

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

October 26, 2004

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on October 26, 2004, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 6:34 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Jerry Nagaki

Bruce Corn

Frank Ausman

Also present were: Jay Chamberlin, District Manager and Michael W. Horton, Secretary and General Counsel.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on October 15, 2004.

MINUTES. The minutes of the meeting of Directors held on September 21, 2004, were mailed to the Directors prior to the meeting. A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried approving the minutes as mailed.

OWYHEE IRRIGATION DISTRICT BILLS. Mr. Chamberlin handed out a check register report showing Owyhee Irrigation District bills which were paid on October 12, 2004. The Directors reviewed the report. Director Ausman noted that a truck engine was attempted to be rebuilt and then an engine was purchased as a replacement. He asked if the parts have been taken back and Mr. Chamberlin said that they were. A motion was made by Director Nagaki, seconded by Director Ausman, and unanimously carried ratifying payment of the bills as listed on the check register.

DIRECTOR ELECTION. Mr. Horton stated that the deadline for filing nomination petitions for the Director position for Division Four has passed. Mr. Horton said that only one petition was received and that petition was for Director Nagaki. He said that the petition contains at least ten signatures from eligible District patrons. He said that Oregon Statutes provide that if only one nominating petition is submitted for a division, that the Board is to name the person nominated in the petition as the duly elected Director without an election. A motion was made by Director Ausman and seconded by President Corn naming Jerry Nagaki as a duly elected Director for Division #4, to a three-year term commencing January 4, 2005. The motion passed unanimously.

EXECUTIVE SESSION. President Corn stated that an executive session is needed to discuss employee matters. Mr. Horton said that the Board can enter executive session pursuant to ORS 192.660(1)(a). A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried authorizing the Board to enter executive session at 6:38 p.m.

At 7:27 p.m., the Board returned to regular session.

EMPLOYEE PROPOSAL. A motion was made by Director Ausman and seconded by Director Nagaki to make the following offer of a three-year contract to the Employee Group to be effective January 1, 2005:

1. The District will establish health reimbursement accounts and will deposit \$400.00 each year into each non-probationary employee's account for the next three years.
2. The District will give the following percentage pay increases over the next three years:
 - (a) First Year. Each employee will receive a 1% pay increase and, in addition, the District Manager shall have discretion to give each employee a pay increase of up to 2% based upon employee performance and annual evaluations, such incentive pay to be solely in the discretion of the District Manager.
 - (b) Second Year. Each employee will receive a 2% pay increase and, in addition, the District Manager shall have discretion to give each employee a pay increase of up to 2% based upon employee performance and annual evaluations, such incentive pay to be solely in the discretion of the District Manager.
 - (c) Third Year. Each employee will receive a 2% pay increase and, in addition, the District Manager shall have discretion to give each employee a pay increase of up to 2% based upon employee performance and annual evaluations, such incentive pay to be solely in the discretion of the District Manager.
3. Ditch riders who work on the crew during the non-irrigation season will be paid hourly wages in an amount equal to the average wages paid to maintenance crew workers. Such wages shall only be paid while the ditch riders are working on the crew and shall not be used for calculating sick leave, vacation pay, or retirement.

A vote was held on the motion and it passed unanimously.

BOUNDARY CHANGE. President Corn stated that now is the time for the Board to take public comment on the Boundary Change Petition which has been filed with the Board. Mr.

Horton stated that public notice of the boundary change hearing was published in the *Argus Observer* on October 5, October 12, and October 19, 2004. At 7:30 p.m., President Corn opened the meeting for public comment on the boundary change petition. No public comment was received and President Corn closed the hearing to public comment at 7:31 p.m.

Mr. Horton stated that if the Board of Directors finds that it is for the best interest of the District that the lands described in the petition be included within the boundaries of the District, then it can order the District boundaries changed. A discussion on the boundary petition was had and after discussion, a motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried adopting the following order changing the District's boundaries, such boundary change being subject to Bureau of Reclamation approval:

WHEREAS, the holders of title, or evidence of title, representing a majority of the acreage of certain bodies of land later described herein, which are adjacent to the boundaries of the Owyhee Irrigation District, filed a written Petition with the Board of Directors of the Owyhee Irrigation District on August 31, 2004, requesting that those certain bodies of land be included within the boundaries of the Owyhee Irrigation District; and

WHEREAS, notice of the hearing on the Petition was published once each week for three consecutive weeks in a newspaper published in Malheur County, Oregon which is the County where the office of the Board of Directors of the Owyhee Irrigation District is situated; and

WHEREAS, the Notice complied with ORS 545.059; and

WHEREAS, a hearing on the Petition was held on October 26, 2004, and no objections to the Petition were presented.

NOW THEREFORE,

The Board of Directors of Owyhee Irrigation District hereby finds that it is for the best interest of the Owyhee Irrigation District that the lands described below be included within the boundaries of the Owyhee Irrigation District.

IT IS HEREBY ORDERED that the boundaries of the Owyhee Irrigation District are hereby changed so as to include the following described parcels of real property, all of which are located in Malheur County, Oregon:

Sauret: Twp. 20 S., R. 45 E., W.M.:
 Sec. 9: N1/2SE1/4 and SE1/4NE1/4.

Esterholdt: Twp. 16 S., R 47 E., W.M.:
 Sec. 32: W1/2NW1/4.

DeHaven: Twp. 16 S., R. 46 E., W.M.:
Sec. 13: E1/2SE1/4; and

Twp. 16 S., R. 47 E., W.M.:
Sec. 18: NW1/4SW1/4.

C.R. Kesler Rev Trust and
Colleen M. Kesler Trust:

Twp 19 S., R. 46 E., W.M.:
Sec. 15: All that portion of the S1/2SW1/4 lying
South and East of the main canal of the Owyhee Irrigation
District

Barlow Farms:

Twp. 20 S., R. 45 E., W.M.:
Sec. 23: All that portion of the SE1/4NE1/4 lying East of the
main canal of the Owyhee Irrigation District

Dimock:

Twp. 10 S., R. 45 E., W.M.:
Sec. 23: All that portion of the NE1/4SW1/4 lying East of the
main canal of the Owyhee Irrigation District

Mr. Horton was directed to have the boundary change order recorded with the Malheur County Clerk if no objections to the order are received within 30 days. Mr. Horton was further directed to notify the Bureau of Reclamation of the boundary change order after the 30 days has run and to request Bureau of Reclamation approval.

At 7:34 p.m., President Corn declared the meeting in recess.

MEETING RECONVENED. At 8:47 p.m., President Corn declared the meeting reconvened. Directors present:

Larry White

Bruce Corn

Fred Schilling

Jerry Nagaki

Frank Ausman

Also present were: Jay Chamberlin, District Manager and Michael W. Horton, Secretary and General Counsel.

EXECUTIVE SESSION. President Corn stated that an executive session is needed to discuss employee matters. Mr. Horton said that the Board can enter executive session pursuant to ORS 192.660(1)(a). The Board entered executive session at 8:48 p.m.

At 8:58 p.m., the Board returned to regular session at which time Kirt Bledsoe, CPA, Kris Ward, Carl Morton, Cliff Sebasto, and Curt Acree joined the meeting.

MR. BLEDSOE'S REPORT ON DISTRICT'S BOOKKEEPING SYSTEM. Mr. Bledsoe reported that he met with Howard Thomas and Kris Ward recently and went through the District's computer systems. He reported that the District has a very powerful computer system. He said that commercial programs could not handle all of the needs of the District. He said that if something happens to Mr. Thomas, there is a company out of Portland which could step in and provide the necessary computer work in order to get the information out of the system. He said that the computer system is much more stable than either Windows or DOS. He said that he thinks the computer system can do what the District needs done. He said that the Board should be able to get the needed reports out of the system. President Corn asked when these reports can start coming. Mr. Chamberlin said that they will start tonight. Mr. Bledsoe said that he feels very good about the computer system the District is using. President Corn asked if the District is at the point where it no longer needs a full-time programmer. Mr. Bledsoe said that he cannot yet say that. Mr. Chamberlin said that he has been requesting too much from Mr. Thomas. He said that because of the turnover with District office staff, Mr. Thomas has been asked to do many things other than just getting the system up and running. He said that he needs time to catch up and then the Board can begin requesting reports. He said that the budgeting capabilities are there. Mrs. Ward gave an example about the power of the computer system relating to purchase orders. Mr. Chamberlin complimented Mrs. Ward and Mr. Thomas on getting the system up and running.

At 9:09 p.m., Kirt Bledsoe left the meeting.

EMPLOYEE GROUP. President Corn advised the Employee Group of the contract offer which was adopted earlier in tonight's meeting. Mr. Chamberlin asked about the timing of preparing the budget while the contract with the employees is not yet settled. The Employee Group said that they would present the proposal to the rest of the employees and get back with Mr. Chamberlin with their decision.

At 9:20 p.m., Carl Morton, Cliff Sebasto, and Curt Acree left the meeting and Tom Zittercob joined the meeting.

HYDROELECTRIC SUPERVISOR REPORT. Tom Zittercob reminded the Directors that the trash rack at Mitchell Butte Power Plant needs replaced and the estimate for the replacement is \$65,000. He said that he would like to get it in but April 1. Mr. Chamberlin said that he spoke with the Oregon Department of Energy with regard to financing and they would be willing to finance the trash rack but they would like to refinance the entire Mitchell Butte Project over a longer term. He said that he and Mr. Horton discussed the matter and their recommendation to the Board is not to incur further debt obligations at this time. President Corn stated that the District needs to know if the Idaho Power contract will be restructured and what the terms of that will be before any further financing should be done. President Corn asked Mr. Zittercob if the trash rack can last one more year. Mr. Zittercob said that he is not sure. He said that he will need two months lead time to get a trash rack ordered and installed. President Corn asked if it could be installed when water is running and Mr. Zittercob said it is possible. Mr. Zittercob explained how the trash rack and rake work.

At 9:33 p.m., Tom Zittercob left the meeting.

NEW FINANCIAL STATEMENT. Mr. Chamberlin and Kris Ward presented a new proposed financial statement to the Directors. The Directors reviewed the new statement. Mrs. Ward noted that the computer system for the District crashed in 2002 and prior to that time, the Directors received a financial statement similar to this one.

The budget and the equipment reserve account entries on the statement were discussed. Including budget comparisons in the statement was also discussed. President Corn stated that the Board needs to have information in front of it to be able to make decisions. Director Schilling voiced his appreciation for the job Mr. Chamberlin is doing and said that he believes when Mr. Chamberlin requests money for certain projects that they are well thought out. He said that nevertheless, the Board needs this financial information to back that up. Mrs. Ward stated that this financial statement is just the first step. Director White said that he is still concerned with the disclaimer which appears on the Nichols Accounting financial reports on the Hydro Projects. A discussion on that disclaimer was had. Director White asked about the process of making transfers from the State Pool Account to the checking account. Mr. Chamberlin explained the process to the Board. Mr. Chamberlin expressed his appreciation for Kris Ward and the work that she has put in. He said that currently, things are working well in the office. He noted that Mr. Thomas had cut his rate in half on the computer services he provides.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Jay Chamberlin handed out a financial report prepared by Nichols Accounting Group for the Mitchell Butte Power Project for the period ending September 30, 2004. The Directors reviewed the report.

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

Nichols Accounting Group	\$ 233.00
United Oil	95.73
AT&T	22.09
Malheur Bell	124.63
Bledsoe & Bledsoe	<u>1,510.00</u>
Total	\$1,985.45

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

At 10:06 p.m., Kris Ward left the meeting.

MANAGER'S REPORT. Mr. Chamberlin said that Riverside Electric has begun work on the transformers at Dunaway Pumping Plant. He said that the transformers have been cleaned out, with seals and fluid being replaced. He said that in doing the work, it was found that a lockout switch which was thought to have belonged to Idaho Power actually is a Bureau lockout switch. He explained the process of removing the transformers without interfering with the overhead power line. He said that the transformers were then hauled to Riverside Electric for service. He said that one of the transformers needs extra work as it had some moisture in it. He estimates the cost at around \$25,000 for all of the transformer work. He estimated that new transformers would cost \$80,000 a piece.

Mr. Chamberlin reported that an old Owyhee pump went down at Dunaway. He said that the impeller is cracked pretty badly. He said it is not clear whether or not it can be welded or brazed. If not, the District is looking at a \$70,000 cost.

FALL WORK. Mr. Chamberlin reported on the pipeline projects planned for the winter. He said that there are not as many planned as last year. He said that he still has inspections to complete on the irrigation works throughout the District. He said that needle valves have been tested and inspected. He said that the concrete liner which was repaired at 36.7 needs to be inspected. He reported that the pipelines which are planned to be installed are mostly just replacing laterals. He said that the District will not be doing very much farm work.

Mr. Chamberlin said that the new backhoe is working out well. He further reported on the recent acquisition of old labor houses which will be used for storage, lunch room areas, and office space.

MANAGER VEHICLE. Mr. Chamberlin said that he is looking at purchasing a crew cab pickup rather than a Suburban. He reported on quotes he received on pickups and he presented the quotes to the Board. Mr. Chamberlin said that in order to get the lowest price from General Motors that the District will need to finance the purchase through GMAC in order to qualify for a cash rebate. He said that the District could then turn around and repay the loan. A motion was made by Director Ausman and seconded by Director White authorizing Mr. Chamberlin to purchase a new pickup for an amount not to exceed \$28,000 and adopting the following borrowing resolution:

RESOLVED that, Jay Chamberlin is hereby severally authorized and directed to execute motor vehicle installment sales agreements or leases that will be assigned to GENERAL MOTORS ACCEPTANCE CORPORATION or GENERAL MOTORS CORPORATION for, on behalf of, and in the name of Owyhee Irrigation District for the purchase or lease of motor vehicles by this corporation as the purchaser or lessee, as the case may be, in any manner and on such terms as they deem advisable.

Be it further resolved, that notwithstanding any change to or termination of the foregoing authority by operation of law or otherwise, any originator or such installment sales

agreements or leases, and any assignee thereof, shall be fully protected and held harmless in relying and acting upon said authorization until they have received written notice from the Corporation of any such change or termination.

The motion passed unanimously.

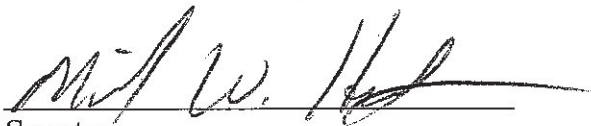
BRIDGE AT THE END OF KLAMATH AVENUE. Director White asked about the recent article in the newspaper about the bridge at the end of Klamath Avenue. Mr. Chamberlin said that the bridge does not show up on the Bureau of Reclamation's inventory. He said that the road is an old established county road but that the road does not benefit the District. Mr. Chamberlin said that the County Engineer is looking at the replacement costs on the bridge.

OWRC ANNUAL MEETING. Mr. Chamberlin said that the OWRC annual meeting is scheduled for December 1, 2, and 3 in Hood River, Oregon. He encouraged the Board members to attend the meeting and asked for those Board members interested in attending to let him know right away.

SURPLUS PICKUPS. Mr. Chamberlin said that there are two pickups which he would like to sell at the auction. A motion was made by Director Schilling, seconded by Director Ausman, and unanimously carried declaring the two pickup trucks identified by Mr. Chamberlin as surplus property and authorizing that they be sold.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by President Corn at 11:06 p.m.

Respectfully submitted,


Secretary

APPROVED: _____