

**2010 SWALLEY ASSESSMENT INCREASE**

At the December 9 meeting of the District Board of Directors the board voted to increase the Assessment by 5% in 2010. You will receive your assessment statement in January as usual. (The 2009 assessment was lower than the 2008 assessment). The 2010 budget was also cut 25% compared to the 2009 budget. Both of these actions are necessary for the following major reason.

The district pipeline and small hydroelectric project will be completed before water season begins this spring. One million dollar piece of the financing of this \$14 million project has been temporarily disrupted when a local bank who was to provide the district with \$984,000 after the hydro plant goes on line, in exchange for a Business Energy Tax Credit (BETC) of a larger amount, had to pull out of their partnership with Swalley. The BETC is a program of the Oregon Department of Energy (ODOE). Until the district can find a replacement partner, a 12 year loan of \$1.2 million had to be taken out. The 2010 debt service on that loan and one other 20 year loan, takes all hydroelectric plant net revenue and some of the district's general fund. Once a replacement BETC partner is found the district will pay down the \$1.2 million loan, shortening the life of the 12 year loan to 2-3 years. Finding a new BETC partner is district management's highest priority.

The district will invite an ODOE staff person to come to the Swalley annual meeting to be set for February. He will explain how Swalley patrons (probably no more than 10 due to the administrative work required) could also become BETC partners to Swalley, lowering your Oregon state taxes.

In the first half of 2010 the district will develop a 5 year Financial Plan. The district will hold several workshops on the plan to receive your input, then adopt the plan to guide district financial decisions. It will be reviewed annually.

**VACANCY ON THE BOARD OF DIRECTORS**

Gary Blake announced at the December 9 Board meeting that he will need to vacate his position on the Board of Directors early in the new year. Oregon statute provides that an irrigation district board of directors can appoint an eligible landowner from anywhere in the district to serve until the annual meeting next following an election to fill the vacancy. Then the electors of the district elect a successor to replace the appointed director who shall take office at the annual meeting next following the election and shall serve the remainder of the term of the director who originally vacated the office. So in this case the Board would appoint a landowner in the district to fill the vacant seat until ( annual meeting) January, 2011. If that appointed board member wanted to run for election he or she would do so, along with any other interested eligible landowner, in November 2010 and the winner of that election would serve until the annual meeting (January) 2012 .If you are interested in serving on the Swalley board of directors please call the

office at 388-0658 by January 20 and ask to speak to the manager. You would be scheduled for an interview by the other 2 board members, Kevin Crew and Bob Dickey. It is anticipated that the Board would complete the interviews and make a selection at the February Board meeting.

### **INSTREAM WATER RIGHT LEASING FOR 2010**

At the November 10 Board meeting the Board decided that 2010 policy on instream leasing of water rights by Swalley patrons would be very similar to 2009 and is as follows. The only Swalley patrons that will be allowed to instream lease their water rights are: landowners with water rights entering their fifth year of non-use ('at risk water") and landowners with direct diversion (from the river) water rights.

This decision was made because the District needs to have a year of operating experience with the newly completed pipeline and reduced district water right, to ensure there is adequate water with which to operate the system. (Committing conserved water back in to the Deschutes River, made possible by piping some of the canal, was a requirement in order to receive grants for the project).

### **ANNUAL MEETING**

The district will hold an annual meeting with the patrons in February. A postcard will be sent out in January with the date, time and location. This will be a comprehensive meeting addressing all of the District's important issues and there will be plenty of time for Q and A, and to listen to your suggestions. Please call the District if there are topics that you definitely want addressed.

### **STATUS OF PIPELINE AND SMALL HYDROELECTRIC PROJECT**

The project is proceeding on time and within budget. The 1/3 mile of new pipeline that remained to be installed at North Canal Diversion Dam across 3<sup>rd</sup> Street and across Butler Market Road to tie in to the 5 miles of new pipe behind M Jacobs furniture store, is wrapping up as of this writing. Weekly Brothers contractors is building the powerhouse for the .75 megawatt in- canal hydroelectric plant and will start work in January. The hydro plant is on course to produce electricity for sale to Pacific Power and revenue to Swalley as of April 2010.

District offices will close December 24 at noon through January 1.  
Visit the Swalley website for current events, [www.swalley.com](http://www.swalley.com)  
Swalley phone number is 388-0658.

Happy New Year to all of our valued patrons.

Respectfully,  
Suzanne Butterfield  
General Manager