

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

January 17, 2012

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on January 17, 2012, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:00 a.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Bruce Corn	Dan Tschida
Frank Ausman	Jerry Nagaki
Eric White	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Attorney; Harvey Manser, Assistant District Manger; Linda Rowe, SWCD; Adena Green, Oregon Watershed Council and District Employees from the Employee Group.

MEETING NOTICE. The meeting agenda showed that notice to the news media as to the time, date, and place of the meeting was given on January 17, 2012.

MINUTES. The minutes of the December 20, 2011, meeting of the Board of Directors were mailed to the Directors prior to the meeting. Director Ausman noted a correction to the minutes regard to incentive pay. The minutes were corrected. After correction, a motion was made by Director Tschida, seconded by Director Nagaki, and unanimously carried approving the minutes corrected.

EMPLOYEE GROUP. John Stam spoke for the Employee Group. He said that the District employees got the Board's counterproposal on salaries. He said that they voted on the counterproposal and that there was a lot of discussion. He then handed out a counterproposal from the employees. He said that the employees were not happy with the Board's proposed one half percent pay increase. President Corn explained that the District patrons ultimately pay the salaries and explained the economic impacts on the patrons. It was noted that a lot of other costs to the patrons have increased and the water bill has probably not increased that much in comparison to those other costs. Director Ausman said that this would be a good illustration to bring up at the patron meeting in February. Director Ausman noted that the PERS was a big increase. President Corn said that there is a possibility that the District could go with a higher deductible increase on insurance. Mr. Chamberlin said that the insurance costs continue to climb about 15% per year. President Corn said that the Board will discuss the matter further and have Mr. Chamberlin get back to the employees. At 10:30 a.m., the Employee Group left the meeting.

PHASE #1 NEWELL PROJECT. Adena Green said that the Lower Owyhee River Rehabilitation Project, Phase #2, which consists of approximately four and a half miles of pipe has

been approved through OWEB. She said that the grant approval is for the first portion of the project for approximately \$600,000. She said that she is a little concerned that pipe costs have gone up since the grant proposal went in. She said that the District can request an extension of time to complete the project as it meshes up with the Fletcher Project. She said that the money from the grant will come in March and she would like to order the pipe right after that. Engineering for the project was discussed and explained. Mr. Chamberlin said that he is comfortable with the engineering. Adena Green said that she would like to apply for a USBR Water Smart Grant for approximately \$300,000. Mr. Chamberlin passed around a map for the proposed project. He explained that the entire project is a five to six year project. Adena Green said that the total for Phase #1 of the project without the farmers' portion is \$1.1 million and approximately two thirds of the acres will be converted to drip or sprinkler. Mr. Chamberlin said that the OWEB grant will pay for most of the materials and supplies, but not the intake structures. He explained that water savings had to be addressed in the grant application and that he and Adena Green wanted to run some of the language in the proposed grant application by the Board.

The section on water marketing was read and discussed, as was the section on hydro production. President Corn said that the motivation for the Board behind this entire project is water quality. Mr. Chamberlin said that he would like to contract out the work and Adena Green said that she needs a commitment from the Board to proceed with the project even if the District does not receive the USBR Water Smart Grant. Mr. Chamberlin said that the old structure will become a drain. Mr. Manser then explained the budgeted amounts for the project and he said he has figured in \$180,000 for the digging and laying of the pipe. Davis-Bacon wages were discussed. Mr. Horton said that the State of Oregon Prevailing Wage Law will most likely apply to the project. Mr. Manser said that there is another localized \$100,000 USBR grant that can be applied for as a backstop and that if the District is awarded the Water Smart Grant, then the second grant could be turned back.

Adena Green said that she needs two resolutions from the Board, one for the OWEB Grant and one for the USBR Water Smart Grant. President Corn said that this would be about a \$3.00 per acre commitment. He then asked Mr. Chamberlin if management is comfortable with the grant application. Mr. Chamberlin said that he is and that most of the language came out of the District Water Conservation Plan.

A discussion was had on moving forward with the project even if the USBR Water Smart Grant does not come in since the project will improve water quality. A motion was made by Director White, seconded by Director Nagaki, and unanimously carried adopting the following resolution:

RESOLVED that Owyhee Irrigation District is committed to proceeding with the LOWER OWYHEE RIVER REHABILITATION PROJECT PHASE II even if grants from the United States Bureau of Reclamation are not awarded to Owyhee Irrigation District for this project.

A motion was made by Director Ausman, seconded by Director Tschida, and unanimously carried adopting the following resolution:

RESOLVED, that Owyhee Irrigation District shall apply for the USBR Water SMART: Water and Efficiency Grant for FY2012, No. R125F80049 for \$299,000.00 of financial assistance for the Lower Owyhee River Rehabilitation Project Phase II; President Bruce Corn is authorized to enter into any required grant agreement on behalf of the District; the Board of Directors having reviewed the application submitted, supports the application; Owyhee Irrigation District has the capability to provide the funding and/or in-kind contributions specified in the funding plan; and Owyhee Irrigation District will work with USBR to meet established deadlines for entering into a cooperative agreement.

Linda Rowe said that the Fletcher Gulch Project is going well. At 11:40 p.m., Linda Rowe and Adena Green left the meeting.

Mr. Manser said that he would like to see a resolution authorizing the District to move forward with the alternate USBR grant application. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried adopting the following resolution:

RESOLVED that the Owyhee Irrigation District shall apply for the USBR Water Conservation Field Service Grant for FY 2012, for \$100,000 of financial assistance and President Bruce Corn is authorized to enter into a required grant agreement on behalf of the District.

EMPLOYEE PROPOSAL. The Employee Group Proposal was discussed. Mr. Manser said that he would like to express his appreciation to the District and the District Board and what has been done during his time with the District. An in depth discussion on the employee proposal and its impact on the District was had. Mr. Chamberlin said that he will put together a handout showing the total costs of employment for typical employees. A motion was made by Director Tschida that the District increase employee base wages by 1% for 2012, along with the Board's earlier proposal on other matters and that this is the Board's final proposal. Director Nagaki said that he would like to address the cost of the health insurance and what is offered to the employees. The matter was discussed and it was determined that the Board will need to wait until the next employment contract cycle to address the employees' share of the health insurance deductible. Director Tschida's motion was seconded by Director Ausman. A vote was had on the motion. Directors Corn, Ausman, White, and Tschida voted in favor of the motion. Director Nagaki voted against. The motion passed by a vote of four to one.

MEETING RECESSED. President Corn declared the meeting in recess at 12:06 p.m., to reconvene after lunch.

MEETING RECONVEYED. At 1:10 p.m., the meeting was reconvened.

REORGANIZATION. President Corn stated that this, the first meeting in January 2012, is the time for the reorganization of the Board.

ELECTION OF PRESIDENT. President Corn opened nominations for the election of the President of the District for the ensuing year. Director Nagaki nominated Bruce Corn. Director

Tschida seconded the nomination. Director Ausman moved that nominations cease and that a unanimous ballot be cast for the election of Bruce Corn as President of the District for the ensuing year. The motion was seconded by Director White and passed unanimously.

ELECTION OF VICE-PRESIDENT. President Corn opened nominations for the election of a Vice-President of the District to serve during the ensuing year. Director Tschida nominated Jerry Nagaki. Director Ausman seconded the nomination. Director White moved that that nominations cease and that a unanimous ballot be cast for the election of Jerry Nagaki as Vice-President of the District for the ensuing year. The motion was seconded by Director Tschida and passed unanimously.

ELECTION OF SECRETARY. President Corn opened nominations for the election of Secretary of the District for the ensuing year. Director Ausman nominated Dan Tschida. Director Nagaki seconded the nomination. Director Nagaki moved that nominations cease and that a unanimous ballot be cast for the election of Dan Tschida as Secretary of the District for the ensuing year. The motion was seconded by Director Ausman and passed unanimously.

JOINT COMMITTEE REPRESENTATIVES. President Corn said that the representatives from OID to the Joint Committee need to be determined. A discussion was had. After discussion, a motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried designating Eric White, Frank Ausman, Dan Tschida, and Jerry Nagaki as representatives to the Joint Committee of the Owyhee Project with Bruce Corn as the alternate.

APPOINTMENT OF LEGAL COUNSEL. Mr. Horton gave his proposal for the upcoming year. A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried appointing the law firm of Stunz, Fonda, Kiyuna, & Horton, LLP, as attorneys for the District for the year 2012 and authorizing that a monthly retainer be paid in the amount of \$1,325 which shall be for up to 10 hours of work with any additional hours in such month to be billed at \$150 per hour with travel time to be billed at half the hourly rate and that out-of-pocket expenses be paid by the District in addition to the retainer amount.

DEPOSITORIES. Discussion was held concerning the depositories of the funds of the Owyhee Irrigation District. Mr. Chamberlin recommended that the District continue with the present depositories. A motion was made by Director Ausman, seconded by Director White, and carried unanimously that Sterling Savings Bank, Nyssa Branch; U.S. Bank, Nyssa Branch; and the Local Government Investment Pool as administered by the State Treasurer of Oregon, be designated as the official depositories of the funds of the District, and that the same may be withdrawn from the said depositories on checks or advices signed by any two of the following: Frank Ausman, Bruce Corn, Jerry Nagaki, Dan Tschida, and Eric White, Directors of the District; Jay Chamberlin, Project Manager; and Michael W. Horton, Attorney; provided, however, that funds may be transferred electronically from bank accounts of the District to the Local Government Investment Pool, or from the Local Government Investment Pool to bank accounts of the District, by direction given by Jay Chamberlin.

INSURANCE AGENT OF RECORD. Mr. Horton stated that the next item of business is consideration of the District's insurance agent of record. Mr. Chamberlin said that Mr. Waldo takes great effort to take care of the District. A motion was made by Director White and was seconded by Director Nagaki that Ray Waldo and Field-Waldo Insurance be appointed as the District's insurance agent of record. The motion passed unanimously.

OWYHEE IRRIGATION DISTRICT FINANCIAL STATEMENT. Mr. Chamberlin said that he does not have a financial statement from Nichols Accounting yet. He said that they are working on the year-end report for the District.

OWYHEE IRRIGATION DISTRICT ACCOUNTS PAYABLE. A list of District accounts payable was included in the Directors' packets. The Directors reviewed and discussed the list. Questions about certain bills were asked by the District Board members and answered by Mr. Manser and Mr. Chamberlin. A motion was made by Director Ausman, seconded by Director Nagaki, and unanimously carried authorizing payment of the accounts payable.

MITCHELL BUTTE POWER PROJECT.

Generation Report. A generation report for Mitchell Butte Power Plant was included in the Directors' packets.

Accounts Payable. The agenda for the meeting listed the following accounts payable for the Mitchell Butte Power Project:

Century Link	\$120.49
AT&T	33.58
Valley Wide	11.80
Nyssa Auto Parts	16.53
Nichols Accounting Group	<u>100.00</u>
Total	\$282.40

A motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried that the accounts payable for the Mitchell Butte Power Project be paid.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Tunnel #1 Power Project for the period ending December 31, 2011, which was prepared by the Nichols Accounting Group. The Directors reviewed the financial report. The report shows the net income for the project for the year 2011 at \$1,578,890.86. President Corn said that this is by far the best year for the tunnel power plant.

Accounts Payable. The agenda showed the following schedule of accounts payable for the Tunnel #1 Power Project:

Oregon-Idaho Utilities	\$.48
Boise Rigging	312.88
Nyssa Auto	16.52
Kinney & Keele	52.75
Nichols Accounting Group	<u>325.00</u>
Total	\$707.63

A motion was made by Director White, seconded by Director Tschida, and unanimously carried that the accounts payable, as presented, for the Tunnel #1 Power Project, be paid.

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the Owyhee Dam Power Project for the period ending December 31, 2011. The Directors reviewed the report.

Owyhee Dam Power Project Accounts Payable. The Owyhee Dam Power Project accounts payable were listed on the agenda as follows:

Nyssa Auto Parts	\$16.53
Nichols Accounting	325.00
Oregon-Idaho Utilities	.72
Stunz, Fonda, Kiyuna & Horton, LLP	814.63
Ontario Tel Answer	138.00
Century Link	93.86
Verizon	<u>113.92</u>
Total	\$1,502.66

A motion was made by Director White, seconded by Director Nagaki, and unanimously carried that the accounts payable for the Owyhee Dam Power Project, be paid.

2012 BUDGET. President Corn said that the Board has discussed a \$2.00 increase in the annual incurred charges for the District. Mr. Horton read the requirements for Oregon Prevailing Wage to be paid on certain projects. He said that it appears that the prevailing wage will have to be paid on the Newell Project should the District contract out the work. Discussion on the budget continued.

ANNUAL INCURRED CHARGES. The Board had a discussion on setting the annual incurred charges. The cost of administering the small acreages was discussed. Mr. Chamberlin said that he had a water user asking about when the District is going to increase charges enough to make the water delivery system better. Discussion on incurred charges continued. After discussion, a motion was made by Director Tschida, seconded by Director Ausman, and unanimously carried setting the annual incurred charges for 2012 at \$53.50 per acre and that there be a \$75.00 service

charge imposed on subdivided and small tract lands consisting of 5 acres or less within the District, in addition to the total annual incurred charges.

2012 BUDGET (Continued). Discussion on the 2012 budget continued. After discussion, it was the consensus of the Board that the amount proposed going into the reserve account be reduced, that the incurred charges and small acreage charge changes be factored in, that the wage increases be factored in, and that the budget be revised to reflect these changes and Mr. Chamberlin is to come back with the final proposed budget for next month's meeting.

EXCAVATOR LEASE PURCHASE. At 1:54 p.m., Ben Keeny from CAT Financial joined the meeting and gave a presentation on financing the new 320 DL CAT. He explained the terms and conditions of the proposed Lease-Purchase Agreement. He then submitted the proposed agreement for review. He said that CAT needs a resolution of the District Board and he presented a proposed resolution. Mr. Horton reviewed the proposed resolution. After review, a motion was made by Director White, seconded by Director Ausman, and unanimously carried adopting the resolution which is attached to these minutes as Attachment "B". At 2:10 p.m., Mr. Keeny left the meeting.

ANNUAL PATRON MEETING. The date and time of the annual patron meeting was discussed. After discussion, it was decided that the meeting be held on February 28, 2012, at 1:00 p.m., at the Cairo Grange.

DITCH RIDER POLICY. Mr. Chamberlin had handouts on hard hat safety policy and ditch rider policies. The Board reviewed and discussed the proposed policies. Some changes to the proposed policies were made. Mr. Chamberlin was instructed to revise the language in the policies and come back with policies for Board approval.

GOPHER PROGRAM. The idea of allowing District employees to participate in the Gopher Trapping Program was discussed. A motion was made by Director Ausman and was seconded by Director White to allow District employees to participate in the Gopher Program during 2012. The motion was discussed. After discussion, a vote was had on the motion which passed unanimously.

FLETCHER PIPELINE PROJECT. Mr. Manser said that the pipe installation on the Fletcher Pipeline Project is three quarters of the way done. The project was discussed. One of the lines off of the project for Charlie Barlow was explained and discussed. Issues with regard to right-of-way and property ownership were discussed. Mr. Chamberlin said that he will check into the matter and report back to the Board.

WATER FORECAST. Mr. Chamberlin handed out NRCS and USBR water forecasts. The forecasts and the report on current storage were reviewed and discussed. The policy on operation of the Dam Power Plant was reviewed. It was determined that the current inflows and storage are below the trigger on beginning operation of the Owyhee Dam Power Plant.

JAY CHAMBERLIN AND TOM ZITTERCOB CONTRACTS. Mr. Chamberlin said that his and Tom Zittercob's contracts are up for renewal. President Corn said that the Board will enter executive session to discuss Mr. Chamberlin's contract. At 3:25 p.m., the Board entered executive

? Policies

session pursuant to ORS 192.660(2)(i). Mr. Chamberlin and Mr. Manser left the meeting at that time.

At 4:20 p.m., the Board returned to regular session and Mr. Manser joined the meeting. Mr. Chamberlin had rejoined the meeting during the executive session. Mr. Chamberlin's evaluation was done during the executive session. A motion was made by Director Ausman, seconded by Director White, and unanimously carried authorizing an employment contract with Mr. Chamberlin for 2012 and 2013, with salary increases the same as the employees' increases, with Mr. Chamberlin being awarded the incentive pay increase for 2012 based upon the evaluation which was done, which results in a 2% pay increase for 2012 and for 2013, a 1% base increase with a potential 1% increase based upon 2012 performance which will be determined by Board evaluation.

2011 AUDIT. Mr. Chamberlin said he is moving forward with having Brian Richins start on the audit for the District for the year ending December 31, 2011.

NORTHWEST IRRIGATION OPERATORS' MEETING. Mr. Chamberlin said that the Northwest Irrigation Operators' meeting is coming up on February 15 and 16. He invited Board members to attend.

JOINT COMMITTEE MEETING. It was determined that there will be a Joint Committee meeting in March. Mr. Chamberlin said that the South Board is working on opening up a new spillway for emergency operations.

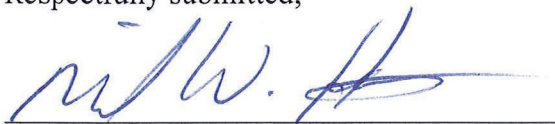
OFF-SEASON PROJECTS. Mr. Chamberlin reported on projects which are being done throughout the District, including work on the Malheur Siphon legs.

REQUESTED EMPLOYEE VACATION BUYOUT. Mr. Chamberlin said that Cliff Sebasto has asked for leeway on the timing of his vacation buyout. Mr. Chamberlin explained the situation. It was the consensus of the Board that the manager has discretion in the timing of employee vacation buyout as long as it is documented.

FUEL PURCHASES. District fuel purchases and the possibility of buying fuel in bulk were discussed.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 4:40 p.m.

Respectfully submitted,



Michael W. Horton, General Counsel

APPROVED: _____

ATTACHMENT B

LESSEE'S AUTHORIZING RESOLUTION

Whereas, OWYHEE IRRIGATION DISTRICT (the "Governmental Entity"), a body politic and corporate duly organized and existing as a political subdivision, municipal corporation or similar public entity of the State of Oregon (the "State"), is authorized by the laws of the State to purchase, acquire and lease personal property for the benefit of the Governmental Entity and its inhabitants and to enter into contracts with respect thereto; and

Whereas, in order to acquire such equipment, the Governmental Entity proposes to enter into a lease-purchase transaction pursuant to that certain Governmental Equipment Lease-Purchase Agreement (the "Agreement") with Caterpillar Financial Services Corporation, the form of which has been presented to the governing body of the Governmental Entity at this meeting;


Now, Therefore, Be It And It Is Hereby Resolved:

Section 1. Approval of Documents. The form, terms and provisions of the Agreement and all other schedules and exhibits attached thereto are hereby approved in substantially the form presented at this meeting, with such insertions, omissions and changes as shall be approved by counsel of the Governmental Entity or other members of the governing body of the Governmental Entity executing the same, the execution of such documents being conclusive evidence of such approval; and the persons holding the titles listed below or any other officer of the Governmental Entity who shall have the power to execute contracts on its behalf are hereby authorized and directed to execute, acknowledge, countersign and deliver the Agreement and all exhibits attached thereto, and the Secretary/Clerk of the Governmental Entity is hereby authorized to attest to the foregoing and affix the seal of the Governmental Entity to such documents.

Section 2. Other Actions Authorized. The officers and employees of the Governmental Entity shall take all action necessary or reasonably required by the parties to the Agreement to carry out, give effect to and consummate the transactions contemplated thereby and to take all action necessary in conformity therewith, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the Agreement.

Section 3. No General Liability. Nothing contained in this Resolution, the Agreement, or any other instrument shall be construed with respect to the Governmental Entity as incurring a pecuniary liability or charge upon the general credit of the Governmental Entity or against its taxing power, nor shall the breach of any agreement contained in this Resolution, the Agreement, or any other instrument or document executed in connection therewith impose any pecuniary liability upon the Governmental Entity or any charge upon its general credit or against its taxing power, except to the extent that the payments payable under the Agreement are special limited obligations of the Governmental Entity as provided in the Agreement.

Section 4. Authorized Signatories. Following are the true names, correct titles and specimen signatures of the incumbent officers referred to in the foregoing resolution:

Name (Print or Type)	Title (Print or Type)	Signature
<u>Bruce Corn</u>	<u>President</u>	<u></u>
_____	_____	_____
_____	_____	_____

Section 5. Effective Date. This Resolution shall be effective immediately upon its approval and adoption. This Resolution was adopted and approved on January 17, 2012.

Signature: 
Secretary/Clerk

Name Printed: Dan Tschudy

Date: 1-17-2012

