

Saturday, January 13, 2018

Annual Meeting of Shareholders - Farmers Union Ditch Meeting

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 1:00 p.m.

Proxies were counted and verified by Rosalie Cope: 95.4667 shares represented *which did not constitute a quorum.*

2017 Annual Meeting Minutes were read by Sam Rosti. Maureen Sellers made a motion to approve minutes as read, motion was seconded and minutes approved.

Financial Report:

Income Projected for 2017 = \$392,442.48	Actual	\$389,626.40
Plus Interest Earned		<u>\$ 1,219.91</u>
Total		\$390,846.31

Expense Projected for 2017 = \$368,837.28	Actual	\$351,074.26
Plus Depreciation		<u>\$ 23,254.00</u>

Net Income = \$16,518.05

Income Projected for 2018 = \$442,503.12

Expense Projected for 2018 = \$366,081.72

Budget Highlights:

Storage Water rental in 2017 to be paid in 2018 \$27,291.37

Anticipated Increases to Lucky Peak O&M in 2019

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

Assessments:

2017 FUD Share \$573.76 or \$52.16 per inch

2018 FUD Share

\$673.76 or \$61.25 per inch

Sam Rosti reported Farmer's Union earned \$1,219.91 in interest on the machinery fund which was set aside in savings in 2017. Farmer's Union will also be receiving a check for \$23,254.00 from Water District No. 63 for rental of storage water in 2017.

Sam also noted the 2018 assessment for Farmer's Union shares will be increasing by \$100.00 to prepare for increasing O&M costs to Lucky Peak. Jerry Kiser will go into more detail in his report.

Morgan Masner representing Widgeon Lakes HOA made a motion to accept financials, Bill Hersh representing Lexington Hills HOA seconded and financial report approved.

Legal Report – Jerry Kiser

Jerry Kiser reported there have been many meetings with the Bureau of Reclamation regarding O & M costs charged to space holders at Lucky Peak reservoir. Lucky Peak is an old earthen dam which costs significantly more to maintain and repair and is more likely to fail than concrete dams. B.O.R. projects the cost for the bulkhead to be \$8.8 million. The Bureau of Reclamation is forecasting a cost increase to \$10-\$11 per acre ft.

Of the 278,200 acre feet of storage water in Lucky Peak, irrigation only makes up 71,000. Jerry said O&M is what Farmer's Union is obligated to pay for. Currently there is no cost allocation to flood control however flood control is the authorized purpose of Lucky Peak. A benefit analysis study was conducted in the 1950's when the project was done and all components, flood control, recreation, etc. were included at that time. Jerry stated Anderson Ranch and Arrowrock dams were not designated as flood control dams they were authorized strictly for irrigation storage, but noted that all three dams work in conjunction to regulate flood control measures for the entire dam system.

It was asked if electricity generated at Lucky Peak was factored into the equation. Jerry explained electricity generation falls under a different agreement and they do not pay O&M costs unrelated to the generation of electricity. Sam Rosti stated the entities on the river tried to generate revenue when the power plant was installed however there was litigation at that time and Boise Project Board of Control prevailed in court and did not have to reimburse the storage water holders, only water users under the Board of Control, New York Canal, etc. River users to the north lost in attempting to partner with the Board of Control on the generation project.

A shareholder asked if the costs were expected to go on into perpetuity. Jerry said that once these major projects are complete the O&M costs may go back to what they have been in the past but there will probably be increases in the future like everything else we deal with.

Sam Rosti pointed out that Farmer's Union along with other entities who have storage water in Lucky Peak joined the Treasure Valley Water Users Association to form a more powerful entity to fight these battles. T.V.W.U.A. is a regional association that was formed to deal with local water issues including the refill issue. Storage water holders used to only pay for storage water if it was used and now we pay for it used or not. Sam stated we have had more results as a part of T.V.W.U.A. than we ever would have on our own. Treasure Valley Water Users Association and Congressional delegates are working on F.U.D.'s behalf. Senator Risch, Senator Crapo and Representative Labrador have expressed their concerns over this matter to the B.O.R. and are monitoring the situation very closely. A shareholder asked if it would be helpful for Farmer's Union shareholders to write letters to the Congressional delegation. Jerry stated they are behind us 100%. Jerry said he is optimistic from recent meetings with the Bureau, that they are finally recognizing flood control as a portion of the total costs to operate and maintain Lucky Peak Dam.

Farmer's Union may have to raise the cost of shares by as much as \$200 per share just to maintain the current budget. A Farmer's Union share is currently \$573.76. The board proposes to increase each share by \$100 in 2018 and another \$100 in 2019 in order to cover the additional O & M costs. The pre-billing for 2018 is going to be basic cost and the extraordinary costs will roll into the trued up costs to be paid in 2019.

Jerry reported the Farmer's Union Board has been working closely with the City of Boise on work to be done at the Whitewater Park. This fall and winter they have started to do significant greenbelt restoration and canal inlet work. They are going to look at the elevation of the greenbelt to try to resolve the flooding issues. In the next couple of months the bridges will go in and they will clean the canal. Their hope is to get in the river in the spring of 2018 to start work on a new dam in the river. The concrete structure at the spill will be replaced with a box culvert. As part of the construction Boise City plans to excavate the material where there is currently a riffle during low flow as well as some material upstream. This will create a pool which will help maintain a better head of water. They plan to clean the silt out of the canal up to the Farmer's Union headgate.

Jerry stated encroachment and trespassing on the Farmer's Union right-of-way continue to be a problem.

Sam Rosti reported snow pack is at 52% of normal for this time of year. The upper basin is slightly higher at 62%. Water has not been released from the reservoirs. Arrowrock is currently at 92%, Anderson Ranch is at 77%, Lucky Peak is at 32% and Lake Lowell is at 75%. We are only midway through the winter but to date are behind on snowpack.

Shareholder Phil Fry asked for an update on State Street widening project. Sam Rosti reported there have been multiple meetings with engineers; culvert size and

distances have been determined and the plans are approved however there is no funding for the project at this time.

O&M Report – Craig Waddell

Craig reported there were personnel changes at the beginning of last year. Dane Vaughn retired and Craig Waddell was appointed primary ditch rider. Kendall Rivers was hired as the second Ditch Rider.

Craig reported the tail of the canal was automated in 2017. In the past the ditch riders would have to stack boards every time it rained or someone changed their water. The new automation allows the ditch riders to control the spill from their phones. The electronics were the majority of the cost for the project. Parts were purchased from Pacific Steel and labor was done by the ditch riders. Craig also stated the system is protected from hackers, etc.

Craig said they are trying to move trash cleaned out of the canal rather than letting it collect. They applied for burn permits and built a burn pit at the shop where debris is collected rather than having to haul the debris to the dump. So far this has saved a couple thousand dollars in dump fees.

Craig reported they are currently working on ditch cleanup and reinforcing the bank in several locations. There are a lot of trees and cleanup to be done. The Board has authorized him to buy a blade that can be operated with a tractor. Farmer's Union does not currently own a tractor, but one can be rented when needed.

Craig also reported the Farmer's Union main headgate is going to be automated as part of the work being done by the City of Boise at the Whitewater Park. Farmer's Union has benefitted with quite a few infrastructure improvements at the intake from these projects.

At this time Sam asked if there were any questions. Sam stated it would be very helpful if shareholders could let the ditch riders know about potential problems in the off-season. It is much easier for them to make repairs or address issues when water is not in the canal and will help prevent potential disasters.

Morgan Masner representing Widgeon Lakes HOA said Mr. and Mrs. McPeak passed away last year and their 40 acres is bisected by the main canal. He said developers are looking at the property and have asked if Widgeon Lakes HOA would consider letting them tie in to their pond system for irrigation if they were to purchase the McPeak property. Mr. Masner asked if the Farmer's Union Board would allow this or if the board would allow them to dig their own ponds. Sam said this is not a board decision but the board can assist and answer questions that may arise. Sam stated the Board meets the second Tuesday of each month and would take a look at the plan and make recommendations. If the Board foresees an issue they will give direction.

Lloyd Akins stated the ditch company as a whole is short of water. There are 5,500 inches of water for 8,500 acres. He said some areas are in worse condition than others. The canal company is interested in seeing pond situations in developments because typically the developments require more water than they have to run pressurized systems. Lloyd stated they need a pond or a way to contain water to ensure they have enough. Lloyd said there are some downsides to ponds but they can be the answer.

Mr. Masner said the McPeak property falls into the City of Eagle's impact and is zoned for 5+ acre parcels. Sam Rosti asked if Widgeon Lakes has pressurized irrigation. Mr. Masner said they do. Craig Waddell pointed out Widgeon Lakes already runs low on water and they pump from their ponds.

Jerry Kiser said there is some legal impact. Any proposal that would alter the point of delivery from the canal would need the Board's approval.

Sam Rosti reported there are a lot of projects going on. He reiterated the Boise City projects as part of the Whitewater Park are going to be a huge benefit to the ditch company. He said the new box culvert is going to help protect the canal from flooding and a state-of-the-art diversion will be in place in the river within two years. Sam estimates approximately \$5-6 million dollars worth of improvements will have been made that Farmer's Union will not have had to pay for.

A question was asked in regards to right-of way and Jerry Kiser stated it is as wide as necessary to maintain the ditch.

A question was asked regarding the date for water delivery. Sam Rosti said the first week in April. Shareholders should be able to begin watering by the 5th or so of April. The first water has to wash out debris and those at the end have to begin taking water before it is turned up.

It was asked if the Clover property is for sale. Sam said Farmer's Union owns the property along with a shop and house. Craig Waddell said there is property at the very end of the canal available and it would be much more convenient to have a shop and place for equipment that is more centrally located on the canal. The property is currently for sale.

A shareholder asked about having a "no trespassing" sign replaced. Craig Waddell said there are several pre-made at the shop, to let him know the location and he will take care of it.

A motion was made to adjourn the meeting; motion was seconded. Meeting adjourned at 2:11 p.m.