

Signed

**Minutes of Meeting of the Board of Directors
of the Wood River Valley Irrigation District # 45
August 22, 2013**

The meeting of the Board of Directors of the Wood River Valley Irrigation District # 45, noticed for August 22, 2013, was **called to order** by Director Wilson at 5:00 p.m. on August 22, 2013 at its regular place of meeting located at 110 Honeysuckle Street, Bellevue, Idaho.

Director Wilson declared that a *quorum* was present, consisting of Directors Wilson, Super and Gardner.

The minutes of the prior meeting of July 8, 2013 were read, and with the consent of all directors were, at the request of Director Gardner, corrected to be noted that although Director Gardner had been regularly notified of the July 8 meeting and although she was not present for the July 8 regular meeting, she was not thereafter notified of continuances of the Executive Session of July 8 to July 15, 22 and 30, and that although she was not present at the July 8 meeting or the continued Executive sessions arising therefrom, she nonetheless wanted the minutes to reflect that she had not recused herself from consideration of matters taken up in the Executive Sessions or any of the continuances thereof. A footnote was then added to the minutes of the July 8 meeting to that effect, whereupon the minutes were approved by the consent of all Directors and then signed.

Director Wilson opened the meeting for initial "Public Comments": No one asked to speak at this time.

REPORTS

DIRECTOR SUPER: Updated the Board on efforts with Chuck Brockway regarding the system's measuring devices; that at the end of the season they will look at the measuring devices again to establish the final formulas as may be used with the measuring devices in their current state and condition to facilitate regular efforts to measure the flows at stations in usable condition.

MANAGER KELLY SHANNON: Updated the Board on ditch matters; that he was in the process of updating his contact list for all users, or their representatives; that some re-welding of head gate parts was needed; that Bellevue police had stepped up patrols at Howard Preserve; that he had reached agreement with Nick Purdy and Dr. Beck on the location for relocating of a portion of the ditch on Dr. Beck's property.

The relocation was approved by unanimous consent, to be done in accordance with their agreement with Mr. Shannon.

DIRECTOR GARDNER: Reported that Kelly had brought to her attention that a water user had been opening his head-gate at night and had been notified by Kelly to cease doing so; that the problem with that user has been addressed, but Director Gardner suggested that the Board consider creating a letter addressing the Board's concerns should similar situations arise in the future; that she will prepare something in the way of a form letter of information for future consideration for distribution to the members with the assessment invoices.

SEC-TREAS JIM WHITE: reported that monthly banking and financial reports prepared by the book-keeper had been distributed to the Directors; that Stacie Brew has announcement her resignation as the district's book-keeper and that efforts are underway to find a replacement bookkeeper; that accounts receivable are down to a few relatively minor accounts and efforts are continuing to verify and collect on those remaining accounts; that the Certificate of Amount Collected per Idaho code section 43-709 has been completed; that he reported he had a check ready to pay the \$1,500 invoice from Mr. Hobbs for the Data Base project but on account of the form of the invoice, he requested the Board to discuss and provide direction on the issue of the form of the invoice and whether to pay the invoice.

DIRECTOR SUPER reported that on account of the misunderstanding as to the on going costs of a data base project, the vendor (Mr. Hobbs) had pulled the invoice and that the District owes nothing to the vendor, with the recognition that the project is therefore on hold; that the vendor has offered Mr. Super a position of employment or business opportunity and therefore Mr. Super is recusing himself from further negotiations on the matter with Mr. Hobbs; that there is no rift between the District and Mr. Hobbs. Whereupon, by consent, the Directors

instructed Mr. White to void the check which had been prepared but not sent to Mr. Hobbs and to have the book-keeper take the invoice off the books.

OLD BUSINESS

CHAIRMAN WILSON announced the receipt of notice of the filing of a Petition For Partition of the District filed by some of the members of the District; that the Directors, in executive session had discussed with Attorney Waldera a broad range of possible responses to the Petition, including possible litigation plans which are under consideration and development; that he had spent considerable time with Steve Beevers and John Stevenson in efforts to negotiate towards a possible resolution with the Petitioners; that he presently plans to continue to seek to negotiate with representatives of the Petitioners; that so far a draft Memorandum of Understanding has been prepared with input from Mr. Wilson, John Stevenson, but primarily with Steve Beevers; that he intends to pass out at the end of the meeting the current version of the draft MOU for consideration by the members; that it was his opinion that without spending huge amounts of money, time and effort to challenge the law, and based on the new law, as written, a division of the district would eventually and probably come about; that from his discussions, it appears that the big water users who have signed the petition for partition want to run their own district; that the petitioners appear to have a mistaken belief that the current board has not done a good job of running the district, a position with which Director Wilson disputes because in his opinion the district is being run more efficiently and more correctly than it has ever been run; that the Petitioner seem to be largely interested in regaining the control which, as a result of three election cycles, has passed to the smaller users; that he has tried to come up with some numbers and concepts for a possible agreement with the Petitioners predicated on an assumption that we will end up breaking into two districts; that based on information from Mr. Beevers, the Petitioners appear to hold somewhere between 72 and 78 percent of the total of decreed water rights held by members of the district as a whole; that working on the assumption that under the new law the District ends up being broken up into two districts, Mr. Wilson has been advised that Mr. Beevers believes that Mr. Stevenson and Mr. Gardner are also in agreement that they would work with the district to try to develop a MOU (*i.e.*, a Memorandum of Understanding), which would be a proposal for a contract, which would address any issues that we may have to try to work towards a division into two districts; that the Gardners, Stevensons and

Beevers (representing Cove Ranch) represent over 50% of the large users and that they all have indicated a willingness to sign an MOU; that there are many points under discussion and he reviewed several points under consideration, but he noted that there are many questions that have to be addressed; that in his opinion, if these concerns can be covered in a contract, then a division could happen and the larger users could have their own district; of significant concern is that there are about 100 cfs of water that the lower reaches of the system cannot safely carry and to carry it those canals would have to be improved which, if the districts end up being split, would be at the cost of the new district.

CHAIRMAN WILSON announced that he had proposed to the Petitioners that the Petitioner's withdraw their petition to allow time for negotiations to proceed to a point where a contract that both sides could agree upon (which Mr. Wilson hoped would include an agreed upon common budget for the coming year) could be reached; and if agreed upon, would provide for non-opposition by the current Board of Directors of District 45 to a new corrected petition calling for the division of the district into two districts; that with a mutually acceptable contract in place, he believed that there would be no reason then for the District's board to oppose the division of the district into two districts.

CHAIRMAN WILSON then took several questions and comments from the members, including Director Super who commented that contractual terms could and, in his opinion, should be accomplished by a set of By-Laws; Mr. Wilson commented that the Petitioners did not appear to be interested in that approach, rather their bottom line was all about power and control and they wanted the power and control back to, as they contend, control their own destiny; Director Wilson commented that the By-Law route made the most sense to him, but that the Petitioners were simply not interested in that route; that, as he see's it, the Big Question is "What is it that we are afraid of might happen, if the districts were separated?"; Director Wilson, in part, offered his own partial answer to the question, indicating that the reason the small users had wrested control (by the ballot) away from the large users was because the large users, who were then in charge, in Mr. Wilson's opinion, the large users had taken advantage of the small users; Director Wilson then requested that the Board take up the remaining items on the Agenda and then go to Public Comments so the members could voice their positions.

DIRECTOR SUPER, on the matter of an update on Data Base Project For a Digital Assessment Book, at Director Super's request, the matter remains tabled;

MR. WHITE reported on the Bloomfield Claim, that Mr. Wilson had informed the insurance investigator that, in response to his question, that the district was a political sub-division of the County, and that we expect to hear from the carrier soon as to its position on the claim.

CHAIRMAN WILSON: on the issue of the conversion of Upper Wood River Water Measurement to Management District, at Chairman Wilson's request, the matter remains tabled.

NEW BUSINESS

CHAIRMAN WILSON invited Kelly to discuss future plans and projects: Kelly discussed possible use of a goat herd, in lieu or in support of cutting and spraying on the ditch banks; the owner of Idaho Proscapes approached Kelly and asked if he could make a proposal to the board to use his herd of goats to eat weeks and cottonwood suckers along the canal (he is set to speak to the board on September 9, 2013); Kelly advised that the Purdy/Beck project to move a small portion of the ditch on Dr. Beck's property as previously addressed by the Board is under way; that he still wanted to continue to engage Chris for a while longer for assistance on the ditch work; and that the plank replacement project is complete, although still not to his complete satisfaction.

As to any discussion for a 2014 Budget and Assessment matters, at Chairman Wilson's request, the matter remains tabled.

MR. WHITE: Announced that Mr. Wilson's three year term as a Director is about to be completed and expire and according to Idaho Code, that Director's seat is up for election on November 5, 2013, and that the period for presentation of Nominating Petitions for the Board Seat for Division 1 will open 60 days before November 5 and close 40 days before November 5, 2013 and that Nominating Petitions will be available for pick up from the Secretary/Treasurer beginning the first week of September.

OTHER ITEMS THE BOARD DEEMS PERTINENT

None were presented.

PUBLIC COMMENT TIME

Mr. White commented that he applauded Mr. Wilson's efforts to negotiate with counter-parties from the Petitioners' group, albeit that those efforts had been long spurned by the large users and their attorney earlier; that, as he sees it, the big problem is that five of the signatories to the Petition for Partition had in past years controlled the district and those five people had operated the district illegally in several respects which benefitted them at the expense of the small users; that his main concern is that the very same people who operated the district in the past in illegal manners will end up, once again, under a new regime through the new law's "Board of Control", being in charge again and would find ways to favor the large users at the expense of the small users; that over the past two years, one problem that had existed in this regard, namely how to properly structure an assessment model that was consistent with the statutory requirements, would not likely rise again because the current board had been able to put into place a proper assessment model; but that a remaining problem exists in that if the same people end up taking back the power and control, that there appears to be in-adequate measuring tools in place and therefore it would be extremely difficult and expensive for small users to challenge a water master appointed by the large users who might respond to whomever yells the loudest for water, as had happened repeatedly in the past under prior boards; he does not believe that the District has fixed the problem of inadequate measurement tools yet nor are their adequate restrictions in place to prevent a future water master from being a mere pawn of the old guard in the clothes of a new regime from adjusting the flow down the various ditches to benefit the large users at the expense of the small users and in disregard of the small users decreed rights; in effect, the potential problem of improper distribution of water as existed under the old guard remains a potential threat to the small users if the same people regain the control they seek by the Petition for Partition.

Mr. Goettsch commented that he was concerned about the time frames available for negotiations in light of the pending hearing date of September 17, 2013 before the County Commissioners; that if a contract is to be negotiated under an MOU, that terms in the MOU which conflict with the new law could be voided.

Mr. Wilson inserted additional comments that decent measurement tools need to be in place.

Jan Super commented that with three levels of authority in place, as would be called for under the new law, if the Petition for Partition were approved, there would just be confusion and added expense; that she questioned Director Gardner's claim not to have known about the Petitioner's intention earlier than claimed.

Sheila White commented that she questioned what is was that Petitioners felt the current board had done that the Petitioners felt was not done properly.

Pepin Corso Harris commented from the back of the room, and although her full comments could not be well heard, she assured the members that she and other Petitioners had purposely kept Director Gardner in the dark about the development of the new law and the Petitioners plans; that she continued to have concerns as to why statutory requirements regarding delinquent payments remain un-recorded; during her comment Mr. Wilson commented that for the first time the District has recorded measurements this season that allow the District to determine how much water should rightly go down each leg of the ditch; that in prior years, including those years when Ms. Harris was involved as an officer and, with her husband, Mike, as water master, had carried out the instructions of the board members on prior boards, the district did not have such measurements and thus no control over the flow down each leg; that Mr. Wilson commented that this new information is important to the District's ability to function properly and would be used in the negotiations with the Petitioners.

Mr. Super commented that prior boards, under which Ms. Harris had served as an officer, and her husband, Mike as a Director and Water Master, had illegally moved expenses into an "expense category" not recognized by statute, called an "Administrative Expense" fund or charge, the effect of which was to unfairly and illegally burdened smaller users and unfairly benefit the large users; that by doing

so, that has created many questions for the board which it must sort out with its new attorney as to how to proceed with the District's lien rights and collection activities on overdue accounts of which several include those illegally assessed amounts and how to proceed to protect the members and the district from the impact of those past overcharges.

Mr. White was asked by Mr. Super for further comments. Mr White indicated that among other problems he has found since taking on the job of Secretary/ Treasurer in February of 2013, that it appears that records that were supposed to be kept by the predecessor Secretary and Treasurer either were not kept or appear to be missing from records of the District that have been turned over to Mr. White, and as to some records which do exist, they do not appear to have been done correctly; that Mr. White has had preliminary discussions with Attorney Waldera to try to determine a course forward in light of the fact certain statutory requirements otherwise required of the Board and its officers have not and cannot at the present time be met on account of the fact that we have insufficient practices and insufficient, missing and/or incomplete records upon which to rely.

Mr. Goettsch commented that a deadline for the withdrawal of the Petition for Partition needs to be set.

Mr. Wilson agreed that a deadline was required and commented further that we would have to call a Special Meeting to determine the next step for the District if the Petition were not withdrawn by the deadline of 5 p.m. Tuesday, August 27, 2013.

NEXT MEETING DATE SET

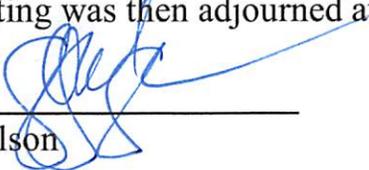
The date for the next regular meeting is September 9, 2013 at 5:00 p.m. was then announced.

At 6:35 p.m. the Board then went into Executive Session.

In Executive Session, Director Gardner recused herself from participating in discussions related to the Petition for Partition, on the condition that the other Directors (Super and Wilson) agree not to come out of executive session to pass

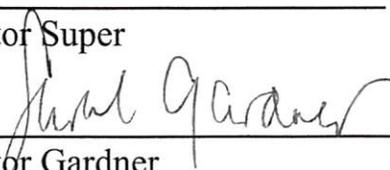
upon business of the District in any open session prior to either the next regular meeting or a properly noticed special meeting; whereupon Directors Super and Wilson indicated their agreement and Director Gardner recused herself from such matters.

After approximately three quarters of an hour in Executive Session, in which the Executive Session was continued for further discussions with the District's Attorney, Andy Waldera, on the subject of the Partition Petition, the regular meeting was then adjourned at 7:15 p.m.



Director Wilson

Director Super



Director Gardner