

Saturday, January 11, 2020

Annual Meeting of Shareholders - Farmers Union Ditch Meeting

Board Present:

Sam Rosti, Lloyd Akins, Paul Akins, Tom Foster

Craig Waddell and Seth Kettering, Ditch Riders

Rosalie Cope, Secretary/Bookkeeper

Jerry Kiser, Attorney for FUD

Sam Rosti called the meeting to order at 1:04 p.m.

2019 Annual Meeting Minutes were reviewed.

Sam reported the reservoir system which includes Lucky Peak, Anderson Ranch, Arrowrock and Lake Lowell is at 56%. A little over half full due to some carryover from the previous year. Snow pack averages are at 69% which is not great, but there are some storms in the forecast and with the carryover in the reservoirs we should fill.

Proxies were counted and verified by Rosalie Cope: 124.7224 shares represented *which did not constitute a quorum.*

Sam Rosti explained since there has not historically been a quorum and Board elections cannot take place at the Annual meeting. There is always a struggle to fill Board positions. If someone is willing to fill a vacant seat the existing Board will make appointments.

Sam Rosti reported there was \$5,804.23 in interest earnings on the Equipment fund. Farmer's Union also received \$42,500.00 from Water District No. 63 for rental of 2,500 acre feet of storage water in 2019. 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 also noted the 2020 assessment for Farmer's Union will be increasing by \$100.00 per share to prepare for increasing O&M costs at Lucky Peak. Jerry Kiser will go into more detail in his report. Sam said when the Bureau of Reclamation (BOR) first estimated the extraordinary O&M costs it was anywhere from \$1 million to \$10 million. Sam explained the Treasure Valley Water User's Association (TVWUA) was formed when the irrigators were negotiating the Lucky Peak refill issue. TVWUA and attorney's of the irrigation districts and companies were able to get the Bureau of Reclamation to cut back the irrigators portion of the bill for O&M at Lucky Peak to approximately 40-42%. The Board made a decision to gradually increase

assessments over a three year period in anticipation of receiving a huge bill for Lucky Peak O&M rather than sending out a special assessment. That bill is expected in 2020 then hopefully the costs will level out and assessments with that.

Jerry Kiser explained there is no direct correlation between the increase in assessments and the annual contribution to TVWUA which is approximately \$2,000.

Jerry Kiser explained TVWUA has been involved in dealing with the BOR because historically the BOR did not allocate any of the O&M for Lucky Peak to flood control which was the original purpose of the dam. The BOR agreed to an adjustment and allocated approximately 42% of the O&M costs to flood control. However the bill for irrigators will still be large. Jerry stated the Army Corps of Engineers continues to add new projects to the budget.

Sam Rosti explained the BOR, Army Core of Engineers and the River Master run the dam system to keep flooding at bay and regulate water to water users in Basin 63.

Sam Rosti explained Farmer's Union has done a lot of maintenance and have received many improvements by working with the City of Boise on the Whitewater Park. There is a dam structure in place estimated to be worth approximately \$6 million paid for by the City of Boise as part of construction of the Whitewater Park. A large part of the canal from the head of the river about 2/3 of the way to the headgate has been engineered as an impermeable barrier, a box culvert. There is no open water showing. This was part of a plan to change the flood plain so the canal would not wash out and help with flood control into Garden City.

New headgates and headgate repairs are ongoing. The City of Boise provided Farmer's Union with a complete mapping system of the headgates. The Board has taken several trips and spent days trying to update headgate numbers. There are no structures that are a threat to water delivery. There are water evacuation spots that have been automated to control flooding.

Maintaining the 25' easement on both sides of the canal is an ongoing issue. There is a spot in the canal at Collister that is difficult to access and there is water in that part of the canal year-round coming in from Edward's Greenhouse which has grandfather rights to empty into the canal.

A box culvert was installed from Willow Lane past the Collister intersection approximately 1,700 feet. The culvert is sized to take all of the canal water and then some. Tree and shrub cleanup was also done as part of the highway project. A new trash rack will be going in above the Collister intake, upstream of Willow Lane.

Financial Report:

Sam Rosti presented the financial summary and reported income projected for 2019 was \$474,616.00 and actual was \$540,783.26 with \$5,804.23 in interest earnings for a total of \$546,587.49. Total projected expenses were \$398,292.83 with \$438,553.86 in actual expenditures. Income budgeted for 2020 is \$540,542.00 and budgeted expense are \$488,397.00. Sam reiterated once the major O&M charges are paid for with regards to Lucky Peak the Board is hopeful assessment rates will be able to remain steady.

Income Projected for 2019 = \$474,616.00	Actual	\$540,783.26
Plus Interest Earned		<u>\$ 5,804.23</u>
Total		\$546,587.49
Expense Projected for 2019 = \$398,292.83	Actual	\$438,553.86
Plus Depreciation		<u>\$ 19,154.00</u>
Net Income =		\$88,879.63

Income Projected for 2020 = \$540,542.00

Expense Projected for 2020 = \$488,397.00

Budget Highlights:

Storage Water rental in 2019 \$42,500.00

Anticipated Increases to Lucky Peak O&M in 2020

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

Assessments:

2019 FUD Share \$773.76 or \$70.34 per inch

2020 FUD Share \$873.76 or \$79.43 per inch

Legal Report – Jerry Kiser

Jerry Kiser reported in 2018 a settlement had been reached with the State of Idaho Department of Water Resources on how refill rights should be reflected as legal rights. At that time there was a requirement through legislation that would allow the water rights to read the way they did. Following that the water rights would go back from the Supreme Court before the Snake River Adjudication Court for approval or denial. The process is now complete and the water rights are taken into consideration along with the accounting system for those rights.

Lucky Peak O&M – With the assistance of TVWUA the Bureau of Reclamation has accepted responsibility for a portion of the O&M and are allocating that to flood

control costs. The Army Core of Engineers owns Lucky Peak which is administered by the BOR and its original purpose was flood control. Lucky Peak is operated in conjunction with Arrowrock and Anderson Ranch Dams which were built by the Bureau of Reclamation for irrigation and municipal and other uses. When Lucky Peak was proposed Congress approved it under the concept that all three would be operated jointly to accomplish irrigation, flood control and all other uses. The difficulty is in the fact that irrigators deal with the BOR and the BOR deals with the Core of Engineers. After all of the budget negotiations the Army Core of Engineers submitted a request for \$7 million for a new operations building at Lucky Peak. The budget is not likely to be approved, but this illustrates the issue and difficulty with communication. Irrigators are left out of the conversation regarding O&M expenses.

The new structure is in the river and working well. The Collister road widening project is complete and ACHD has bids out for the new trash rack. There will also be a high flow sensor that will notify the ditch rider's if the water at the box culvert rises to the point of a potential threat of overflowing.

Lander Street Water Reuse – The Board entered into an agreement with the City of Boise to accept up to 25 cu/ft per second of Class A treated wastewater. Class A is a step below potable water and is approved for uses such as agriculture, parks, golf courses, etc. The decision was made by the Board to supplement water supply. Storage water may not be as plentiful in the future and this water may be necessary in order to have a reliable source of water to continue to provide water to the users under the Farmer's Union system. The added benefit is the City of Boise will pay Farmer's Union a fee for taking the water. The canal carries 170-190 cfs during the summer months.

Can the water then be released into the river? Jerry answered no; the water treatment facility has an issue meeting temperature requirements and this agreement is a viable solution. The City can discharge the water into the canal for Farmer's Union shareholders to utilize therefore the City can meet the requirement of not discharging water warmer than allowed and would not have to install cooling systems to cool the water before it is released back into the river. Jerry introduced Haley Falconer, the Environmental Division Senior Manager for the City of Boise to answer technical questions. Is this essentially the same water that is currently being discharged into the river? Sam said that is correct, only cleaner than what it is now. Ms. Falconer's role is to protect public health and the environment; she is involved in regulatory compliance and long-term planning. The temperature of the treated water is approximately 60-70 degrees Fahrenheit but there are periods of the year where temperature limits are 13 degrees Celsius for the types of fish in the river. The City has temperature requirements they are not able to meet without cooling towers and chillers which would have to be installed on the end of the facility. The City is in the process of long-term strategic planning and has had three years and thousands of touch points with the community on what to do with this valuable resource. The feedback they received so far is to keep the water local and find a way to utilize it. Right now it treated to a high level, discharged into the river and eventually makes its

way to the ocean. Class A has a lot of permit requirements on what needs to be treated for and there are specified quality requirements and treatment technologies. If this plan is to move forward they would have to add treatment technologies to filter water and add additional ultraviolet disinfection. The decision making process goes from long-term strategic planning which is the stage they are in now to review and approval before the Mayor and City Council then into a reuse project. Ms. Falconer said there will be much more detail during the public outreach phase as the project goes before the City Council.

Shareholder representative Richard Llewellyn asked if there was anyone on the advisory group they worked with representing Farmer's Union. Ms. Falconer stated the group did not talk about specific projects so there were members from a variety of neighborhood associations and other stakeholders but there was not representation from Farmer's Union. She explained this was not an advisory group specific to this project. She explained there are two separate processes; they were specifically working on the long-term strategic planning and this project is one result of that planning. The permitting process has been put on hold so there is not a reuse permit application in process at this time. When they do move forward with the permit application they have to submit a full engineering report with the permit application to DEQ. DEQ will review the report and application then draft it to meet water quality standards. As part of that process there will be time for public comment. There will be a reuse outreach group specific to this topic and Farmer's Union shareholders will be included at that time. When the City was originally preparing to submit the application this past summer they did work with the Farmer's Union Board and sent out a letter to shareholders.

The City has hired independent consultants to help understand the safety of reuse and the quality. They are looking at the water in two different areas. There are cities in the United States treating for drinking water and that is not the goal here. The City of Boise is looking to treat water deemed safe for irrigation, aquifer recharge or other non-potable water usage. Those distinctions are important. Some shareholders are concerned about emerging contaminants. The science is not evolved and part of the challenge is to know at what level should there be concern and at what types of exposure. The science Ms. Falconer has read supports this water being safe as non-potable water for uses such as irrigation.

Mr. Llewellyn reiterated there is a lot of ongoing research and he questions the age of regulations in regards to Class A use. He stated the regulations are much older than the science and do not speak to new scientific research and better technologies. Lloyd Akins would like to point out that some people may think the river water is clean pure water. He stated the reuse water may be far cleaner than what is currently in the canal out of the Boise River. Sam Rosti said the City of Boise is currently testing water coming out of the Esther Simplot pond complex and before it goes into the Farmer's Union headgate. The City will have defined numbers coming out of the treatment plant and Farmer's Union will in no way put any kind of water in the canal that is not cleaner than what is currently coming out of the river.

Jerry Kiser reiterated the place for comments in regards to the reuse water is within the permitting process. The public will have an opportunity at that time to express concerns. There has been no permit issued at this time.

Sam said the ditch company has not accepted any water and will not until it has gone out to the public for comment and the science is definitive.

It was asked to table this discussion until the remainder of the agenda was addressed.

Rhonda Hynes asked how the public will be notified when it is time for public comment. Sam mentioned Farmer's Union now has a website, farmersunionditch.com. Ms. Falconer stated the outreach has included a broad range of things, advisory groups, focus groups, open houses, social media and a letter was sent out earlier this year to Farmer's Union shareholders. The City sees reuse as a really beneficial way to use the water and will continue to use these methods of outreach. When the DEQ permit application is submitted there is a 30 day comment window. At that time anyone can sign up through DEQ to get those notices.

A question was raised about the contract with the City. Sam stated there is a tentative agreement signed in 2014 to look at the science, water quality sampling, etc. Jerry said there is an agreement that Farmer's Union will accept up to 25 cu/ft per second of Class A treated water. Farmer's Union will not accept any water that is not up to the specifications of the DEQ and EPA. Once the point is reached for public hearings will Farmer's Union send notification out to the shareholders? Lloyd Akins stated Farmer's Union would notify Farmer's Union shareholders.

A question was posed as to who is determining the testing and quality of water. Ms. Falconer said the Environmental Division within Public Works is responsible for the sampling. They take over a million samples along the Boise River every year. They also have an loggers along the river that they take samples with weekly. Ms. Falconer collected contact information from shareholders with questions and those that want ongoing communication in regards to the reuse water. The City is seeking the best environmental and economic solution for water reuse.

Is there somewhere that lists what the City is testing for, where they test and what the results are? Can that information be available on the Farmer's Union website? Ms. Falconer said the data she mentioned is just the river data, not the data on the treatment plant. It might be easiest to see what the permit requirements are. EPA has an Eco database where the Lander Street facility can be pulled up and results viewed. On the reuse side they can look at recycled water rules. There are five basic rules for non-potable or reuse water.

- 1) POD & TSS are standard biological processes
- 2) Total nitrogen is tested in order to protect groundwater

3) Ecoli is the bacterial indicator for protecting public health

Mr. Llewellyn asked if the City has tested for antibiotic resistant ecoli or would they be willing to? Ms. Falconer said the City would probably be willing to do additional sampling however the cost is \$5,000 to \$20,000 for a sample and with any sampling they would want to get more than one data point to understand if the sampling is reliable. Right now they are working on gathering data from focus groups then will be determining where, how much and what they are going to test for. When she talked about the treatment process she was relaying what is in place today is not what they will have in the future. They would be testing a water quality that is lower than what they would have with additional processes. They also want to find out what the entire watershed should be testing. It is still to be determined how much testing will be done and how often because of the cost. There are only two laboratories in the Country that can do this level of testing. Also, the methodology for a lot of these chemicals continues to evolve. If the City is going to spend that kind of money they want to make sure they are getting testing they can rely on.

Lowell Hirsch from Lexington Hills HOA suggested some of the manufacturers in the valley might be willing to help pay for testing.

A shareholder asked if the process the City uses is similar to what is used at the Avamor development. She said their treatment facility takes all of the water and recycles it for irrigation. Ms. Falconer stated Avamor would have the same requirements as the City. There has to be a sedimentation process, coagulation and filtration. Those steps can be achieved in different ways. What the City has currently would meet everything except filtration. They will need to add filtration to the end of their facility. Emerging constituents are important and Public Works has to continue to understand them but the City is currently removing some of them now. There are specific processes for different constituents. What the City does now is entirely biological and adding filtration to the end is one more barrier. It understands what level is the right level to be treating to.

Mr. Llewellyn asked where the City is in the flow chart of the DEQ process. Ms. Falconer stated that following the public meetings last June the application was paused. The City is moving forward with long-term strategic planning and there will be opportunities for public engagement throughout that process. At a 20 year look the city will be producing approximately 50 million gallons of water and what should be done with it. They will take the strategic plan to the Mayor and City Council sometime this summer for approval. Upon approval they would move forward with the potential project. This particular project meets a lot of requirements. There is water security for Farmer's Union and it helps on the regulatory side for the City. There is also shared infrastructure in place.

Sam reiterated the City of Boise approached Farmer's Union with this idea and a contract was executed in order to initiate the process of sampling and feasibility studies. The City wasn't going to spend a lot of money researching the project if

there was no interest from Farmer's Union to take the water. Jerry Kiser stated the Board made the decision to sign the contract and it is within the providence of the Board under the articles of incorporation to seek and obtain water supplies for irrigation, mining, etc.

A shareholder asked what the crossover is with the Farmer's Union Board and TVWUA. Jerry Kiser explained TVWUA is an advocacy group formed by a number of irrigation entities and districts in the valley. There are roughly 200,000 acres represented by TVWUA. Jerry is on the TVWUA Board. One of the subjects the group pursues is obtaining funding from Legislature for water quality projects. There has been approx \$1 million for implementation of best practices in the valley to improve water quality including phosphorus and sediment. The TVWUA Board meets monthly and shareholders may contact Roger Batt to get added to the agenda.

Mr. Llewellyn asked if the water quality does not meet the standards expected by the Board how would the company get out of the current contract with the City. Jerry Kiser said Farmer's Union has a right to terminate the contract with 5 years notice. Sam said there is not a set date for all the testing to be done and for when the City is going to implement the project. He said if the Board reviews the data and the water is not clean and/or better than what is currently in the Farmer's Union canal the Board will not accept the water. It has to be a much superior quality of water. The main issue is temperature. Currently the water flows into the Boise River the river is classified as a cold water refuge. The water will be accepted into the canal only during the irrigation season. The question was asked if Farmer's Union is currently receiving any money or water from the City. No, Farmer's Union is not receiving any money or water at this time.

The question was asked if it is possible the warmer water may cause algae build up in the canal. Lloyd Akins said that is one of the things we are currently testing. Craig Waddell stated during the water season Farmer's Union is already treating the canal bi-monthly.

A question was posed about landscapers taking water from the canal or dumping into the canal. This is an ongoing situation and the ditch riders ask that shareholders contact them if they see this happening. Jerry Kiser stated there is one exception which is the Eagle Fire Department. Farmer's Union authorized them to pump water out of the canal for training purposes as long as the water was immediately returned to the canal. They are required to notify the ditch riders 24 hours in advance of where they will be conducting training.

A question was asked about when water turn on would be. Sam stated water is projected to turn on the first week in April as the standard state water season which is April 1 to November 1.

Meeting adjourned at 2:43 p.m.