

FARMERS IRRIGATION DISTRICT  
BOARD MEETING MINUTES  
WEDNESDAY, APRIL 18, 2012

The Board of Directors of the Farmers Irrigation District met on Wednesday, April 18, 2012, at the District office for the purpose of conducting its regular monthly business. Those in attendance were directors Steve Benton, Don Chandler, Tim Annala and Bob Nickelsen; District Manager, Jer Camarata; Financial Administrator, Cathy Roberts; Administrative Assistant, June Brock; Attorney, Jeff Baker and Project Manager, Jerry Bryan

Chairman Steve Benton called the meeting to order at 12:00 p.m.

**MONTHLY BUSINESS:**

The minutes of the March 21, 2012 board meeting were presented and discussed. It was moved by Bob Nickelsen and seconded by Don Chandler to approve the minutes as presented. The motion passed with all in favor.

The O&M bills for the month of April 2012 were presented and discussed. It was moved by Bob Nickelsen and seconded by Don Chandler to approve the bills in the amount of \$84,428.26. The motion passed with all in favor.

**BUSINESS FROM THE FLOOR:** None

**CORRESPONDENCE:**

2012 SDAO Health Insurance Renewal – The 2012 SDAO Health Insurance costs will decrease slightly from the 2011 insurance year, (see attached). It was moved by Don Chandler and seconded by Bob Nickelsen to approve the 2012 health insurance as presented. The motion passed with all in favor.

**REPORTS AND DISCUSSION:**

- a) A/R report – Cathy Roberts reported that the District has received \$124,592.79 in payments since the March board meeting. Accounts receivable stands at 83% this year versus 87% last year. Hydro production for the month of March was projected at 3,055,000 kWh, with an actual production of 3,101,421 kWh. Hydro revenue was projected at \$198,575.00 with actual revenue of \$202,218.12. The District's end of month balance for March was \$607,141.54.
- b) The directors reviewed the accounts payable list as presented. Bob Nickelsen questioned the billing for Oregon Employment Tax in the amount of \$12,168.00. Staff explained that the billing covers unemployment tax for Mike Kleinsmith and Joe May during the first quarter of 2012. Bob asked if the District also has to pay federal

tax. Cathy Roberts informed the Board that the District is exempt because the District is a political subdivision. There was extensive discussion that the cost of unemployment tax should be taken into more consideration in potential future separation agreements.

- c) Manager's report – Jer Camarata reported that staff have been charging irrigation lines and laterals throughout the District according to demand. All main lines are charged and 60-70% of laterals are currently charged. Normal winter-time breaks are being identified and addressed daily. Currently, Lowline canal cannot run at its full capacity and is approximately 4 CFS low due to incurred Ice Storm damage. Fortunately, staff has been able to keep hydro production up with the wet spring conditions.

SDAO/Insurance Update – Jer informed the Board that he has received \$100,000 in advances from SDAO so far. To date, the District has incurred approximately \$200,000 in losses/damages. Another damaged area (site #4) on the Low Line Canal has developed into a spot that requires immediate piping due to imminent blow out, the inability to operate Lowline at full capacity, and the very likely potential for catastrophic failure. There was much discussion as to the District's future insurance coverage, from premiums, business interruption, canal coverage, liabilities, as well as interest in seeking a new insurance broker. SDAO has strongly indicated to staff that insurance for open canals as well as Business Interruption will be evaporating at the end of 2012. Jer has been in contact with OWRC to ask for an SDAO insurance training and explanation session specific to Irrigation Districts. Jer has also been collecting names of alternate brokers per the Boards prior expressed interest.

FEMA - Jer informed the Board that FEMA pays 75% (of eligible damage costs) from which insurance does not cover. Staff has been closely working with FEMA to meet their accounting standards and tracking methodologies for incurred damage. FEMA has strongly indicated that mitigation dollars would not likely apply to the District due to the hidden nature of damage caused by the Ice Storm.

Per last month's motion to have staff do due diligence by looking closely at Project Build Out (PBO) options and associated funding alternatives, Directors Don Chandler and Steve Benton began discussing the possibility of building out all of Lowline and Farmers Canal with pipe. Much discussion ensued. Jer announced that staff had received pipeline estimates, conducted budgeting alternatives and cash flow projections and trajectories, and have even approached DEQ's Shanna Bailey about funding mechanisms. Shanna met with staff and indicated that it was possible to secure \$15 million in funds for the project. Shanna also indicated that the District currently sits in a priority position for DEQ funding. Current estimates for the pipelines are: \$3.2 - 3.4M to pipe Lowline canal, and \$1.6 -1.8M to partially pipe the lower section of Farmers Canal. Piping the entirety of Farmers Canal is estimated at just over \$10M. Jer advised the Board that as FEMA and insurance dollars eventually fade away, preventative maintenance of plants and equipment will, and have been

suffering. Even through budget reductions and already realized staff reductions, the District is quickly headed into a financial predicament with a lot of exposure via the open canals and likely loss of associated insurance. Project manager, Jerry Bryan informed the Board that a Request For Proposal (RFP), pipe bidding, and contractor selection would need to be done in a timely fashion if the project was to get under way by the planned October shutdown and the District were to take advantage of low interest loans and skyrocketing pipe costs. Concern over continued canal failures eliminating the physical ability for the District to deliver water and severely compromise the fiscal well-being of District orchardists and the District was discussed. Much more discussion ensued about the District's current debt service, historical path, and its general mission.

Chairman Steve Benton and Director Don Chandler felt that this was an optimal time to secure this loan and start building out the rest of the project and piping all of the District's remaining canals. A recommendation was made to secure the DEQ low 2.71% interest loan for \$15 million, with the intent to borrow only \$5 million initially, to pipe all of Low Line Canal and parts of lower Farmers Canal starting this Fall. Budget and cash flow analysis showed that tight budgeting as well as water right assessment rate increases of \$51/wr acre would be necessary to cover the costs of the initial \$5M borrow, and essentially start "insuring the district through pipe." Interest was also shown in having staff begin working towards incentive programs that could spur preventative plant and equipment maintenance budgets up to staff recommended levels.

It was moved by Don Chandler and seconded by Tim Annala to adopt Resolution 05-12 (see attached) authorizing and approving a DEQ State Revolving Fund loan agreement to finance the "Large Pipe Facilities Project." The board directed staff to secure the loan and help pay for it with an assessment rate increase of \$51 phased in over a three year period beginning in 2013, at \$17 increments. The motion passed with all in favor. The Board also asked the staff to inform its users of the project and rate increase via website, hardcopy project-description distribution, and possible district tours of the new projects.

SDAO – Board members were reminded of the upcoming workshop on April 30, 2012 at the new Hood River Fire Station. Board members and Manager, Jer Camarata are planning to attend.

REC update – Jer informed the Board that the District received it's Oregon Renewable Portfolio Standard certification (see attached), which is LIHI dependant. Jer has been working with a power broker in California and the current REC transactions are far and few in between, now trading in the \$0.60 - 0.70 range, when buyers are to be found. The District has responded to three REC sale RFPs to date, and the market has been able to procure significantly lower valued RECs each time. Staff has begun work on a REC optimization strategy and will keep the board posted.

BETC update – Mr. Andy Von Flotow has shown interest in purchasing the balance

of the District's Business Energy Tax Credits. Jer has been working with Andy and his CPA and will keep the board posted.

District Trucks – Jer informed the Board that two of the District's trucks are up for bid. A 2009 Ford F-150 and a 2010 Toyota Tacoma 4x4. The goal is to downsize the trucks for more fuel efficient vehicles.

**LEGAL:**

Attorney Jeff Baker presented a release of a Temporary Construction Easement (TCE) for Mr. Tim Heltzel. Mr. Heltzel has property located near the District's headgates on Dee Highway and the TCE release will not affect access to District facilities. The release was signed and notarized.

A letter was sent from Chairman Steve Benton to Insurance Broker, Rodney Lewis of Terril, Lewis and Wilke regarding the outstanding bill in the amount of \$4,000 and the lack of cooperation from his company on our current insurance claim (see attached). The District has not yet received a response from the letter.

**OTHER BUSINESS:**

Manager Jer Camarata provided the Board with a revised and consolidated 2012 pressurization, construction, operation and maintenance policy that included the District's current fee structure (see attached). After review, it was moved by Don Chandler and seconded by Bob Nickelsen to adopt Resolution 06-12, Revised 2012 Pressurization, Construction, Operation and Maintenance Policy. The motion passed with all in favor. Jer asked that the revised policy be migrated to the District's website.

**ADJOURNMENT:** There being no further business, the meeting was adjourned at 2:13 p.m.

Signed: \_\_\_\_\_  
Tim Annala, Secretary

Attest: \_\_\_\_\_  
Steve Benton, Chairman