

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

November 16, 2004

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on November 16, 2004, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 11:04 a.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

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| Jerry Nagaki | Fred Schilling |
| Bruce Corn | Frank Ausman |
| Larry White | |

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

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 8, 2004.

MINUTES. The minutes of the meeting of Directors held on October 26, 2004, were mailed to the Directors prior to the meeting. A motion was made by Director White, seconded by Director Schilling, and unanimously carried approving the minutes as mailed.

OWYHEE IRRIGATION DISTRICT BILLS. Mr. Chamberlin handed out a check register report showing the Owyhee Irrigation District bills needed to be paid. The Directors reviewed the report. A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried authorizing payment of the bills as listed on the report.

EMPLOYEE GROUP PROPOSAL. Mr. Chamberlin said that the Employee Group considered the Board's proposal and there is an issue on the ditchrider pay increase. Mrs. Ward said that by limiting the pay increase to just wages and not including retirement, sick leave, and vacation pay creates a major bookkeeping problem. A discussion on the bookkeeping problem and alternate solutions was had. Director Ausman noted that the savings created by limiting the benefits would be offset by the extra bookkeeping work. A motion was made by Director White, seconded by Director Nagaki, and unanimously carried amending the offer to the Employee Group so as to eliminate the section limiting the ditchrider wage increase to wages only and thereby making it effective for retirement, vacation, and sick leave.

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 October 31, 2004. The Directors reviewed the report. President Corn asked if there is sufficient money in the Mitchell Butte accounts to make the December bond payment. Mr. Chamberlin and Kris Ward said that there is. Mr. Chamberlin noted that Mitchell Butte owes the OID General Fund \$30,000. Mr. Chamberlin noted that some water was run through Mitchell Butte for the Shoestring this year rather than pumping that water. He said that this avoided the extra pumping costs and that no water was wasted.

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

| | |
|--------------------------|---------------|
| Nichols Accounting Group | \$ 233.00 |
| Malheur Bell | <u>121.61</u> |
| Total | \$354.61 |

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

MANAGER'S REPORT.

Transformers. Mr. Chamberlin reported that the transformer work was delayed slightly as the transformers need to be baked. He said that the estimated costs will be up because of the additional labor necessary in the baking process. He said that this affects two out of the four transformers. Mr. Chamberlin said that he purchased a used transformer in good condition to replace one small transformer. He said that the purchase price was the same as the cost of rehabbing the current one.

Dunaway Pumping Plant. Mr. Chamberlin said that the pump impeller on the pump which has been pulled out of Dunaway is shot. He said that Riverside Electric will build up a new impeller rather than molding a new one which would be much more expensive. Mr. Chamberlin said that he will be meeting with Owyhee Ditch Company officials in the near future on the necessary impeller work.

Owyhee River Downstream from Dam. Mr. Chamberlin reported on a recent meeting on the lower Owyhee River. He said that BLM officials are wanting to designate the area below the Dam as a wild and scenic river. He said that this may limit the District's ability to access the gravel pit along the river.

Surplus Property. Mr. Chamberlin presented a list of property which is surplus to the District and needs to be sold. The list included a dirt can; Sloper Cat; two Massy Ferguson tractors; and a Dodge Power Wagon. President Corn said that the Sloper Cat has been used in the past on the Shoestring and did a good job. Mr. Chamberlin said that it has not be used for the last five years. A discussion was had on a replacement for the Dodge Power Wagon. Mr. Chamberlin said that the pickup trucks which were declared as surplus property at the last meeting, will be sold at a spring auction. President Corn asked if the Sloper Cat should be kept for emergency work on the Shoestring. Mr. Chamberlin said that it could be kept but that it may need a lot of work to get it running. A discussion was had on the Sloper Cat. After discussion, a motion was made by Director Ausman and seconded by Director Nagaki that all of the surplus items listed on the agenda, including the Sloper Cat, be declared as surplus property and sold. The motion passed unanimously.

2005 BUDGET. Jay Chamberlin handed out a draft budget for 2005. He said that he plugged in a 2% increase on wages but that will depend upon the outcome of the negotiations with the Employee Group. He began to go through the draft budget and noted that Nyssa's backhoe and the 214 long boom need replaced and he has budgeted \$30,000 to cover a down payment for one of them in 2005. He said that he feels the 214 long boom needs to be replaced first. He said that he is not sure on the costs of a new machine. He said that he has also budgeted for a new lawnmower at Dead Ox. He said that the lawn is needed because it helps to keep dust out of the motors at the pumping plant. He said that bottom line, he has projected a \$3.32 increase per acre in the assessment. He said that he plugged in 50 cents an acre for ring gate rehab. Mr. Chamberlin said that chemical costs are estimated to increase by 10% next year. President Corn asked where the \$100,000 of equipment depreciation ends up going. Mr. Chamberlin said that it gets gobbled up by O&M. President Corn noted that the material costs for 2004 were much higher than what were budgeted for. A discussion was had on the line item titled "Betterments." Mr. Chamberlin noted that this is for the proposed automation to Tunnel Canyon. A discussion was had on pushing the equipment depreciation into an equipment reserve account.

President Corn asked what the highs and lows are for the District's cash. Kris Ward said that currently, \$1,500,000 is in the LGIP Account and that amount must carry the District through April. She estimated \$250,000 to \$300,000 will be left at that time. Mr. Chamberlin said that a weed beater is needed. A discussion on a weed beater was had. Mr. Chamberlin said that chemical use continues to be limited by government regulations and that the move is more toward mechanical means of keeping weeds down.

MEETING RECESSED. President Corn declared the meeting in recess at 12:10 p.m.

MEETING RECONVENED. At 3:08 p.m., the meeting was reconvened and Vice President White presided. The following Directors were present:

Jerry Nagaki
Frank Ausman

Fred Schilling
Larry White

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Secretary and General Counsel; Curt Acree, Carl Morton, Cliff Sebasto, Kris Ward, OID Employees.

Kris Ward thanked the Board on behalf of the District employees for the turkey certificates.

EMPLOYEE GROUP PROPOSAL. Curt Acree handed out a counteroffer from the Employee Group to the last proposal made by the Board. The Directors reviewed the proposal. Mr. Horton noted that the proposal actually asks for more than the Employee Group initially proposed at the beginning of the negotiations earlier in the year. The proposal requests the original salary increases which the Employee Group proposed and requests additional incentive pay above and beyond that amount. Vice-President White said that the proposal on the incentives was design to motivate employees. Carl Morton said that many of the employees feel that foremen should be involved in the employee evaluations.

Curt Acree stated that many of the employees who have retired have not been replaced. Director Ausman asked if the crews are too thin now. Mr. Acree said no and that the employees have accomplished a lot more in the last three years than they ever have in previous years. Director White asked if the job descriptions are in good shape. Mr. Chamberlin said that they are not quite in good shape and still need some work.

EXECUTIVE SESSION. A motion was made by Director Schilling, seconded by Director Ausman, and unanimously carried authorizing the Board to enter into executive session pursuant to ORS 192.660(1)(a) to discuss personnel matters. The Board entered executive session at 4:10 p.m. and the Employee Group left the meeting.

At 4:18 p.m., the Board returned to regular session.

EMPLOYEE OFFER. Director Nagaki made a motion to offer the Employee Group the same offer as was made at the October 26, 2004, meeting with the change on the ditchriders' wages as adopted earlier at today's meeting be included and that this be the Board's final offer. The motion was seconded by Director Schilling and passed unanimously.

At 4:24 p.m., the Employee Group joined the meeting. Mr. Chamberlin asked Kris Ward if she could help him make some changes to the way employee evaluations are handled so to as allow employees to have foremen present at the evaluations if they so request. Director Schilling said that the Board would love to give the employees a 5% raise each year but there are simply insufficient funds to allow this. Vice-President White advised the Employee Group of the Board's offer and said that it is the Board's final offer. A discussion was had with the Employee Group on changing the personnel policies to allow foremen and the assistant manager to attend evaluations. Mr. Chamberlin reminded the Employee Group that salary increases would not just be based upon annual evaluations but the employee's conduct and performance throughout the year would also be taken into consideration.

At 4:30 p.m., the Employee Group left the meeting.

ADMINISTRATION ACCOUNT FEE. Mr. Chamberlin said that many Districts have an administrative account fee in addition to the annual assessments. He said that he would like the Board to consider implementing an annual account fee as a way of decreasing the annual assessment and still make the budget work.

At 4:34 p.m., the Employee Group joined the meeting.

EMPLOYEE GROUP. Curt Acree said that the Employee Group accepts the Board's proposal but that the group still needs to take the proposal back to the employees for a final vote. He said that the Employee Group will recommend this proposal to the employees. At 4:37 p.m., the Employee Group left the meeting.

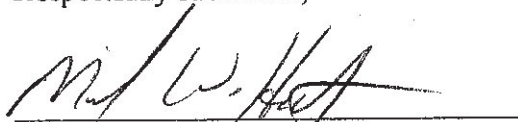
ACCOUNT FEE. Discussion on an administrative account fee continued. Mr. Chamberlin said that the legislature has put a cap on the amount that the account fee could be. Director Schilling said that it would be a good opportunity to impose the account fee now since South Board has decided to implement one also. An account fee of \$50.00 was discussed. Director Nagaki said that a \$75.00 account fee may work better.

NATIONAL WATER MEETING. Mr. Chamberlin said that he has budgeted an additional amount for Board attendance at next year's national water meeting. He said that the location for the meeting rotates and every twelve years, the biggest and usually the best meeting is in Hawaii where it will be next year. He said that the meeting is held in November. Mr. Chamberlin said that Norm Semenko of the Idaho Water Users is now President of the National Water Users Group and because of the contacts he has had with the Owyhee Project, it would be in the District's best interest to go and support him at the meeting. Mr. Chamberlin said that this year's annual meeting was in San Diego and that he was able to meet one-on-one with Commissioner Keys of the Bureau of Reclamation. He said that Mr. Keys asked him to give the Board his regards. He said that Mr. Keys informed him that funding for projects may soon be running out.

Mr. Chamberlin gave an update on the fish meeting which he recently attended.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned by Vice-President White at 5:00 p.m.

Respectfully submitted,


Secretary