

Arnold Irrigation District
Special Meeting

October 17, 2022

The meeting was called to order by Bob Schuur at 4:32 pm. Board members present in person were board member Roger Fadness, and staff members Steve Johnson, and Juanita Harvey. Bob Schuur, Walt Warchol, and Jon Smith were present via conference phone.

This meeting is regarding the permanent exit of up to 58 acres which Avion Water Company has purchased over the years. The application for the exit of these water rights would be separate from the Arrowhead/Somerset ground water application. Avion is pursuing the exit as it has additional need for mitigation credits for their existing groundwater permits. Per the District's Ground Water Patron policy the Board must approve the exit fee to be paid and approve any transfer of water right acres.

Avion is prepared to pay the exit fee upon the Board's approval.

Steve reviewed the exit fee formula initially with the Water Marketing Committee members Rob Rastovich and Walt Warchol and had provided it to all board members prior to the meeting. Each component of the annual assessment was converted to a per acre equivalent and then multiplied by 20 years.

The long term debt carried by the District was also prorated to a per acre charge and then added to the 20 years of assessment charges for the total exit fee per acre.

20 years is roughly equivalent to the effective net present value of an annual assessment.

Bob asked if anything we are doing with this water transfer is establishing a precedence that might hurt us. Steve explained that the District has had the policy in effect for over 10 years but just needed to create a working exit fee formula that would not do long-term harm to the District.

Jon inquired if this transaction was going to affect the District's water right certificate. Steve explained that the water right acres will permanently come off of the Arnold certificate but represented only 0.6 cfs of diversion right. Since the certificate provides for 150 cfs of diversion right in full season, the effect was determined to be negligible to operations.

Bob asked if there was anyone that we knew that may be aggrieved with a transaction like this. Steve explained that several hundred acres of surface water right was converted to groundwater right with the past Deschutes Water Alliance Water Bank in 2009-2011 with COID and Swalley as sellers and the Cities of Bend and Redmond and Avion with no objections.

It was mentioned that the \$30 per acre fee portion included in the exit fee for the modernization fund should be deposited into the LGIP Modernization account and the remainder put aside in the LGIP Operating Reserve account.

Bob motioned to approve the exit fee calculation. Jon seconded his motion. The vote was unanimous in favor.

Bob motioned to approve the 58.00 acres of Arnold certificated water to be permanently removed from the District certificate. Jon seconded his motion. The vote was unanimously in favor.

Steve provided an update regarding the main canal modernization project mentioning that ShanRae Hawkins of Stingray Communications is working with Steve on a press release to be issued upon receiving NRCS authorization. In addition, Kevin Crew is preparing the pipe procurement package and construction package for bids. No bids will be awarded until the construction plans are formally approved by the NRCS.

There is an additional match funding opportunity for Phase 1 with approximately \$750,000 to \$1,250,000 of unspent DBBC lottery bond funds which may become available before the end of 2022. This is dependent on working with OWRD and that process has already started. It is reasonable to assume close to \$2 million may be available for Phase 1 this winter, not counting the CWSRF monies.

Bob asked regarding the Vision Mission meeting. Roger and Bob scheduled the meeting with Steve for Wednesday, Oct 19 at 4:00 pm here at the District office.

The meeting adjourned at 5:21 pm.