer's Union receives notification of development taking place within the area of the lateral if the lateral manager can be contacted. The Board stated most laterals are not incorporated and do not have appointed lateral managers. Sam stated the City of Star, City of Eagle and City of Boise are required to notify Farmer's Union of anything going on however things do fall through the cracks. There are far too many laterals and too much change to keep up with everything. Sam said anyone is welcome to attend a monthly meeting and if the Board can help they will get engaged. The Board typically only receives notification if something encroaches on the canal and some of the laterals run beyond the area required for notification.

The question is in direct relation to headgates 77 and 78, in particular Hazen Ranch. Jerry Kiser said Hazen Ranch did meet with the Board and they were told to get approval from the lateral prior to any work being done. Sam said landowners in the application area should be notified as well and it is the responsibility of the landowner to attend hearings and make comments to the City. Farmer's Union cannot oversee all of the development. The Board is available to help if concerns arise. Craig Waddell said the Board has been requiring a flow meter on anything with a 2" or larger delivery. The flow meters can be read electronically.

Sam Rosti presented the financial summary and reported income projected for 2018 was \$442,503 and actual was \$467,122.52 with \$1,202.61 in interest earnings for a total of \$468,325.13. Total projected expenses were \$366,081.72 with \$388,081.72 in actual expenditures. Income budgeted for 2019 is \$474,616 and budgeted expense are \$474,616. Sam stated there is money in the equipment fund and there have not been any more emergency assessments sent out recently. Sam stated the budget is not huge, but is enough that he thinks the annual audit is something that should be continued.

Sam stated in order to hold an election of officers the bylaws require 50% of shareholders in attendance. Since the amount of shares represented does not meet quorum an election will not be held. Sam said in the past Board positions have been filled as need be.

A shareholder asked if the proposed raising of Anderson Ranch reservoir has any effect on Farmer's Union. Sam Rosti responded, the Bureau of Reclamation has looked into lengthening Arrowrock reservoir and/or Lucky Peak reservoir but the project that looks like it has the most merit is raising Anderson Ranch reservoir by 6' which would create an additional 29,000 acre feet. Sam said several years ago a group of investors wanted to divert water into a basin to generate electricity then back into the reservoir. Sam said that has nothing to do with the current discussion but when litigation over the refill issue came up discussion was had about Mountain Home being deficient of water. Mountain home has applied for additional water in

the event the reservoir is raised but the infrastructure will cost approx. 30 million. The cost to a farmer would be \$400 per acre ft. Sam reported there is ongoing litigation. Water users in the Valley are opposed because they feel with the rapid growth in the Valley there is an ongoing need for the water which supersedes sending it to Mountain Home. Jerry Kiser stated the Elmore County application is part of the terms of the refill settlement and the new water rights that were agreed to. The 3.6 million acre feet would be subordinated to future uses which were in-basin uses. There is a specific limitation that does not allow in-basin use to be subordinated to out of basin uses. Jerry explained anything above 3.6 million acre feet of runoff is what Elmore County might be able to claim. First of all, to have that much water is extremely unlikely as that is the historic high runoff for the basin. The second issue is how to determine when that excess has been reached. Jerry Kiser said there are a number of protests to the application and there is no certainty there is going to be an increase in Anderson Ranch.

Larry Newton representing Covenant Hill HOA made a motion to accept financials, James Reid seconded and financial report approved.

A motion was made to adjourn the meeting; motion was seconded. Meeting adjourned at 2:51 p.m.