

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

December 18, 2012

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on December 18, 2012, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 10:03 a.m. Bruce Corn, President of the District, presiding.

The following Directors were present:

Bruce Corn	Dan Tschida
Eric White	Frank Ausman
Jerry Nagaki	

Also present were: Jay Chamberlin, District Manager; Michael W. Horton, Attorney; Harvey Manser, Assistant Manager; Ray Waldo, Insurance Agent of Record; and Robert Kemble and Tyler Sweet, Accountants (who joined the meeting at 10:42 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, 2012.

MINUTES. The minutes of the November 20, 2012, meeting of the Board of Directors were mailed to the Directors prior to the meeting. Director Nagaki noted a correction to the minutes on Page 2 under the heading "Owyhee Irrigation District Financial Report" the word "that" in the last sentence needs to be changed to "the." The minutes were corrected. A motion was made by Director White, seconded by Director Ausman, and unanimously carried approving the minutes as corrected.

DISTRICT INSURANCE. Ray Waldo said that Special Districts is putting on a presentation for District Board members in Vale on January 3 and he encouraged the Board members to attend. Mr. Waldo then gave a presentation on the Irrigation District's liability insurance which is up for renewal on January 1. He went through the proposed renewal and the policy terms and conditions. He said that the District has five million dollars of coverage. He said the total premium would be approximately \$77,832, but that there is \$5,000 worth of premium for the pipe in the pipeline project that will most likely be refunded once the pipe is installed. He then gave an update on the Workers' Compensation Insurance premium. He said that the District is 27% better than irrigation districts in Oregon in Workers' Compensation claims. He then told of a \$25.00 per month access to human resources help which his company is providing. Mr. Chamberlin expressed his appreciation for the job Ray Waldo does for the District. Mr. Waldo said that he is revisiting with the manager possible breakdown insurance coverage for the pumping plants. Mr. Chamberlin said that he would like to look at insuring

transformers and electrical panels for the pumping plants. The insurance for the District was discussed and at 10:30 a.m., Ray Waldo left the meeting.

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

MITCHELL BUTTE POWER PROJECT.

Financial Report. Mr. Chamberlin noted that the financial report for the Mitchell Butte Power Project was included in the Directors' packets. Mr. Chamberlin said that on the unit which has been pulled out and is being repaired, it was found that a nut had come loose and that Riverside Electric staff believes that this is what caused the wobble in the unit. He said that new bearings will be put in the unit while it is torn down.

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

AT&T	\$30.00
Riverside	267.75
Owyhee Irrigation	83.88
Century Link	130.55
Nichols Accounting Group	<u>110.00</u>
Total	\$622.18

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

LARSON ACCOUNT ISSUES. Mr. Horton gave an update on the impact of the Larson bankruptcy on the collection of the District's lien for unpaid water charges. Mr. Horton said that bankruptcy attorney, Joe Meier, is currently working on the matter.

OWRC CONFERENCE REPORT. Director Tschida gave a report on the recent OWRC conference. He said that the good news coming from the conference is that some districts are starting to look at new storage projects for flood control and irrigation. Mr. Chamberlin and Mr. Horton gave further updates on the OWRC conference and the need for the new Oregon Water Resource Department Commission member to be from the local area. Mr. Chamberlin gave an update on the potential annual fee for water rights.

OWYHEE IRRIGATION DISTRICT FINANCIAL REPORT. Robert Kemble handed out a financial report for the District for the period ending November 30, 2012. He went through the report as the Directors reviewed it specifically focusing on the budget to actual comparison. He said that right now the cash position of the District is fairly strong. He said that District staff

members have done a good job of staying within the budget. He said that he is going to implement a process whereby management looks at the coding after they do their bills to make the financial statement more accurate.

ACCOUNTS RECEIVABLE. In reviewing the District financial statement, it was noted that there has been an increase in the District accounts receivable. Mr. Kemble noted that this is partially due to the timing of the billing for the excess water usage. District accounts receivable were discussed. Mr. Kemble said that his office is showing some District writeoffs and said that the Board needs to be reviewing any such writeoffs. Mr. Chamberlin noted that the Board has historically not written off any water charges and that these writeoffs might be internal changes at the office level for mistakes in billing excess water. He said that he will review the situation and report back to the Board.

PROPOSED 2013 BUDGET. Mr. Kemble handed out an updated proposed budget for the District for 2013. Tyler Sweet went through the budget while the Directors reviewed it. Insurance costs and PERS costs were discussed. Mr. Sweet said that he believes the number in the budget on retirement is close to what the actual PERS number will be for the year. The Directors reviewed and discussed the proposed budget. Director Tschida said that he would like to see money set aside for Dunaway Pumping Plant to get variable speed pumps. The possibility of purchasing a dozer was discussed.

Mr. Chamberlin noted that he put in a line item to begin setting money aside for the construction of a new shop building. The matter was discussed and the Directors determined to keep the line item in the budget at this time. The figure in the budget for liability insurance was adjusted to the number which Mr. Waldo presented earlier in the meeting. The line item for operating reserves was discussed and a decision was made not to include a charge in the 2013 assessments for that. Fuel storage and bulk fuel purchases were discussed.

MEETING RECESS. At 12:30 p.m., President Corn declared the meeting in recess to reconvene after lunch.

MEETING RECONVENED. At 1:30 p.m., the meeting was reconvened, with all those present at the meeting prior to the recess, being present.

TUNNEL #1 POWER PROJECT.

Financial Report. Mr. Kemble handed out and presented a financial report for the Tunnel #1 Power Project for the period ending November 30, 2012. The Directors reviewed the report as Mr. Kemble went through it.

Accounts Payable. The Tunnel #1 Power Project accounts payable were listed on the agenda as follows:

Oregon-Idaho Utilities	\$112.62
Owyhee Irrigation	83.88
Nichols Accounting Group	<u>325.00</u>
Total	\$521.50

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

OWYHEE DAM POWER PROJECT.

Financial Report. Mr. Kemble handed out a financial report for the Owyhee Dam Power Project for the period ending November 30, 2012. The Directors reviewed the report as Mr. Kemble went through it. Mr. Chamberlin said that the target is to have the Dam Power Plant ready as of the first of February.

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

Owyhee Irrigation District	\$333.53
Oregon-Idaho Utilities	18.93
Century Link	45.00
Stunz, Fonda, Kiyuna & Horton	425.00
Nichols Accounting	<u>\$325.00</u>
Total	\$1,147.46

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

2013 BUDGET (Continued). Discussion on the proposed budget continued. Specific changes to the budget were discussed and Mr. Kemble said that he will make those changes and get the budget back to Mr. Chamberlin for the board to consider at its next meeting.

At 1:45 p.m., Mr. Kemble and Mr. Sweet left the meeting.

WATER TRANSFER UPDATE. Mr. Chamberlin said that he is going forward with the water right transfers and is having a GIS company help expedite the process along.

HB3111. Mr. Chamberlin said that the water rights examiner informed him that he underestimated the scope of the project and is wanting more money. Mr. Chamberlin said that he will be talking with Anderson Perry on the billing, which has doubled. He said that they have filed for an extension and may ask for ten years, but he hopes to have the process done in the next year. Mr. Chamberlin said that he has let the Bureau of Reclamation know about the extension filing.

NEWELL PIPELINE PROJECT. President Corn asked about the pipe installation on the Newell Pipeline Project. Mr. Chamberlin reported on the pipe installation progress. The project was discussed and Director White asked that a small map of the project be provided to the Board members.

WATER FORECAST. Mr. Chamberlin said that the forecasts which he has heard predict that the winter will be warmer than normal with normal precipitation.

EMPLOYEE UPDATE. Mr. Chamberlin gave an update on District staffing. He asked about the possibility of doing some type of recognition for the employees on the reduction in Workers' Compensation claims. The Board members discussed the idea of recognizing the employees for their work overall. The idea of a breakfast was discussed. Mr. Chamberlin said that there will be a retirement recognition dinner after the first of the year.

KINGMAN LINER. Mr. Chamberlin and Mr. Manser gave a report on the Kingman liner work.

CANAL CLEANING. Mr. Chamberlin gave an update on canal cleaning.

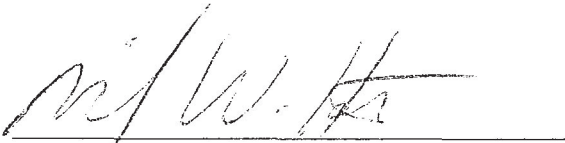
2013 BUDGET (Continued). Director Ausman asked about potential budget increases. The matter was discussed. Director Ausman said that the District may need to use reserves in keeping the water bills down. President Corn said that the grants which the District is getting for the pipeline projects are masking some employee expenses. The idea of adding to and using equipment reserves was discussed.

KINGMAN LINER (Continued). Mr. Manser showed photos of the Kingman liner installation which were reviewed and discussed by the Directors.

NEWELL PIPELINE PROJECT (Continued). The Newell Pipeline Project was discussed further by the Directors.

ADJOURNMENT. There being no further business to come before the Board, the meeting was adjourned at 3:02 p.m.

Respectfully submitted,



Michael W. Horton, General Counsel

APPROVED: _____