

FARMERS IRRIGATION DISTRICT
BOARD MEETING MINUTES
WEDNESDAY, JANUARY 16, 2008

The Board of Directors of the Farmers Irrigation District met on Wednesday, January 16, 2008, at the District office for the purpose of conducting its annual meeting and monthly business. Those in attendance were directors Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson; District Coordinator Jerry Bryan; Director of Administration, Cathy Roberts; System Supervisor, Mike Kleinsmith; Attorney, Jeff Baker and Administrative Assistant June Brock. Guests attending were Mark Malland of Terril, Lewis & Wilke Insurance Co. and Randall P. Goff of HRG 1 Consulting.

Chairman Don Chandler called the meeting to order at 11:00 a.m.

ANNUAL BUSINESS:

Directors Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson took official oaths of office.

Chairman Don Chandler opened the nominations for Chairman.

A motion was made by Bob Nickelsen to nominate Steve Benton for Chairman. Tim Annala seconded the motion. Tim Annala asked Don Chandler if he was comfortable changing status. Don said "yes." Bob Nickelsen explained that he likes to see Boards rotate the officer positions. A motion was made by Bob Nickelsen and seconded by Tim Annala to close the nominations and cast a unanimous ballot for Steve Benton as Chairman. The unanimous ballot was cast with Tim Annala, Don Chandler, Steve Benton, Bob Nickelsen and Allan Henderson voting aye.

Chairman Don Chandler opened the nominations for Vice-Chairman.

A motion was made by Bob Nickelsen to nominate Allan Henderson for Vice-Chairman. Steve Benton seconded the motion. A motion was made by Bob Nickelsen and seconded by Steve Benton to close the nominations and cast a unanimous ballot for Allan Henderson as Vice-Chairman. The unanimous ballot was cast with Tim Annala, Don Chandler, Steve Benton, Bob Nickelsen and Allan Henderson voting aye.

Chairman Don Chandler opened the nomination for Secretary.

A motion was made by Allan Henderson to nominate Tim Annala for Secretary-Treasurer. Bob Nickelsen seconded the motion. A motion was made by Allan Henderson and seconded by Bob Nickelsen to close the nominations and cast a unanimous ballot for Tim Annala as Secretary-Treasurer. The unanimous ballot was cast with Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson voting aye.

BUDGET COMMITTEE:

The Board appointed Andy von Flotow, Richard Hanners, Bobby Benton, Kevin Asai and Randy Franz as the Budget Committee.

DEPOSIT OF FUNDS:

A motion was made by Steve Benton and seconded by Bob Nickelsen to adopt Resolution 01-08 appointing Columbia River Bank as the District's depository for 2008 with additional funds to be held at Oregon State Treasury, Local Government Pool. The Board of Directors and the Water Rights Specialist are authorized to sign on the accounts with two signatures required, one of which must be from a director. The Director of Administration is authorized as Custodian of Records and will make Local Government Pool account transactions per established guidelines. The motion passed with Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson in favor.

REGULAR MEETING DATES:

A motion was made by Steve Benton and seconded by Bob Nickelsen to adopt Resolution 02-08 setting the regular meeting days for 2008 on the third Wednesday of each month according to the following schedule:

January through December—11:00 a.m.

All meetings will be held at the District office located at 1985 Country Club Road, Hood River, Oregon. The motion passed with those aye votes being Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson.

ANNUAL BOARD MEETING DATE:

A motion was made by Tim Annala and seconded by Allan Henderson to adopt Resolution 03-08 establishing January 21, 2009, at 11:00 a.m. as the date of the Year 2009 Annual Board Meeting. The meeting will be held at the District office located at 1985 Country Club Road, Hood River, Oregon. The motion passed with those aye votes being Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson.

BILLING AND COLLECTION OF CHARGES:

A motion was made by Steve Benton and seconded by Tim Annala to adopt Resolution 04-08 citing the specific manners in which the District will charge for required funds. The motion passed with those aye votes being Don Chandler, Tim Annala, Steve Benton, Bob Nickelsen and Allan Henderson.

AGENT OF RECORD

It was moved by Tim Annala and seconded by Steve Benton to designate Mark Malland of Terrill, Lewis and Wilke as Agent of Record for the District's General Liability Coverage. The motion passed with all in favor.

ATTORNEY OF RECORD

It was moved by Steve Benton and seconded by Tim Annala to designate Jeff Baker of Annala, Carey and Baker as Attorney of Record for the District. The motion passed with all in favor.

AUDITOR OF RECORD

It was moved by Steve Benton and seconded by Tim Annala to designate Arens & Associates as Auditor of Record for the District. The motion passed with all in favor.

MONTHLY BUSINESS:

Newly elected Chairman Steve Benton called the monthly meeting to order at 11:15 a.m.

The minutes of the December 19, 2007 Board meeting were presented and discussed. It was moved by Bob Nickelsen and seconded by Don Chandler to approve the minutes as presented. The motion passed with all in favor.

The O&M bills for the month of January 2008 were presented and discussed. It was moved by Allan Henderson and seconded by Don Chandler to approve the bills in the amount of \$441,228.57. The motion passed with all in favor.

BUSINESS FROM THE FLOOR: None

CORRESPONDENCE: None

REPORTS AND DISCUSSION:

Chairman Steve Benton shifted the agenda to allow Mark Malland of Terril, Lewis and Wilke and Randy Goff of HRG 1 to make their presentations first before the rest of the District's monthly business.

- a) Mark Malland of Terril, Lewis & Wilke presented the 2008 annual insurance proposal to the Board. He informed the Board of SDAO's withdrawal of flood coverage as of the end of 2007. There was much discussion regarding vehicles, pipe coverage, earthquake coverage and liability coverage. Mike will continue working with Mark Malland to refine District insurance coverage commensurate with risk. It was moved by Allan Henderson and seconded by Don Chandler to accept the proposed 2008 insurance as presented. The motion passed with all in favor.
- b) Randy Goff of HRG 1 Consulting presented a proposal to develop a financial plan for the District. The plan would assess comprehensive District finances including costs of operation, reserve requirements, self-insurance and projected hydro electric revenue. The board asked staff to invite Paul Woodin, (a renewable energy consultant) to also present a proposal.
- c) A/R report – Cathy Roberts reported that the District has received \$179,084.23 in payments since the December Board meeting. Cash in-flow is at a slightly higher rate than last year (59% this year as to compared to 54% last year).
- d) Water Supply & Production - Hydro electric production for December was projected at 2.35 million kWh, with an actual production of 2.80 million kWh. Hydro revenue was projected at \$252,000 with an actual production of \$298,304.28 resulting in a gain of \$46,000. The plants are operating near maximum hydraulic capacity. Plant 2 is flowing 108 cfs and Plant 3 is flowing 33 cfs. Snow pack is 1.5 times greater than average for this time of year.

Flood Update - Mike is working closely with FEMA and Dan Leaverton of AIG Insurance Co, the excess insurer for SDAO. Mike informed that Board that we should be receiving a check from the insurance by the middle of this week. Apollo Construction is expected to submit their final billing by the end of this week. OEM is also expected to provide project funds in an amount that is yet to be determined. FEMA will be making their final inspection on January 21st, 2008 and also determining their final payment amount.

- e) BOR Resolution 05-08 (Challenge Grant for 2008 project finance through Bureau of Reclamation) was presented. The Resolution is required to accompany the 2008 Bureau of Reclamation Water 2025 Grant Application. It was moved by Don Chandler and seconded by Tim Annala to adopt Resolution 05-08. The motion passed with all in favor.
- f) FCA – Tim Annala reported to the Board that FCA is doing very well, with new staff members Dan Kleinsmith as project manager, Genevieve Scholl-Erdman as marketing

manager and RARE staff person Maggie Gulick working to develop the 2008 Navigator. FCA has cultivated a very positive relationship with ODFW and currently has eight projects underway, four of which will be for ODFW. The Board asked staff to extend a request to FCA for brief written quarterly reports.

g) Management team restructure proposal – The management team for Farmers Irrigation

District (Mike Kleinsmith and Jerry Bryan) suggested to the Board that the District would be better served by formally appointing Mike Kleinsmith as District Manager. Jerry Bryan would assume the position of Project Manager for the District, replacing Dan Kleinsmith, and remaining available to the Board and Mike as needed to further District goals. The Board requested written information from staff including a chart of organizational hierarchy, job descriptions, list of employees, salary scales, management team resumes, comprehensive list of district projects, district budget projections through 2013, sustainability plan, by-laws, construction and pressurization policy, personnel policy, and contract review board rules.

LEGAL: No specific legal items were listed on the agenda. Jeff Baker advised the Board to use a bond attorney to determine whether or not any tax obligations might be incurred by the District under provisions of certain hydro electric contracts or loans.

EXTENSION: Steve Benton thanked Don Chandler for his tenure as Chairman and extended the January monthly meeting to Wednesday, January 23, 2008 at 1:00 p.m. to review the written material to be provided by management and to determine whether or not to appoint Mike Kleinsmith as District Manager.

Signed: _____
Tim Annala, Secretary

Attest: _____
Steve Benton, Chairman