

REGULAR MEETING
BOARD OF DIRECTORS

September 13, 2022

The Board of Directors of Lake Chelan Reclamation District met for their regular Board meeting at the office of the District on September 13, 2022. The meeting was called to order at 8:00 a.m. by Board President Dave Clark. Those in attendance were:

BOARD

Dave Clark
Todd Jeffries
Chad Steiner
Carl Peterson
Allan Torgesen

STAFF

Rodney L. Anderson
Mary Lou Brooks
Jennifer Collins

GUESTS

Robert Siderius, Attorney
Mike Brownfield
Craig Gyselinck
Phyllis Gleasman
Jared England
Toby McKay
Jack Courtney
Tim McLaughlin,
via Zoom

MINUTES – FINANCIAL REVIEW – STATUS OF FUNDS

A motion was made by Director Peterson and seconded by Director Torgesen to approve the August 9, 2022 minutes, budgets, and investments, as mailed. Motion carried unanimously.

ACCOUNTS PAYABLE

Secretary-Manager Anderson presented the accounts payables for review and approval. Accounts payable checks 17567 through 17624 (including EFT payments) totaled \$717,520.14 and were broken down as follows:

Irrigation O & M Investment	\$212,684.50
Irrigation Construction	\$ 7,390.10
Bond Proceeds – MCC Upgrade Costs	\$102,454.69
Domestic O & M Investment	\$277,962.79
Domestic Construction	\$ 6,949.58
Sewer O & M Investment	\$109,097.55
Sewer Construction	\$ 980.93

A motion was made by Director Steiner and seconded by Director Torgesen to approve the accounts payables as listed. Motion passed unanimously.

MANAGER'S REPORT

Irrigation: Still waiting on data from Burke Electric justifying the request for additional payment amount.

Manager Anderson presented the Board members with a Contract Amendment for Construction Services from RH2 Engineering addressing their future work on MCC Upgrade Project – Phase 3 (B, C, D & F pumping plants). The total for their services to date is 24% below their contract estimate, so they are proposing to roll that into the additional services part of the contract work. This amendment was planned from the beginning to see what services we may want due to who the contractor ended up being. After some discussion, it was the consensus of the Board to table the matter until next month, after they have time to review the Amendment.

The irrigation water sample results for e-coli are better than in past years and are available on the District website for the orchardist's food safety report.

Domestic: The FEMA generator grant has been extended to March 2023 to request the remaining funds available.

Sewer: Nothing to report.

Administrative: The Washington State Auditor's office has been in contact with us regarding our up-coming audit.

OLD BUSINESS

U.S. Bureau of Reclamation (USBR) Contract payoff and Title Transfer (TT): Attorney Robert Siderius informed the Board and community members present some of the pros and cons of paying off the USBR contract early and TT. Some of the pros included being out from under the USBR rules and regulations, making it easier to regulate the irrigation water for each customer's specific use. The District would have more flexibility in assessing rates to better fit the District and our customer's needs. The Bureau would no longer inspect our facilities or have changes recommended. The limitation of land classifications would go away as well, and the full-cost water rates would be eliminated. The con would be our current electricity rate could be increased significantly. The Bureau currently negotiates a rate lower than the market rate. If the contract is paid off, the discounted rate may not be available to the District.

NEW BUSINESS

Jack Courtney – Property Proposal: Mr. Courtney would like to either swap or purchase a 60 x 60 portion of our property that is on his side of a gully and adjacent to his property. He needs a new septic tank with a pump and drain field installed. This would require either an easement, boundary line adjustment or purchase of the property. Mr. Courtney is working with a company who made this suggestion on his behalf, as the old system would be difficult to replace where it is. Robert Siderius, attorney for LCRD, stated that the land would have to be allocated at fair market value, no matter which scenario is used. The boundary line adjustment or land swap may be the easiest. Considering the parcel of land has no future value to the District, it was the consensus of the Board for Manager Anderson to pursue this issue with Mr. Courtney, and to work out the best scenario for both parties involved.

PUBLIC COMMENT

Craig Gyselinck (CG), Greater Wenatchee Irrigation District (GWID): Some benefits of TT we have experienced is we have been able to simplify our rate structure for agriculture vs. residential

rates. It was hard to expand boundaries under the USBR, but much easier now, as well as getting subdivisions and infrastructure reviews done in a more reasonable timeframe. Near the end of negotiations with the USBR, we were able to get a significant reduction to the payoff amount, due to the age of the infrastructure. One thing you need to look at is the electricity rates. The rate through the USBR is significantly lower, with the current reduced rate for electricity being .007¢ per kilowat hour, while the market rate is 5¢ to 10¢ per kilowat hour. The difference is a 1400 times increase, with the total being approximately \$3M per year for us.

Robert Siderius (RS): The USBR was good to work with to get the payoff done and changing any wording to the payoff contract, to make it more equitable for both parties. The District will have to pay all USBR administrative costs, in addition to the payoff total. The USBR will require a down payment to start the process. The District may be able to pay a reduced amount on the outstanding payments still owed to the USBR, but we won't know the final payoff amount until close to the end of the process. There will need to be archeological studies conducted for environmental and cultural assessments, as well as all easements transferred. GWID had approximately 1000 easements that had to be researched, recorded, and transferred. I suggest recording Quit Claim Deeds en mass with all easements attached. This will significantly reduce the cost and ease the process of transferring the documents, as opposed to each individually. After all the documents are processed, they will show up on all future property closings. The full-cost water rates owed by the two entities will be due and owing until the process is finished in its entirety.

Allan Torgesen (AT): What is the timeline from start to finish?

RS: The GWID process took five years, but the District should take approximately 18-36 months to get accomplished and depends on the USBR workload.

Rod Anderson (RA): What would be the next steps?

RS: Contact Clyde Lay at the USBR and let him know that you're interested in paying off the Contract.

CG: There is a perceived level of protection from the USBR, which is an incorrect assumption.

Dave Clark (DC): Is the irrigation infrastructure federal?

RS: Yes

DC: If paid off, will it remain federal?

RS: No, it will be owned and operated by LCRD, a state entity.

Todd Jeffries (TJ): Could or would there be incremental title transfers?

CG: It depends on what your final interest is.

Phyllis Gleasman (PG): Is there money to pay for all of this?

RA: Nothing has been ear-marked for this yet.

AT: Maybe there are entities willing to help with the costs. Would that be in the form of a loan?

Carl Peterson (CP): Maybe the two entities who pay the full-cost water rates would help offset the costs for the Reclamation District.

Chad Steiner (CS): We need to identify what we can do legally with cost-sharing.

RS: The laws would not allow the District to borrow money from any private entities or customers, but a donation with no strings attached would be acceptable.

Tim McLaughlin (TM) with All State Insurance: We are one of the two entities currently paying full cost water rates, and we are in support of moving forward with paying off the USBR and would assist in this endeavor.

Jared England (JE): Speaking as an independent grower, I would like the District to consider moving forward and possibly lower rates for the growers if possible. I want to voice my support as well.

PG: If title is transferred, how would that change our water rates? Could water rates subsequently go down?

RA: Potentially... maybe.

PG: Are the full cost water rates supplemental or actual?

RA: Actual... and the \$332 more per acre of water goes to the USBR, not the District.

PG: Is this in the discussion-only stages?

RA: Yes.

PG: Our margin is getting so skinny for the small farmer that we can't do much more, and water is a big expense.

AT: We would like to come up with something that will benefit everyone.

CP: Keep rates as low as possible for everyone.

CS: Try to continue to move towards flattening out rates, but an underground system will continue to be expensive to operate and maintain. We need to explore having to put fees up front to proceed.

RS: Investigate costs to start the process.

AT: There may be a cost benefit to do it now as opposed to 10-15 years from now, as expenses are increasing. Need to also factor in the administrative costs for Rod's and Jennifer's time in dealing with the USBR.

RA: I can contact Clyde Lay in the Ephrata office to get an estimate of initial costs to start the process.

CG: The expenses for the Bureau were approximately \$75,000. Engineering expenses were another \$230,000, including a lobbyist. You won't incur the lobbyist expense, as the groundwork has already been laid going forward.

TJ: We enjoyed 20 years of low rates with no money going towards paying for upgrades.

PG: It sounds like there are three important things that need to be addressed and discussed before going forward.

It was the consensus of the Board for Manager Anderson to contact Ephrata inquiring about initial expenses to start a pay-off process.

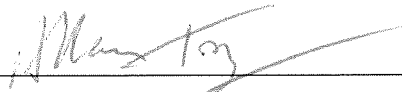
ADJOURNMENT

Being no further business to come before the Board, Board President Dave Clark adjourned the meeting at 9:36 a.m.

Signed:



President


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Attest:



Secretary-Manager

September 2022