

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

May 17, 2005

The regular monthly meeting of the Board of Directors of the Owyhee Irrigation District was held on May 17, 2005, at the offices of Stunz, Fonda, Kiyuna & Horton, LLP, 106 Main Street, Nyssa, Oregon, at 8:12 p.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; Michael W. Horton, Secretary and General Counsel; Tom Zittercob, Hydro Electric Supervisor; Kris Ward and Cliff Sebasto, District Employees; and Mike Ward, Insurance Representative.

MEETING NOTICE. Mr. Chamberlin reported that he gave notice to the news media as to the time, date, and place of the meeting on May 10, 2005.

MINUTES. The minutes of the meeting of Directors held on April 19, 2005, were mailed to the Directors prior to the meeting. A motion was made by Director Schilling, seconded by Director White, and unanimously carried approving the minutes as mailed.

HEALTH INSURANCE. Mr. Ward gave the Directors a handout and stated that the District's health insurance policy is up for renewal June 1. He said that the District has been insured with Lifewise through the Special Districts' insurance program. He said that the premiums for Lifewise increased substantially and Special Districts has moved to PacificSource as its health insurance carrier. In the handout Mr. Ward circled a couple of options for insurance benefits. One of the options circled is similar to the \$500 deductible plan which the District currently provides to its employees. Mr. Ward said that the premiums for that plan with PacificSource are 44% greater than last year's premiums. Kris Ward said that this would be an increase to the District of \$54,955 in a year. President Corn stated that he thought that the insurance policy was for one year and began in January. Mr. Ward said that the policy in fact renews in June. He said that he knew in January when the District was redoing its insurance that there would be an increase in June, he said he just did not know that the increase would be as high as it is. Mr. Ward went through the handout and explained some of the options available. He said that he believes that the preferred provider plans will work in this area as there are sufficient doctors who qualify in the area as preferred providers. Mr. Ward said that the District could possibly cut out dental and vision as a way of saving money under the new plan. President Corn

asked if the District should expect a 40% increase in the insurance premiums next year. The question went unanswered.

Mr. Horton asked if the District can leave Special Districts and approach companies and get its own policy. Mr. Ward said that it cannot. A discussion was had on the possibility of cancelling the health insurance policies and instead increasing employees' salaries. Mr. Ward was asked about one of the options listed in the handouts entitled "80+2650 HSA RX." Mr. Ward explained that this is a plan which incorporates a health savings account for employees. He said that the plan does require an employee deductible amount of \$2,650. He said that if an employee covers his or her spouse under the policy, the spouse would also have to meet an additional \$2,650 deductible. Mr. Ward explained that the District could contribute to the health savings account for the employees on a tax-free basis. He said that the health savings accounts can be drawn out of by the employees if they do not use it. He said that once an account is set up, it rolls over every year. He said that under the HSA option with PacificSource, no prescription benefits are available until the employee meets his or her deductible.

Director Schilling said that more numbers are needed before the Board can make a decision. Mr. Chamberlin said that this information needs to be given to the employees. Director White noted that the cost of medical insurance is getting so high that employers and individuals can only really go with major medical coverage.

Mr. Chamberlin said that the problem facing the District is that its policies renew June 1st and a decision needs to be made by then. Mr. Ward said that he did not get notice from Special Districts on the rate increase until April 19.

The great financial burden placed on employees who insure their spouses and families under the District provided health plan was discussed. President Corn noted that the health insurance premiums would be almost as much or greater than those employees' paychecks. As the Board was explained the options and figures available, the consensus of the Board was that the health savings account seems to be the best option.

A cost analysis of the amount of savings the District would realize if it switched to the PacificSource HSA Plan was done. Kris Ward helped with those calculations. The calculations show that the District would save approximately \$1,900 per year per employee.

President Corn asked Mr. Ward if the figures he provided are accurate. Mr. Ward said, "the figures are etched in granite." Director White said that he would like to see the insurance program ended. A discussion on the possibility of ending the insurance program and the pros and cons of doing so were discussed. President Corn again asked Mr. Ward if he is sure that the numbers which he provided are accurate. Mr. Ward said that they are. He said that he is also pretty sure on most of the other items which he explained but he said that he is a little fuzzy on some of them. He said that he is definitely sure that the HSA can be treated like an IRA. He said that the thing that he is fuzzy on is whether or not the employees must pay taxes on the money in the HSA that is not used at retirement.

A discussion was had on forming a committee of the Board, Mr. Ward, and manager to meet with the Employee Group and explain the changes in the health insurance program. Mr. Chamberlin said that the meeting with the employees will be at 1:00 p.m., on May 19, 2005, at the District's Ontario shop.

A discussion on the options to present to the employees was had. Mr. Ward said that the policy must cover 100% of the District Employees. Director Schilling said that whatever option the employees choose, they must do so as a whole and should not be allowed to opt out individually. Mr. Horton reminded the Directors of the situation the District found itself in previously when it was providing money to those individuals who did not insure their families. Discussion on insurance options continued.

Upon a motion by Director Schilling and a second by Director Nagaki, the following resolution was unanimously adopted:

OWYHEE IRRIGATION DISTRICT
Resolution No. 05-17-2005

RESOLVED that Director Ausman and Director White are appointed to a committee which shall meet with the District employees and offer the employees as a group, a choice between the following two options:

1. The District will eliminate health insurance coverage, terminate the HRA and FSA Plans, and provide each employee with a \$400.00 per month wage increase.

OR

2. The District will enroll in the Special Districts' Pacific Source Health Plan known as "80+2650 HSA + RX," eliminate the Districts' HRA and FSA Plans, and adopt Health Savings Accounts for District employees. The District will contribute the sum of \$1,900 (subject to verification) per year to each employee's Health Savings Account over the next three years, provided, however, that this year the \$1,900 amount shall be prorated for the five months which have already elapsed.

At 9:54 p.m., Mike Ward left the meeting.

OWYHEE IRRIGATION DISTRICT BILLS. Mr. Chamberlin handed out a check register report showing the Owyhee Irrigation District bills. The Directors reviewed the report. A motion was made by Director Schilling, seconded by Director Nagaki, and unanimously carried ratifying and authorizing payment of the bills as presented.

At 9:56 p.m., Kris Ward left the meeting.

MITCHELL BUTTE POWER PROJECT.

Financial Report. Jay Chamberlin handed out a financial report prepared by Peter Nichols on the Mitchell Butte Power Project for the period ending April 30, 2005. The Directors reviewed the report. Mr. Zittercob reported that when Mitchell Butte was fired up, the wicket gates in one of the units got stuck in the open position. He said that the problem has now been fixed. He said he is unsure as to the cause of the problem. He said that there was a hunk of chain found below the unit which may have gone through it. He said that the plant is now running really well. He said that the problem with the wicket gate will warrant further inspection at the end of the year.

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

Nichols Accounting Group	\$233.00
AT&T	23.51
Malheur Bell	<u>121.88</u>
Total	\$378.39

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

At 10:00 p.m., Tom Zittercob left the meeting.

VECTOR CONTROL DISTRICT. Mr. Chamberlin said that Malheur County has established a Vector Control District. He said that the Control District is a good thing but it does not have any funding at this point. He said that the Control District would include attempting to control black gnats, mosquitoes, and gophers. He said that the Control District has approached Owyhee Irrigation District requesting money. He said that the Vector Control District has grant money available which it can match to any other funds which the Control District receives. Mr. Chamberlin said that the Irrigation District has provided help to the Vector Control District in taking black gnat samples. He said that the District spends quite a bit of man hours on gopher control. Mr. Horton suggested that Mr. Chamberlin ask the Vector Control District if it could apply a dollar figure to the value of the services which the Irrigation District has provided as a way of obtaining the matching grant money. The consensus of the Board was for Mr. Chamberlin to proceed with that course of action.

FLAIL MOWER. Mr. Chamberlin passed around some handouts on flail mowers. He said that he went out and got some proposals for a new mower. One of the proposals is from Metroquip which quoted a price of \$76,950 with a trade-in of the District's old weedbeater. Hollingsworth was the only other proposal received. Hollingsworth said that they could provide a

mower for \$76,000 without a trade-in. Mr. Chamberlin said that at a recent meeting with District staff, the needs of the District were reevaluated and it is now his opinion that a backhoe for Nyssa is a greater need. President Corn said that if a new backhoe is purchased, the District staff must be sure that they use a trailer when hauling the backhoe from job to job.

Director Ausman asked Mr. Chamberlin what was the total cost on the repair and painting of the utility trailer which was recently purchase. Mr. Chamberlin said that the total cost of the repair and painting was \$2,600. Director Ausman made a motion to have the District manager obtain proposals on a new backhoe. Director Nagaki seconded the motion. Director Ausman asked if the District would be trading in its current backhoe or keep the old one. Mr. Chamberlin said that it would depend upon a number of factors. A vote was held on the motion which passed unanimously.

AUTOMATION AT TUNNEL CANYON. Mr. Chamberlin complimented Cliff Sebasto and J.L. Eldred on the work and painting which they did on the new automation works at Tunnel Canyon. Mr. Chamberlin said that the communications equipment is still not in but everything else is ready to go. President Corn asked how the security at Tunnel Canyon has been since the gate was installed. Mr. Chamberlin said that the lock at the gate was broken off this spring. He said that a new lock was put back on and has remained in place. President Corn suggested that a chainlink fence be put up at the entrance to the Tunnel Power Plant. Mr. Chamberlin said that there are already alarms in place. Mr. Chamberlin said that he is trying to get grant money for putting automation in on the Malheur Siphon. He said that automation by Keslers' farm is still a long time out. He said that he has not developed a plan for that ditch arrangement yet. Mr. Chamberlin went on to explain a unique possible solution for automating the lateral near Keslers' farm.

RECOMMENDATIONS OF THE JOINT COMMITTEE. President Corn stated that the actions of the Joint Committee need to be ratified. A motion was made by Director Ausman, was seconded by Director Schilling, and carried unanimously that the recommendations adopted by the Joint Committee at its meeting on May 17, 2005, pertaining to the following items, be approved and the officers of the Owyhee Irrigation District be directed to execute the documents necessary to carry out the recommendations of the Joint Committee, and further, that the staff, including the project manager of the Hydro Project, be directed to carry out the steps necessary to perform under the motions adopted by the Joint Committee:

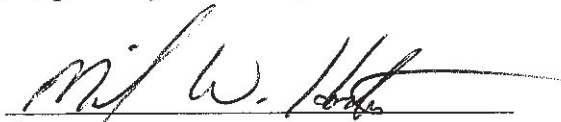
1. Authorizing and ratifying the payment of accounts payable.
2. Setting the water allotment at 4 acre feet and allowing excess water to be sold.
3. Authorizing the District manager to call an emergency Joint Committee meeting if certain conditions which were set out in the Joint Committee meeting are met.

LEE/CRUICKSHANK BUBBLER. President Corn said that he went out and visited the disputed bubbler site with Mr. Cruickshank. He said that the situation is different from what he understood from the earlier Board meetings. He said that the bubbler was put in about 15 years ago. He said that the bubbler does benefit Mr. Lee as well as Mr. Cruickshank.

Director Ausman asked about the status of the Cleaver/Radke pipeline. Mr. Chamberlin said that he does not believe that the pipeline has been surveyed yet.

ADJOURNMENT. There being no further business to come before the meeting, the same was adjourned at 10:35 p.m.

Respectfully submitted,


Secretary

APPROVED: _____