

**MINUTES OF MEETING OF JOINT COMMITTEE
OF THE OWYHEE PROJECT**

December 17, 2013

A meeting of the Joint Committee of the Owyhee Project was held at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, on December 17, 2013, at 1:00 p.m. Frank Ausman, Chairman, presiding.

The following members of the Joint Committee were present:

Frank Ausman	Jerry Nagaki
Eric White	Rick Smith
Dan Tschida	Chris Landa

Also present were: Jay Chamberlin, Manager of the Hydro Projects; Harvey Manser, OID Assistant Manager; Michael W. Horton, Attorney; Tom Zittercob, Hydro Operator; Ron Keester, South Board Manager; and Bruce Corn, OID Alternate.

MEETING NOTICE. The meeting agenda showed that the meeting notice was sent out on December 13, 2013, to the media as to the time, date, and place of the meeting.

MINUTES. The minutes of the meeting of the Joint Committee held on October 22, 2013, were mailed to the Committee members prior to the meeting. A motion was made by Mr. Smith, seconded by Mr. Nagaki, and unanimously carried approving the minutes as mailed.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of November for the Tunnel #1 Power Project which was prepared by Nichols Accounting Group. The report was reviewed and discussed by the Committee Members.

TUNNEL #1 POWER PROJECT ACCOUNTS PAYABLE. The Committee members reviewed the accounts payable for the Tunnel #1 Power Project. Tom Zittercob explained that the EC power billing is for the annual maintenance on generators at the plant. A motion was made by Mr. Tschida, seconded by Mr. White, and unanimously carried approving payment of the following accounts payable:

AT&T	\$9.80
EC Power	1,048.66
Oregon Idaho Utilities	110.86
Nichols Accounting Group	<u>325.00</u>
Total	\$1,494.32

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Chamberlin handed out a financial report for the month of November for the Owyhee Dam Power Project which was prepared by Nichols Accounting Group. The report was reviewed and discussed by the Committee Members.

OWYHEE DAM ACCOUNTS PAYABLE. The Committee members reviewed the accounts payable for the Owyhee Dam Power Project. A motion was made by Mr. Landa, seconded by Mr. Tschida, and unanimously carried approving payment of the following accounts payable:

Oregon Idaho Utilities	\$166.29
Riverside	250.48
Stunz, Fonda, Kiyuna	1,564.13
Century Link	45.99
Verizon	110.16
Nichols Accounting Group	<u>325.00</u>
Total	\$2,416.06

WATER FORECAST REPORT. Mr. Chamberlin noted that there is a Snotel printout in the meeting packets. The Committee members reviewed the printout. Mr. Chamberlin said that the project is in a really poor situation with regard to water. The Committee members had a discussion on storage and snow forecasts. Mr. Keester said he had a grower asking about snow seeding of clouds. Mr. Chamberlin said that the Bureau of Reclamation has spent some money on cloud seeding for other watersheds. He said that there needs to be clouds to seed. The Committee members discussed the precipitation forecasts.

INSURANCE REVIEW. Mr. Chamberlin said that according to the project's insurance agent, there is no prediction of a big increase in insurance rates.

MOU OLD OWYHEE DITCH IMPROVEMENT DISTRICT. Mr. Chamberlin and Mr. Horton gave an update to the Committee on negotiations on a potential memorandum of understanding with the Old Owyhee Ditch Company on how to handle a short water year and how the Dunaway Pumping Plant is used in the overall project. Mr. Corn noted that the agreement will also have an impact on how the hydro facilities are operated.

HYDRO REPORT. Mr. Chamberlin said that the reserve accounts for the hydro projects are used up and with the lower water year, there will most likely be a big impact on the ability to get the hydro bonds paid off by 2017 when the power revenue drops off. The Committee discussed the payments owing to the State of Oregon and the financial crunch which the projects are in. Mr. Zittercob said that Idaho Power needs power during

the peak of the summer and that there is a group of small producers trying to get an increase in power rates during the summer. Mr. Chamberlin said that group is also looking for dues. Power for pumping costs were discussed.

HYDRO OPERATOR EMPLOYMENT CONTRACT. Mr. Chamberlin said that Mr. Zittercob's employment contract is up for renewal. Mr. Horton asked Mr. Zittercob if he wanted the discussion in open or executive session. Mr. Zittercob said that open session will be fine for the time being. He said that he would like to receive the same rate increase which he received last year, plus receive an additional one week of vacation. Mr. Horton read from Mr. Zittercob's contract and said that it currently provides for twenty days of vacation. Mr. Zittercob informed Mr. Horton that he is looking at the old contract and Mr. Horton said that was correct as the twenty days of vacation were in the 2009 contract. Mr. Horton then referred to the 2012 contract which provides for 25 days of vacation. Mr. Zittercob said that is the correct contract and that 25 days of vacation are what he currently receives. He said that he would like to receive another one week of vacation. The Committee members discussed the proposal on vacation.

Mr. Chamberlin said that Mr. Zittercob's current salary, plus benefits, is around \$100,000 when the wages, benefits, insurance, vehicle, and fuel are included. The Committee members discussed the salary.

Mr. Chamberlin said that given the finances of the hydro projects, there may not be enough money for a full-time operator. Mr. Chamberlin then handed out a printout on the cost of employing a hydro operator, which Mr. Chamberlin said does not include the vehicle cost. Mr. Zittercob said that he would like a five-year contract.

EXECUTIVE SESSION. Mr. Landa said that he would like to enter into executive session to discuss the employment contract with legal counsel. Mr. Zittercob agreed to the executive session. A motion was made by Mr. White, seconded by Mr. Landa, and unanimously carried that the Joint Committee enter into executive session pursuant to ORS 192.660(2)(h) to discuss the legal ramifications of the contract with legal counsel. At 2:10 p.m., the Committee entered executive session and Mr. Manser and Mr. Zittercob left the meeting.

At 2:33 p.m., the Joint Committee returned to regular session and Mr. Manser and Mr. Zittercob rejoined the meeting.

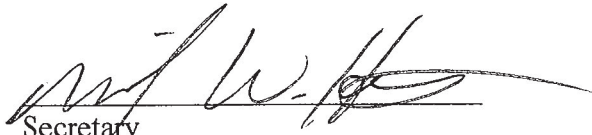
HYDRO OPERATOR CONTRACT (Continued). Mr. White made a motion to freeze Mr. Zittercob's wages where they are for one year. The motion was seconded by Mr. Smith and passed unanimously. Chairman Ausman said that given the economics of the hydro plants, the Joint Committee does not know what the future for an operator holds. Mr. Zittercob said that both plants are ready to run. He explained that the project has one guy running three plants and that the Joint Committee is getting a "hell of a deal." He said that he would like the Joint Committee to give consideration to his salary next year if the project has a good water year. He said that he is willing to accept a one year contract as proposed.

FIRE ALARMS. Mr. Zittercob gave a handout on fire alarms for the Tunnel and Dam Power Plants. He said the alarms are not required, but that if something does happen and the project does not have the alarms, then rates would go up a lot. The Committee asked Mr. Zittercob to get more quotes on alarms and report back.

NEXT JOINT COMMITTEE MEETING. Having a Joint Committee meeting at the dam was discussed. After discussion, it was the consensus of the Joint Committee to have their next meeting at the museum at the dam at noon on Tuesday, January 21. Mr. Chamberlin said that the Owyhee Irrigation District Board will meet at 10:00 a.m. at the museum at the dam that morning.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 2:55 p.m.

Respectfully submitted,


Secretary

APPROVED: _____

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

December 17, 2013

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on December 17, 2013, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:02 a.m. Jerry Nagaki, President of the District, presiding.

The following Directors were present:

Bruce Corn	Dan Tschida
Eric White	Frank Ausman (who joined the meeting at 10:05 a.m.)
Jerry Nagaki	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Attorney; Harvey Manser, Assistant Manager; Ray Waldo, Insurance Agent; Tyler Sweet, CPA (who joined the meeting at 10:22 a.m.); and Tom Zittercob, Hydro Operator (who joined the meeting at 11:50 a.m.)

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 December 13, 2013.

MINUTES. The minutes of the November 19, 2013, meeting of the Board of Directors was mailed to the Directors prior to the meeting. A motion was made by Director Corn, seconded by Director White, and unanimously carried approving the minutes as mailed.

INSURANCE RENEWAL. Ray Waldo gave a handout on insurance renewal and said that the District's property and liability insurance is up for renewal. He said that such insurance is provided through Special Districts. He then explained their Best Practices Credit Program. He said that the premium this year is down by about \$600. He said that the loss ratio for the District is phenomenal. He said that the District also gets a \$8,191 credit for the next two years in exchange for a two-year rate lock agreement. He said that in the future SDAO wants Board members to attend their annual training in order to get full discounts. Mr. Horton noted that SDAO is currently offering free attendance for one Board member at their upcoming conference in February. A discussion was had on attending the February conference.

At 10:22 a.m., Ray Waldo left the meeting and Tyler Sweet joined the meeting.

Director Tschida asked about insurance coverage on heavy equipment breakdown. Such coverage was discussed. Mr. Chamberlin said that he did sign the Rate Lock Agreement on the insurance for the renewal. A motion was made by Director White, seconded by Director Ausman, and unanimously carried ratifying the signing of the Rate Lock Agreement.

OWYHEE IRRIGATION DISTRICT FINANCIAL REPORT. Tyler Sweet handed out a financial report for the District prepared by Nichols Accounting Group for the month of November. The report was reviewed by the Directors as Mr. Sweet went through it. The report shows a loss for the year through November 30 of \$109,000. Mr. Sweet said that this loss may be offset by grant money which is expected to come in. The Directors discussed power costs and other District costs. Fuel prices and available fuel tanks were discussed.

OWYHEE IRRIGATION DISTRICT ACCOUNTS PAYABLE. Two lists of the District's accounts payable for the month were included in the Directors' packets. The Directors reviewed and discussed the lists. A motion was made by Director Tschida, seconded by Director Corn, and unanimously carried approving and ratifying payment of the accounts payable.

MITCHELL BUTTE POWER PROJECT.

Financial Report. The regular monthly financial report for the Mitchell Butte Power Project was included in the Directors' packets. The Directors reviewed the report.

Accounts Payable. The agenda for the meeting listed accounts payable for the Mitchell Butte Power Project. The Directors reviewed and discussed the listed accounts payable. Director Tschida questioned the Riverside billing. The amount of wire listed on the billing was questioned. Mr. Chamberlin said that he will check into it. Director White questioned the fuel bill. Mr. Chamberlin said that he believes that was billed to the wrong department. Director Corn made a motion to pay the bills with the Riverside bill to be checked out by Mr. Chamberlin before paying. The motion was seconded Director White and passed unanimously.

2014 PROPOSED BUDGET. Tyler Sweet handed out a proposed budget for 2014 which the Directors reviewed. The budget proposes a 3.94% increase. The increases are mainly in health insurance and salary. The draft budget was reviewed and discussed page by page by the Directors. PERS was discussed.

At 11:50 a.m., Tom Zittercob joined the meeting.

Director White asked about water accounting software. The Directors discussed acquiring additional software which will allow users to access water accounting information. Mr. Chamberlin said that the budget does not need to be adjusted to factor in this cost as the proposed budget will allow such software to be purchased. It was the consensus of the Directors that such software be purchased.

The Directors discussed the chemical expenses proposed on the proposed budget.

WINTER CREW WORK. Mr. Chamberlin and Mr. Manser gave the Board an update on the winter work being done by the District crew.

MEETING RECESS. At 12:10 p.m., President Nagaki declared the meeting in recess to reconvene later this afternoon after the Joint Committee meeting.

MEETING RECONVENED. At 2:55 p.m., the meeting was reconvened.

2014 PROPOSED BUDGET (Continued). The Board had an in depth and lengthy discussion on the proposed 2014 budget. After discussion, a motion was made by Director Corn and was seconded by Director White that the budget be redrafted to provide for a \$57.65 increase in assessment with \$30,000 being taken out of the proposed operating carryover which will result in a 3.2% increase in assessments. The Directors voted on the motion. Directors Corn, White, Ausman, and Nagaki voted in favor. Director Tschida voted against and the motion passed on a vote four to one.

2013 AUDIT ENGAGEMENT LETTER. Mr. Chamberlin presented a proposed engagement letter with Brian Richins to have him do the audit for the District for 2013. A motion was made by Director Ausman, seconded by Director Tschida, and unanimously carried authorizing the District to enter into the proposed engagement letter with Brian Richins.

OWRC CONFERENCE. Mr. Horton, Mr. Chamberlin, and Mr. Tschida reported to the Board on the OWRC annual conference.

MANAGER'S CONTRACT. Mr. Chamberlin said that since his contract is up for renewal, he would like to see it reflect the same changes which the employees received. He then suggested making Harvey Manser a salaried employee. An evaluation of Mr. Chamberlin's job performance was done. Director White said that he would like to see Mr. Chamberlin present in the District when the water is turned on. Director Ausman said that he would like to see more focus on District matters rather than outside organizations. Director Ausman asked about the salary freeze on the Hydro Operator's wages and whether or not that freeze needs to be taken into consideration with regard to Mr. Chamberlin's contract. Director Corn said that if there is a salary increase that the hydro management side of the salary could remain the same while the other portion of the salary could be increased. Director White noted that this would be difficult to account for. He said that such a decision on accounting for the manager's portion of work on the hydros would be a Joint Committee decision. A motion was made by Director Corn that Mr. Chamberlin be offered a two-year contract with the same salary increases as the employees receive. The motion was seconded by Director White and passed unanimously. Mr. Chamberlin said that personal use of a vehicle in the contract can also be cleaned up.

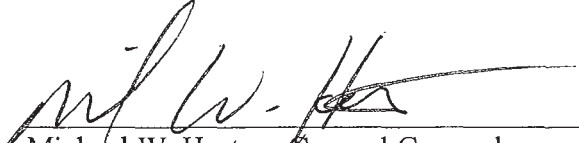
PERS. Mr. Horton said that a decision needs to be made on whether or not to join the PERS Pool. Mr. Chamberlin said that he will check into the opportunity and call an emergency meeting if it appears that entering the pool before the end of the year will benefit the District.

SAFETY COMMITTEE GRANT. Mr. Chamberlin told the Board that the District received a grant for safety equipment.

SDAO ANNUAL CONFERENCE. Possible attendance at the SDAO Annual Conference in February was discussed.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 4:30 p.m.

Respectfully submitted,



Michael W. Horton, General Counsel

APPROVED: _____