

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

September 21, 2004

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on September 21, 2004, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 7:30 p.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Larry White
Bruce Corn
Frank Ausman

Also present were: Jay Chamberlin, District Manager; Tom Zittercob, Hydroelectric Supervisor; Michael W. Horton, Secretary and General Counsel; Ray Waldo, Insurance Agent of Record; John Knight and Mark Knight, Representatives of Energy Insurance.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on September 13, 2004.

MINUTES. The minutes of the meetings of Directors held on August 24, 2004, and September 9, 2004, were mailed to the Directors prior to the meeting. A motion was made by Director White, seconded by Director Ausman, and unanimously carried approving the minutes as mailed.

HYDRO INSURANCE. Ray Waldo introduced John Knight and Mark Knight of Energy Insurance who are writing the insurance policies on the hydros. John Knight said that he was able to go up and visit the facility earlier in the day. He said that he is pleased to have the opportunity to come out. He said that Energy Insurance insures nothing but hydro facilities. He said that his company insures more hydros than anyone else in the United States and that his business has been in place for the last 15 years. His son, Mark Knight, works for the company and has recently retired from the Army. President Corn said that the Board appreciates the competitiveness of their bid. He said that the Board's concern was getting locked in on a policy and then having rates increase substantially. Mark Knight said that the policy in place on the hydros has strong industry backing and a good third-party administrator. He said the administrator will be coming out to meet with Tom Zittercob and view the facility in the near future.

At 7:40 p.m., Ray Waldo, John Knight, and Mark Knight left the meeting.

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 August 31, 2004. The Directors reviewed the report. Tom Zittercob said that he has been running the best unit at Mitchell Butte and the output is currently at 850 to 900 kilowatts. He said that the unit is running about 70% of capacity.

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

AT&T	\$ 100.87
Nichols Accounting Group	233.00
Quality Electric	240.00
Field-Waldo Insurance	<u>13,246.23</u>
Total	\$13,820.10

Director Ausman asked about the insurance payment which was made. A motion was made by Director Ausman and seconded by Director White that the accounts payable for the month of September, as listed in the agenda, be paid. The motion passed unanimously.

At 7:44 p.m., Kirt Bledsoe, CPA, joined the meeting.

2003 AUDIT. Kirt Bledsoe presented the audit for the District for the 2003 calendar year. He presented each Director with a copy of the audit and went through it with them. He noted that 2003 was the worst year financially for the District due to the low water and the fact that the Tunnel was not run.

At 7:46 p.m., the Employee Group consisting of Curt Acree, Cliff Sebasto, Carl Morton, and Harvey Manser joined the meeting.

Mr. Bledsoe said that OID cash for the year was down one million dollars. He said that the Dam made a little bit of money but the Tunnel lost a lot. President Corn noted that the District was \$5.00 per acre short on staying even.

President Corn asked Mr. Bledsoe if he is satisfied with the District's bookkeeping. Mr. Bledsoe said that in prior years, he has been really happy. He said that this year was a bit more of a struggle. He said that Howard Thomas is have computer struggles and it was difficult getting all of the necessary information out of the computer system. President Corn asked if Mr. Bledsoe audits other irrigation districts and what type of computer programs they use for their bookkeeping. Mr. Bledsoe said that he represents many irrigation districts. He said that one of the districts uses Cougar Mountain software and others use specially written software. President

Corn asked Mr. Bledsoe if he could step in and retrieve the necessary information from the District's computers if something were to happen to Howard Thomas. Mr. Bledsoe said that he possibly could but that it would take some time.

At 7:53 p.m., Mike Ward of Field-Waldo Insurance, joined the meeting.

President Corn said that the Board has some concerns about the District's bookkeeping system. Mr. Bledsoe said that he shares those concerns. Mr. Chamberlin said that he feels like the District is over the hump on getting the bookkeeping programs in order. He said that he plans on having Mr. Bledsoe come and meet with Howard Thomas and District bookkeeping staff. President Corn said that the Board needs to see some marked improvement or the District will need to go in another direction on its bookkeeping systems. President Corn said that he is concerned that there is no one available to act as a backup in the event something should happen to Mr. Thomas. He said that he also fears fraud like TVCC and other local entities have experienced in the last few years. He questioned Mr. Bledsoe if the District has checks in place to catch that type of fraud. Mr. Bledsoe said that he could do a specialized fraud audit. He said that the District does have good checks and balances in place and does not deal in a lot of cash. Director Ausman noted that the fraud problems often go on for quite some time before anyone catches on. Mr. Bledsoe said that there are major auditing changes coming which will be implemented next year. He said that there will be more questions on controls and that he will actually be conducting random interviews of District employees with regard to fraud. President Corn said that the problem is that the manager cannot get the information in a timely manner which he needs to assess how the District is doing financially at a given time.

Mr. Horton asked Mr. Bledsoe if there will be additional costs to the District with the implementation of the new auditing procedures. Mr. Bledsoe said that the conversion and costs associated therewith should be fairly minimal. Mr. Bledsoe said that with the new auditing system in place next year, combined with his upcoming meeting with Mr. Chamberlin and District staff, there should be better internal controls in place to catch fraud and the bookkeeping staff should be able to get reports out in a more timely manner. President Corn said that he would like to eventually see the staff be able to complete the bookkeeping work without the continuing need of a computer support person. Mr. Chamberlin said that part of the problem is that the office help has been short staffed. President Corn asked Mr. Bledsoe if the computer systems do not appear to be workable, to please advise the Board accordingly. Mr. Bledsoe said that he will report back to the Board at a later meeting on his findings after meeting with the District's bookkeeping staff.

At 8:09 p.m., Kirt Bledsoe left the meeting.

EMPLOYEE GROUP. Curt Acree passed around a new employee proposal on benefits and pay. He said that the employees are not trying to get ahead but are just trying to hold their heads above water. President Corn noted that the new structure of the health insurance should bring a benefit to the employees. Mr. Manser said that the total premium savings to an employee insuring his spouse and family should be approximately \$300.00 per year.

President Corn asked for clarification on the new employee proposal. He asked if the \$500.00 to be contributed by the District to each employee's HRA is limited to each year and is not to increase to \$1,000.00 in the second year and \$1,500.00 in the third year. The Committee responded that it is to be limited to \$500.00.

President Corn said that he is glad to see the number of CDLs which have been acquired by the District employees in the last three years.

President Corn asked the Committee what the feelings of the District employees are on the Board's proposal on health insurance. Cliff Sebasto said that all but two of the District employees were able to meet with Mr. Ward when he explained how the new health insurance policies are to work. Mr. Manser said that the employees realize that the days of \$100.00 deductible are a thing of the past. Mr. Acree said that the Employee Committee is withdrawing the old proposal and is submitting this new one which is being presented tonight. He noted that the first year has changed considerably in the proposals.

President Corn asked if the \$101.53 per pay period has been addressed to the satisfaction of the employees. Mr. Acree said that the percentage wage increases which the employees are proposing are based just upon salary and are not based upon the addition of the \$101.53 per pay period to salary. Mr. Horton asked how new employees will be treated if the \$101.53 is shifted to salary as the Board intends effective January 1.

President Corn noted that the employee proposal mentions having incentive pay for individual raises. He asked the Committee for their thoughts on that. Mr. Acree said that the Committee cannot speak for all of the employees but that incentive raises should be done on an individual basis. Carl Morton said that the Employee Group cannot motivate the employees. Mr. Manser said that the statement was included in the employee proposal to show that the Employee Group agrees with the Board on incentive programs.

A discussion was had with regard to the work and vacation time of ditch riders in the off season. President Corn said that the District may need to consider re-titling some of the job positions. Mr. Chamberlin said that those positions which are more management in nature need to be identified. He said that in the future, he foresees the ditch rider job becoming more of a full-time position. Carl Morton asked if ditch riders will be paid similar wages to work crew employees during the off season when they are doing the same job as the work crew. Mr. Chamberlin said that it does need to be looked at. A discussion on ditch rider job duties and comp time was had. Director Ausman stated his opinion that perhaps the ditch riders should be paid like the work crew when they are on the work crew.

Mr. Horton asked for copies of the employee proposals so that he can deliver them to Director Schilling and Nagaki. President Corn said that the Board will consider the employee proposal at next month's meeting. He asked if the Employee Group would prefer a one-year or

three-year contract. The consensus of the Committee was that a three-year contract works best. President Corn said that the Board appreciates the employees. Mr. Zittercob asked if he is part of the Employee Group or a member of management. President Corn and Mr. Chamberlin said that he is management.

At 8:58 p.m., the Employee Group and Mike Ward left the meeting.

OWYHEE DAM POWER PROJECT.

Financial Report. Jay Chamberlin handed out a financial report prepared by Nichols Accounting Group for the Owyhee Dam Power Project for the period ending August 31, 2004. The Directors reviewed the report. Tom Zittercob said that the Dam Plant has been running great but that the reservoir storage is starting to go down quite a bit. He said that 3.3 megawatts are currently being made. Mr. Chamberlin said that the project will most likely end the year with 70,000 acre feet in storage. President Corn asked Mr. Zittercob what he thought of the Energy Insurance representatives. Mr. Zittercob said that next he will be meeting with the new third party administrator who he believes will be more of a risk assessor than the representative from CHUBB. He said that the Energy Insurance representatives were quite impressed with the maintenance of the hydro facilities.

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

AT&T	1.20
Nichols Accounting Group	303.00
Ore-Ida Utilities	210.47
Stunz Fonda Law firm	702.12
Field-Waldo Insurance	<u>40,340.09</u>
Total	\$41,556.88

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

TUNNEL #1 POWER PROJECT.

Financial Report. Jay Chamberlin handed out a financial report prepared by Nichols Accounting Group for the Tunnel Power Project for the period ending August 31, 2004. The Directors reviewed the report. Tom Zittercob said that the Tunnel Plant is running flawlessly.

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

AT&T	\$ 36.65
Nichols Accounting Group	383.00
Oregon-Idaho Utilities	156.92
Field-Waldo Insurance	87,577.78
BPS	<u>10,580.00</u>
Total	\$98,734.35

Mr. Chamberlin said that the check for BPS is for auxiliary batteries to operate the gate. A motion was made by Director Ausman and seconded by Director White that the accounts, as listed in the agenda, be paid. The motion passed unanimously. Mr. Zittercob asked if the cost of the batteries to operate the gate were properly assessed to the Tunnel Project and Mr. Chamberlin said that they were.

TOM ZITTERCOB - HYDROELECTRIC SUPERVISOR CONTRACT. Mr. Zittercob passed around a proposal which he said he submitted to Mr. Chamberlin prior to the meeting. The Directors reviewed the proposal. Mr. Zittercob said that he is proposing a new three-year contract for his employment. President Corn asked about the vacation and days off mentioned in the proposal and a discussion was had. Mr. Zittercob said that he ran into some issues with the bookkeeping staff on accumulation of his days off. President Corn asked if the situation can be resolved and Mr. Chamberlin said that he will work it out with the bookkeeping staff. Mr. Chamberlin said that he feels there needs to be a written contract between Mr. Zittercob and the District. Mr. Zittercob said that he would like to have his family covered under the District's health insurance policy. Mr. Zittercob also noted that his sick leave was zeroed out but has now been made right. He said that he accumulates approximately one sick day per month. Mr. Zittercob said that he is not looking for a decision from the Board right away. He expressed his desire to expand his responsibilities and President Corn said that he appreciates his willingness to do so.

Mr. Zittercob said that he would like to continue to work on the ring gate rehab. He said that he is trying to schedule a trip to the Hungry Horse Dam around the end of October or the first of November. He said that he noticed that the knuckle joint on the drain on the ring gate has come apart. President Corn said that he thought the plan was to address the drains this winter.

Mr. Zittercob said that he really appreciates working with Mr. Chamberlin. President Corn noted that personality issues have gotten better recently. He said that the Board will consider Mr. Zittercob's proposal and discuss it at its next meeting. Director Ausman said that a written contract is needed.

TRASH RACK AT MITCHELL BUTTE. Mr. Zittercob said that the South Board is putting in a new trash rack. He said that he had the gentleman who is doing the installation come over and look at the trash rack at Mitchell Butte which is 18 years old. Mr. Zittercob passed around quotes on refurbishing or completely replacing the trash rack. The quote to repair the rack

is \$36,435.00 and the quote for a brand new rack, including the controls, is \$64,450.00. Mr. Zittercob said that the current rack is just worn out. Director Ausman asked if the repairs were made to the rack, how long it would last. Mr. Zittercob said it could last anywhere from one week to ten years. He said that there is just no way to know. Director Ausman asked if there are any other entities which could do this type of work or if it is a specialty item. Mr. Chamberlin and Mr. Zittercob said that it is a specialty item. Mr. Zittercob said that he does not need a decision on the trash rack right away. President Corn asked how long the trash rack can continue to operate in its present state. Mr. Zittercob said that there is no way to know but that he feels that it is at the end of its life cycle. Mr. Zittercob made his recommendation that the Board replace the entire unit rather than just refurbishing it. President Corn asked if perhaps the Oregon Energy Loan Program could possibly finance the project. Mr. Chamberlin said it is a possibility and he will check with Dave Stevens.

At 9:48 p.m., Tom Zittercob left the meeting.

UPPER SNAKE RIVER BIOLOGICAL ASSESSMENT. Mr. Horton said that Bruce Smith contacted him with regard to a biological assessment which the Bureau of Reclamation is putting together with regard to the Nez Perce Agreement. He said that the assessment is also needed with regard to the ESA litigation. Mr. Horton said that Mr. Smith has volunteered to keep a close eye on the Bureau's draft assessment and notify Mr. Horton if there are any areas of concern.

DISTRICT VEHICLES. President Corn asked Mr. Chamberlin if he is in a position to purchase new vehicles. Mr. Chamberlin said that he will work that out through the next budget cycle. President Corn asked about delinquent accounts and Mr. Chamberlin said that there have been a couple of bankruptcies. He said he is currently worried about the Hopkins' account. He said that they pay a little every now and then on their bill which currently stands around \$7,000 to \$8,000 owed. Mr. Chamberlin said that he will check into that further.

EXECUTIVE SESSION. President Corn said that an executive session is needed to discuss Mr. Zittercob's contract proposal. At 9:55 p.m., the Board entered executive session pursuant to ORS 192.660(1)(a) to discuss personnel matters.

At 10:41 p.m., the Board returned to regular session.

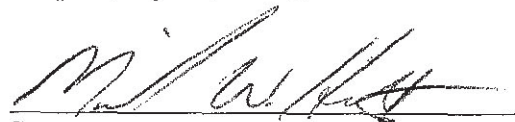
FALL AND WINTER PROJECTS. Director White expressed his concern with the District not having sufficient employees available to do fall work and instead pushing that work off into the spring. Mr. Chamberlin said that he accepts fault for the late spring work which was done last year. Director Ausman suggested that the District be more picky on what pipeline projects it agrees to take on. He asked if possibly paying higher wages to ditch riders for crew work would give them more incentive to work during the off season.

ASSESSMENTS. Mr. Chamberlin reported that the Boise Project charges \$45.00 per acre, Black Canyon is expecting to jump to \$41.00 to \$42.00 per acre, and Pioneer Project is \$40.00 per acre. Director Ausman said that management needs to focus on this project and not other projects in the area when determining assessments.

EQUIPMENT REPLACEMENT. A discussion was had on equipment replacement. Mr. Chamberlin said that the floor on the liner at 36.7 will need to be replaced this winter. He said that transformer refurbishment is also scheduled for this winter. He said that some of the District employees have been learning rappelling skills in order to rappel into some of the siphons to do work and make inspections around the end of October. Mr. Chamberlin said that there are sufficient funds in this year's budget to purchase a manager's vehicle. A discussion was had on the possible vehicle type and cost. After discussion, it was the consensus of the Board that Mr. Chamberlin will check out available vehicles and poll the Board before making a purchase.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by President Corn at 11:17 p.m.

Respectfully submitted,



Secretary

APPROVED: _____