

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

January 25, 2005

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on January 25, 2005, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:38 a.m., Bruce Corn, President of the District, presiding.

The following Directors were present:

Jerry Nagaki	Fred Schilling
Bruce Corn	Frank Ausman
Larry White	

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 January 19, 2005.

MINUTES. The minutes of the Directors' meeting held on December 14, 2004, were mailed to the Directors prior to the meeting. President Corn noted that on Page 3 of the minutes, the reference to the D7 CAT said that it "is rolling out of its big idler roller" when in fact it broke out. The minutes were corrected. A motion was made by Director Schilling, seconded by Director Ausman, and unanimously carried approving the minutes as corrected.

OWYHEE IRRIGATION DISTRICT BILLS. Mr. Chamberlin handed out a check register report showing the Owyhee Irrigation District bills. The Directors reviewed the report. Director Ausman asked about washers purchased and the Riverside bill. Mr. Chamberlin answered his inquiries.

At 10:44 a.m., Director Jerry Nagaki; Mike Ward, insurance representative; Cliff Sebasto, Employee Group representative; and Carl Morton, Employee Group representative joined the meeting.

A question on the bill for paint testing was raised. Mr. Chamberlin said that paint samples were taken from the ring gate and they show no lead paint. A motion was made by Director White, seconded by Director Ausman, and unanimously carried ratifying and authorizing payment of the bills as presented.

EMPLOYEE GROUP. Mr. Chamberlin said that he had a major surprise when he went to set up the HRA account. Mike Ward said that when the account was being set up, he learned that the HRA account legislation had changed from when he had reviewed it last and that the rules do not allow the HRA account to be paid to an employee upon retirement. Mr. Ward said that he was not aware of this fact at the time he was advising the District on its employee contract negotiations.

At 10:47 a.m., Kris Ward joined the meeting.

Mr. Chamberlin said that this information came up in a meeting with the employees when a representative from the company hired to administer the HRA was making a presentation. Mr. Chamberlin said that he advised the employees that the District will go with the HRA this year but that the Board will need to study how to handle the situation given this revelation. President Corn said that it sounds as if the rules may change yearly and that the HRA account may need to be revisited each year. The cost of having a third party administer the HRA was discussed. Mr. Sabasto said that he also understood the management agent to say that the HRA amounts do not accumulate each year and must be used each year. Mr. Ward disagreed and said that while this is true for the amounts put into the Flex Plan, it is not true for the amounts put into the HRA. Director Schilling asked the Employee Group what they want to have happen given the misunderstanding at the time of the negotiations. The Employee Group said that they would like the Board to make a decision. Mr. Chamberlin said that all of the terms of the Employee Contract have been implemented. The only difference is that the money which goes into the HRA will not be available to employees upon retirement or termination. Director Schilling asked if it would be legal to have the District pull the money out of the HRA upon retirement and then pay an amount equal to such figure to the retiring or terminated employee. Mr. Horton made the recommendation that he and Jay Chamberlin research the matter as to the options available to the District and make a recommendation to the Board at next month's meeting. Mr. Sabasto said that it may take a year to see how the third-party administrator is doing on handling claims. Mr. Ward apologized for his oversight during the negotiation process.

At 11:17 a.m., Charlie Barlow and Peter Nichols joined the meeting while Kris Ward, Cliff Sebasto, Carl Morton, and Mike Ward left the meeting.

OREGON WATER RESOURCE COMMISSION BOARD. Mr. Chamberlin said that Jim Nakano is stepping down from the Water Commission Board and that Charlie Barlow is seeking appointment to the Commission. Charlie Barlow asked the Board for its endorsement. Mr. Chamberlin said that the Ontario Chamber of Commerce has come out in support of Mr. Barlow. Mr. Barlow said that he would be representing most of Eastern Oregon. Mr. Chamberlin said that Mr. Barlow handled the Ownership Bill quite well while he was an officer with Oregon Farm Bureau. Mr. Barlow passed around a handout which sets out the roles and mission of the Water Resource Commission. At 11:27 a.m., Charlie Barlow left the meeting.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Peter Nichols passed around the financial report for the Mitchell Butte Power Project for the period ending December 31, 2004. Mr. Nichols went through the report item by item. He noted that the final payment on the bonds for Mitchell Butte is due December 1, 2005. Mr. Nichols and Mr. Chamberlin then updated the Board on the Idaho Power negotiations. Mr. Nichols went on to state that the financial report shows a net profit for the Mitchell Butte Power Project for the year 2004 of \$266,834.77. He said that this figure does not take into account the Owyhee Irrigation District administrative costs. He said that at the time of preparing the report, he did not yet have those figures from the District. Mr. Nichols said that he could update the report and provide the Board members with copies or that the Board could rely upon the audit numbers when the annual audit report is reviewed. President Corn noted that it would be more cost effective to rely upon the audit numbers and the rest of the Board members agreed with this approach. President Corn said that the financial report looks good and noted that it was not that long ago that the Mitchell Butte Power Project was in a deficit equity situation.

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

Nichols Accounting Group	\$ 233.00
Granger Engineering	11,801.67
Special District	560.00
Malheur Bell	167.14
U.S. Bank	1,332.50
AT&T	<u>9.33</u>
Total	\$14,103.64

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

REORGANIZATION. President Corn stated that this, the first meeting in January 2005, 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 Schilling nominated Bruce Corn. A motion was made by Director Schilling and was seconded by Director Ausman that nominations be closed and a unanimous ballot cast for the election of Bruce Corn as President of the District for the ensuing year. The motion passed unanimously.

ELECTION OF VICE-PRESIDENT. President Corn opened the nominations for the election of a Vice-President of the District to serve during the ensuing year. Director Ausman

nominated Larry White. A motion was made by Director Ausman and was seconded by President Corn that nominations be closed and a unanimous ballot cast for the election of Larry White as Vice-President of the District for the ensuing year. The motion passed unanimously.

DESIGNATION OF MEMBERS TO SERVE ON THE JOINT COMMITTEE. President Corn stated that the next order of business is the designation of four members of the Board of Directors to serve as members on the Joint Committee. A general discussion was had. A motion was made by Director Ausman and seconded by Director White that Directors Schilling, Ausman, Corn, and White be named as representatives to the Joint Committee and that Director Nagaki be an alternate to serve at any meeting of the Joint Committee when any of the designated members are not present. The motion passed unanimously.

APPOINTMENT OF SECRETARY AND LEGAL COUNSEL. Mr. Horton offered his and his firm's services to the District for an annual retainer to be paid for routine services in the sum of \$13,800.00, payable in monthly installments of \$1,150.00 and with a charge for services rendered which are not covered by the retainer at the rate of \$114.00 per hour. A motion was made by Director Schilling and was seconded by Director White that Michael W. Horton be appointed Secretary and Legal Counsel for the District for the year 2005; that his law firm be appointed attorneys for the year 2005; that an annual retainer be paid for routine services in the sum of \$13,800.00, payable in monthly installments of \$1,150.00; that out-of-pocket expenses be paid by the District in addition to the said retainer; and setting compensation at the rate of \$114.00 per hour for services rendered which are not covered by the retainer. The motion passed unanimously.

APPOINTMENT OF AUDITOR. President Corn announced that the next item of business is the selection of an auditor for the District. A motion was made by Director Nagaki and was seconded by Director Schilling that Bledsoe & Bledsoe be auditor for the District during the year 2005 for the 2004 audit. The motion passed unanimously.

INSURANCE AGENT OF RECORD. President Corn stated that the next item of business is consideration of the District's insurance agent of record. A motion was made by Director White and was seconded by Director Ausman that Ray Waldo and Field-Waldo Insurance be appointed as the District's insurance agent of record. The motion passed unanimously.

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 Schilling, seconded by Director Nagaki, 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:

Fred S. Schilling, Frank Ausman, Bruce Corn, Jerry Nagaki, and Larry White, Directors of the District; Jay Chamberlin, Project Manager; and Michael W. Horton, Secretary; 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.

REGISTERED AGENT. President Corn stated that next item of business is the designation of the District's registered agent. A motion was made by Director Ausman and was seconded by Director White that Gene Stunz be designated the District's registered agent. The motion passed unanimously.

APPOINTMENT OF PROJECT MANAGER. Mr. Horton stated that the contract with Mr. Chamberlin runs through December 31, 2008. A motion was made by Director Ausman and was seconded by Director Schilling that Mr. Chamberlin be retained as Project Manager of the District. The motion passed unanimously.

RECESS. At 12:03 p.m., President Corn declared the meeting in recess.

MEETING RECONVENED. At 2:45 p.m., President Corn declared the meeting reconvened. All of the Board members were present. Also present was Jay Chamberlin and Michael W. Horton.

DISTRICT MAPPING. Mr. Chamberlin said that a year ago the Board passed a resolution applying for a grant for putting the District's maps on a computer. He said that the Board did not get the grant but that the State of Oregon has now worked out a deal with the company which was going to do the computer transfer. Mr. Chamberlin said that a new grant is being applied for and that if the District were to apply for it, the District's share of the initial costs would be \$2,500 and one half of that amount would be due next year. Mr. Chamberlin explained how the system would work. Mr. Chamberlin then presented a proposed resolution which Mr. Horton read to the Directors. Mr. Chamberlin noted that it authorizes the application for the grant. He said that if the grant does not go through, the District may still want to consider buying into the program. A motion was made by Director White, seconded by Director Nagaki, and unanimously carried adopting the following resolution:

#### RESOLUTION NO. 01-05

A RESOLUTION AUTHORIZING AND APPROVING NEGOTIATION AND EXECUTION OF A COOPERATIVE AGREEMENT FOR THE FISCAL YEAR 2005 BUREAU OF RECLAMATION CHALLENGE GRANT PROVIDING SUPPLEMENTAL FINANCING FOR THE INNOVATIVE IRRIGATION MAPPING SYSTEMS PROGRAM