

MINUTES OF REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE OWYHEE IRRIGATION DISTRICT

November 18, 2003

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on November 18, 2003, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 1:00 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Bruce Corn
Larry White
Jerry Nagaki

Fred Schilling
Frank Ausman

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Secretary and General Counsel; and Kirt Bledsoe, CPA from Bledsoe & Bledsoe.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on November 12, 2003.

RESERVOIR STORAGE. Mr. Chamberlin reported that the reservoir storage as of November 18, 2003 is 28,561 acre feet and the storage as of November 18, 2002 was 87,893 acre feet.

MINUTES. Minutes of the meeting of Directors held on October 21, 2003 had been mailed to each Director prior to the meeting. A motion was made by Director Schilling, seconded by Director White, and unanimously carried approving the minutes as mailed.

2003 AUDIT REPORT. Jay Chamberlin introduced Kirt Bledsoe who prepared the audit for the year 2002 for the District. The Directors received copies of the audit a couple months ago. Mr. Bledsoe summarized the audit report. He said that initially, he had concerns on the money situation and the payments due under the Tunnel Bond Agreement. He said that he later spoke to Jay Chamberlin with regard to the Tunnel Bond Amendment which is being done which then alleviated his concerns. Mr. Bledsoe said that because of the low water situation the last few years, the cash accounts being held by the District continue to decline. Mr. Bledsoe said that the audit regulations will require more background information next year with regard to gas and vehicle usage by employees. He said that John Stam has been comparing vehicle usage and gas usage with time records but that the new requirements will necessitate monthly reports. Mr. Bledsoe said that the District has great internal controls in place. He said that the vehicle and gas

usage is the highest risk area where potential fraud could occur. He said that the Board itself could review vehicle and gas usage reports itself if it became absolutely necessary. He did not believe that such measures are needed at this time.

At 1:10 p.m., Tom Zittercob joined the meeting.

Mr. Chamberlin said that he is changing the purchase order procedures and will be limiting who can make purchases for the District. A discussion was had on the Mitchell Butte Power Project outlook. A motion was made by Director Ausman, seconded by Director White, and unanimously carried approving the audit as presented.

At 1:17 p.m., Kirt Bledsoe left the meeting.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of October which was prepared by Nichols Accounting Group. The report was reviewed by the Directors. The report shows a net profit for the month of \$17,381.57 and a net profit for the year of \$458,155.53.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Owyhee Dam Power Project:

Nichols Accounting Group	385.00
US Cellular	39.03
Ore-Ida Utilities	208.99
Stunz Fonda Law firm	426.87
AT&T	19.69
Malheur Bell	<u>49.67</u>
Total	\$1,129.25

A motion was made by Director White and seconded by Director Schilling that the accounts as listed in the agenda be paid. The motion passed unanimously.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of October which was prepared by Nichols Accounting Group. The report was reviewed by the Directors. The report shows a net loss for the month of \$139,373.69 and a net loss for the year of \$1,367,368.50.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Tunnel Power Project:

Ore-Ida Utilities	155.82
Nichols Accounting Group	<u>295.00</u>
Total	\$450.82

A motion was made by Director Nagaki and seconded by Director Ausman that the accounts as listed in the agenda be paid. The motion passed unanimously.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of October which was prepared by Nichols Accounting Group. The report was reviewed by the Directors. The report shows a net loss for the month of \$15,515.04 and a net loss for the year of \$29,441.14.

Accounts Payable. Mr. Chamberlin presented the following schedule of accounts payable for the Mitchell Butte Power Project:

Malheur Bell	129.40
Nichols Accounting Group	<u>228.00</u>
Total	\$357.40

A motion was made by Director Ausman and seconded by Director Schilling that the accounts as listed in the agenda be paid. The motion passed unanimously.

HYDRO REPORT. Tom Zittercob, Hydroelectric Supervisor, reported that the Dam Plant unit has been torn down. He said that the runner is out and it appears to be in good shape. He said that the weight for the runner is correct. He said that the runner will be checked for internal pressure cracks and fractures later this week. Mr. Zittercob said that the wicket gates are showing wear and tear around the sides. He said that he believes the gaps on the sides caused by the wear and tear can be compensated for by manipulating the equipment. He said that he is doing a very thorough inspection and is not yet sure on the repair costs until the unit is torn down further. He estimates having the plant back together by the end of the calendar year. Mr. Chamberlin said that because there is no upstream butterfly valve, the wicket gates are critical to the machine's performance as they are the only way to shut down the machine without closing off the penstocks. Mr. Zittercob said that he is only looking at the drive end of the unit and not the generator end.

RING GATE. Mr. Zittercob said that he has gotten old drawings on the construction of the ring gate. He visited with Bureau of Reclamation representatives, spent two days inspecting the ring gate and has also reviewed old photographs. He said that his main concerns for the ring gate are the leveling racks, the pinon gears, the shafts, and the drain system. He said that he had experts in the field come up and inspect the ring gate and try to brainstorm ways as to how work on the gate could be accomplished. Mr. Zittercob said that the ring gate was built in place with re-bar holding it in place until the concrete was poured around it after construction. He said that the logistics of working on the gate and getting materials in to make repairs were examined. Mr. Zittercob said that the previous concerns were with the roller guides and seals and those appear to have been installed in the way they are currently positioned and such positioning does not appear to have been caused by wear and tear.

Mr. Zittercob said that after the ring gate was thoroughly examined, he got quotes for the materials to replace the leveling racks, gears, and shafts. The approximate cost, according to the quotes for just the materials, is \$118,000. Mr. Zittercob said that the gears themselves cannot be cleaned up but need to be replaced. He said that because of the costs, he recommends first tackling the drain system. Mr. Chamberlin said that perhaps a hose system could replace the current metal piping system. Mr. Chamberlin said that the Bureau of Reclamation has a Dam Safety Loan Program which the District could apply for. The loan is then paid back through increased assessments over a 15-year period. Mr. Zittercob said that he would like to visit other facilities with similar equipment and see what they are doing to maintain and replace these items. Mr. Chamberlin said that a hydraulic retro fit to the system may be less expensive. He said that Bureau personnel need to be consulted with further. He said that he and Mr. Zittercob will continue to investigate repair options. Mr. Zittercob said that he estimates the total rehab of the ring gate at approximately \$500,000. President Corn said that financing options also need to be looked at.

DISTRICT TOUR WITH SENATOR FERIOLI. President Corn said that Senator Ferioli toured the District and seemed impressed with the project. President Corn said that Senator Ferioli seems like someone who will listen to the Board's concerns. Mr. Chamberlin said that the Idaho Water Users has filed a Notice of Intent to Sue the Bureau of Reclamation. He said that the South Board of Control has signed on and that there may be pressure for OID to join in. There was further discussion on Senator Ferioli's visit to the District.

UPDATE ON NEW ACRES. Mr. Horton said that he and Jay Chamberlin met with John Ross and Karla Palmer on some discrepancies in the maps which the Bureau has and the District maps along with the draft Water Rights Permit on the additional acres. He said that the next step is for he and Mr. Chamberlin to meet with Bureau officials on the maps and then get the Boundary Change Petition moving forward.

Mr. Chamberlin passed around snow pack information along with a packet on the upcoming OWRC annual meeting. Mr. Chamberlin asked that two Directors attend the meeting with him.

NORTHWEST IRRIGATORS' CONFERENCE. Mr. Chamberlin said that the Northwest Irrigators' Conference is held every two years and this year it will be on January 21 and 22 in Boise. He encouraged the Directors to make arrangements to attend the meeting.

At 2:46 p.m., Tom Zittercob left the meeting.

BUDGET REPORT. Mr. Chamberlin said that the printer and typewriter at the District office both quit on the same day. Mr. Chamberlin then passed around a handwritten draft budget for the District for the year 2004. Contained within the budget were three different columns based upon increases in the annual assessments of \$.25, \$.50, and \$.75 per acre. He said that he thinks the Environmental Reserves will need to be tapped into for \$60,000 in order to make the upcoming Mitchell Butte Power Project Bond payment. Director Schilling and President Corn both expressed their concerns with tapping into the Environmental Reserves. Director Schilling said that those reserves were created by a specific assessment made upon District land owners a few years back and he is against using those reserves for anything other than what they were intended. President Corn asked if any other costs could be cut. Mr. Chamberlin said that money is not being spent on pipelines by the District unless they specifically benefit the District. President Corn asked if the additional \$60,000 needed to make the upcoming Mitchell Butte Bond payment could come from the Mitchell Butte O&M Account. Mr. Chamberlin said that it could as long as sufficient funds remain in to cover startup costs. The Board consensus was for the money to come from that source rather than the Environmental Reserves Account.

Mr. Chamberlin said that health insurance and wage increases which were negotiated three years ago with the employees is the District's biggest cost. A discussion was had on areas of the budget which could be cut.

Mr. Chamberlin said that a computer reporting system is being set up so that he can track expenses to the budget on a daily basis. He said that this will give him the ability to have greater control over the expenses. He passed around a sample format of the report which was reviewed by the Directors. The Equipment Reserve Fund was discussed by the Directors.

At 3:40 p.m., Hugh Kennington, District Patron, joined the meeting.

A discussion was had on backhoes and trailers needed. Mr. Chamberlin was instructed to continue working on the budget. Mr. Chamberlin said that he would continue to work on it with the idea of a \$.50 to \$.75 per acre increase in the assessment.

EQUIPMENT PURCHASES. Mr. Chamberlin said that the District Manager's suburban needs to be replaced. The purchase of a lease return vehicle through the auction system was discussed. The purchase of a backhoe was also discussed. The extra wear and tear put on backhoes by driving them on the road was discussed. The benefit of purchasing a tilt trailer to save wear and tear on the backhoes was discussed. Director White said that a trailer could not be used all the time in his area. After discussion, the Board consensus was to have Mr. Chamberlin get numbers on a tilt trailer for the Nyssa area and to get numbers on a backhoe.

HIGHLIFT DITCH. Mr. Chamberlin said that water users want to put a pivot in and reroute the Highlift Ditch. He said it is a win win situation for the District and he recommends that the project be pursued.

HUGH KENNINGTON. Hugh Kennington was invited to address the Board. Mr. Kennington offered praise for the way the District was operated during this last low water year. He said he and other District patrons thought that the District was operated more efficiently than they have seen it operated in the past. He said that he and other District patrons want to express their appreciation.

Mr. Kennington said that he would like to see a dam installed at Three Forks on the Owyhee River. He explained his ideas on the subject and said that he hopes the Board will support his ideas.

At 4:15 p.m., Hugh Kennington left the meeting.

EQUIPMENT PURCHASES. Mr. Chamberlin said that he may be attending an equipment auction later this week. He asked for authority to purchase a trailer if one is available at the auction. The Board consensus was that a trailer could be purchased.

DATE AND TIME OF NEXT MEETING. After discussion, it was determined that the next meeting of the Board of Directors and the Joint Committee would be on December 9, 2003 at Mr. Horton's law office.

BOARD POLICIES. Mr. Chamberlin said that he still needs to work on Board policies. He said that he feels that such policies need to be in place and he gave some examples of areas where policies are needed.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 4:30 p.m.

Respectfully submitted,


Secretary

APPROVED: _____