



United States Department of the Interior

BUREAU OF RECLAMATION
Great Plains Region
P.O. Box 36900
Billings, Montana 59107-6900

IN REPLY REFER TO:
GP-3000
WTR-4.00 BSW/WEB



MAR 03 2006

INITIAL	ACTION	DATE
Steve	LA	3/8
Alice	by cy	3/6
Sandy	Q	3/6
A-mike	h	3-6

MEMORANDUM

To: Area Manager NKAO
Attn: NK-100 (A Johns)

From: Michael J. Ryan
Regional Director
for

ATTN: BKS:

Subject: Approval to Defer 2006 Construction Charges Kansas - Bostwick Irrigation District No. 2, and Webster Irrigation District No. 4, (Districts) - Pick-Sloan Missouri Basin Program, Kansas

In accordance with the February 16, 2006, "Deferment Contracts - Delegation of Authority" policy, you are hereby authorized to enter into alternative schedules for billing the distribution works debt service payments for the following contracts:

Kansas - Bostwick Irrigation District No. 2 Contract Number 009D6B0120
Webster Irrigation District No. 4 Contract Number 039D6B0002

The February 16, 2006, policy allows the Regional Director to defer all or part of a district's construction obligation up to one calendar year. The deferment must be based on findings that the district would endure undue burden without the deferment. We have reviewed the information provided to your office by the Districts and find that a deferment is justified for these districts.

This authorization is for part of the distribution works debt service payments for 2006, and shall be memorialized by a letter agreement between the Area Manager and each of the Districts. The letter agreement shall clearly articulate that the amount deferred must be paid in accordance with the revised payment schedule for 2006, and that such agreement in no way affects any payment installments beyond those due in 2006. Additionally, the District should be made aware that the Regional Director's authority to grant this type of deferment can only be exercised once every 5 years.

If you have any questions, or need additional information, please contact Mark Beatty of this office at 406-247-7732.

Q2
WA

030102

KANSAS BOSTWICK IRRIGATION DISTRICT NO. 2

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KENNETH E. NELSON, Supt.
Courtland, KS 66939
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DOUGLAS G. SIMMS, Attorney
Belleville, KS 66938
Phone 785-527-5316

27 February 2006

Alice Johns, Area Manager
U.S. Bureau of Reclamation
PO Box 1607
Grand Island NE 68802-1607

Dear Ms. Johns:

Kansas Bostwick Irrigation District, along with other members of the Irrigation Projects Reauthorization Council, are working very hard to have legislation passed which will give us much needed relief from repayment charges scheduled to be paid under our existing contracts. The scheduled repayment charges for the distribution works are too large of an annual amount for our districts to pay during this ongoing drought with severely limited or no water supply year after year. Because of this drought, a number of our districts have received deferrals the past two years (2004 & 2005). We are extremely pleased that Reclamation has supported our legislation and look forward to its passage in the near future.

The problem we now face is the charges for the 2006 season are placing an undue burden upon our irrigators. We started working on this legislative effort early last year but because of delays beyond our control, we have not received passage in the Senate as of this writing. We, in Kansas, are required to set assessments in August to cover charges and expenses for the upcoming year. The Board of Directors of this district, being sensitive of charges to irrigators who were receiving no water, did not make an assessment for the 2005 or 2006 repayment charges. Along with this action, district O&M charges to irrigators below Lovewell Reservoir, who have been limited to 30-40% of a normal supply for the past 2 years, were not increased from their 2003 assessment charges and the irrigators above Lovewell were charged a flat \$10/acre charge the past two years. The above Lovewell charge is \$12/acre less than the 2003 charge. We were not informed by Reclamation until October that our 2005 deferral request would be approved with an explanation that 2006 charges should be paid. The district having not assessed our irrigators for 2006 repayment, relied on passage of the legislation to which would allow this to happen from current reserves.

In January of 2006, we were informed of the possibility of unexpected water, to the benefit of Kansas Bostwick Irrigation District by a transfer of water from Nebraska Bostwick Irrigation District to the State of Nebraska. This is to satisfy a Republican River Compact issue. We welcome a usable water supply but, find ourselves in a financial bind needing to hire people to fill jobs left vacant to deliver water to the farms. The reserves we intended to spend towards repayment will be needed for operations and maintenance needs to deliver the unexpected water. If the initial debt service payment due in April could be reduced from the scheduled \$210,676.90 to \$83,275 it would be a tremendous benefit to our District. The balance of the scheduled 2006 payment, should the legislation not be passed, would be \$338,000 which we would pay in November, 2006. Should the legislation proposed now be passed we would hope that the balance of the 2006 payment would be included under the new provisions of that legislation. The District pledges to make whatever payment that will be due in the final 2006 payment from previously collected assessments and non contract reserve funds which the district has available, and could use in emergencies.

Our next opportunity to assess charges to irrigators, who are already paying over their ability to pay, will not exist until August of 2006 by state law. Those funds will not be available to us until disbursements are made throughout the 2007 calendar year. Having to pay the \$421,353 in two payments as anticipated would be a huge financial burden to a district already hard pressed to keep operating during these tenuous times.

The late notice of being required to pay 2006 charges has placed an undue burden upon our irrigators. The Board of Directors had no choice last August but to not assess repayment charges for 2006 consequently we could not raise the funds required for 2006. We request you to do whatever is possible to relieve this burden and allow the pending legislation, when it is passed, to be effective in 2006.

For the Board of Directors



Kenneth Nelson
Superintendent

Webster Irrigation District No. 4

PHONE 597-2273

Gaylord, Kansas 67838

February 27, 2006

Alice Johns, Area Manager
U. S. Bureau of Reclamation
P. O. Box 1607
Grand Island, NE 68802-1607

NAME	INITIAL ACTION	DATE
Steve	sd	3/1
Alice	by cy	3/1
Sandy		
Mike		
McCook	by cy	3/1

Dear Ms. Johns:

The Webster Irrigation District is not as large as many districts but percentage wise has the same undo burden upon our irrigators as larger districts. The 2004 watering season had an available water supply of 3 1/2" and the 2005 season had no water available. The outlook for the 2006 season is very bleak, looking like there will be no water available again this year. The lack of water causes significant hardship on our irrigators and the District.

The reserve funds for the District are at a minimum (less than 7% of the operating budget) and is important to the Board of Directors to maintain these in order to protect the infrastructure. To use these funds for other reasons would cause an undo burden on the District as there would be no reserve funds left to protect the infrastructure. This would also cause an undo burden on the irrigators as their assessments would increase.

The Webster Irrigation District has always required three full-time ditch-riders for the O & M and now only employ two. If in the event unexpected water would become available this would also place in undo burden on our irrigators. The Board of Directors feel that at this time the District cannot hire the help that is required to O & M the system as needed.

Webster Irrigation District, along with other members of the Irrigation Projects Reauthorization Council, has been working to have legislation passed which will give us much needed relief in that it would allow the current construction obligations under the contract to be equalized over the remaining years of the contract. As the drought continues and places an undo burden on the District and its irrigators, this legislation will be a significant relief. We had fully anticipated that the legislation would have passed and been in effect for the 2006 construction obligation payments. Those payments as currently stated in the contract would cause an undo burden on the District and its irrigators due to increased assessments and no water supply.

It is the request of the Webster Irrigation District Board of Directors that you do whatever is necessary to relieve this burden while the legislation is still pending.

Sincerely,

Andy Wilson

For the Webster Irrigation District
Board of Directors

060189

NK-100

Kenny Nelson, Superintendent
Kansas Bostwick Irrigation District No. 2
P O Box 165
Courtland, KS 67622

Subject: 2006 Distribution Works Payment Restructure -- Letter Agreement, Kansas Bostwick Irrigation District No. 2 (District), Courtland Unit, Bostwick Division, Pick-Sloan Missouri Basin Program, Kansas

Dear Mr. Nelson:

The purpose of this letter is to secure agreement with the Kansas Bostwick Irrigation District No. 2 (District) for the restructuring of the 2006 Distribution Works Construction Obligations under contract 009D6B0120 (contract).

The following statements are made in explanation of the proposed agreement:

By Contract No. 009D6B0120 dated July 25, 2000, the District contracted with the United States for the use of and repayment of the distribution works in accordance with Reclamation Law.

The Act of September 21, 1959, provides that if the Secretary of the Interior determines that the payment of an annual construction installment by an entity will unnecessarily burden that entity, the Secretary may provide for a deferment of that annual payment; provided that any amendatory contract executed to effect a deferment shall provide that it is only an interim solution of the repayment problems dealt with, and its terms are not, in themselves, to be construed as criterion of the terms of an amendatory contract that may be subsequently negotiated; provided that the deferment does not provide for an extension to the District's repayment period.

The Act of July 2, 1956 (94 Stat. 1507), as amended, provides for payment of rates under any contract entered into pursuant to and said subsection (e) in advance of delivery of water on an annual, semiannual, bimonthly, or monthly basis as specified in the contract.

The project area has suffered severe drought conditions in 2004, 2005, and such conditions are expected to continue in 2006.

The District has requested to pay the full 2006 construction charges in a different cycle for timing and frequency.

It is in the mutual interest of the parties hereto to entered into an agreement to restructure the 2006 annual distribution works payment due in semi-annual installments on April 1 and November 1, 2006.

In consideration of the conditions and explanations outlined above, it is agreed between the parties signing below to the following modifications to the repayment installments due under Contract 009D6B0120:

The distribution works construction charge due under contract 009D6B0120, as amended, is currently \$421,353 due in semi-annual installments of \$210,676.50 on April 1 and November 1, 2006.

This agreement restructures the amount of the first installment of the distribution works construction obligation for the 2006 billing cycle. The total currently due (\$421,353) under the contract for the 2006 billing cycle shall remain the same. The restructured payment schedule for 2006 shall be as follows:

<u>Payment Amount</u>	<u>Date Due</u>
\$83,273	April 1, 2006
\$338,080	November 1, 2006

In the event that pending legislation H.R. 4000 for equalization of the water supply and distribution works payments (copy attached) is enacted, any unbilled balance of the 2006 distribution works payment may be part of the repayment obligation to be restructured into equalized payments in accordance with such legislation. This letter agreement in no way affects any payment installments beyond those due in 2006.

Please request the District's board to pass a resolution approving the restructuring of the 2006 distribution works obligation as specified above and authorizing acknowledgment of this letter agreement by an appropriate District official. Please sign and return the duplicate copy of this letter along with a copy of the resolution.

Sincerely,

Alice E. Johns
Area Manager

KANSAS BOSTWICK IRRIGATION DISTRICT NO. 2

By _____
President

ATTEST:

Secretary