

ANNUAL MEETING OF THE MEMBERSHIP
Minutes of Meeting
Monday, March 26, 2018

President Gwen Nagano called the Annual Meeting of the Membership of the Sallal Water Association to order on Monday, March 26, 2018 at 7:08 PM.

This Annual Meeting had been called for the conduct of business in accordance with Article VII, Sections 1- 6 of the by-laws of the Sallal Water Association. In addition to Gwen Nagano, the following members of the Board of Trustees were present: Andrew Veliber, Gerry Prior, Eric O'Brien, David Edwards, Sheldon Lynn and Harold Ellebracht.

Also present were Denny Scott, Sallal Operations Manager; Mary Nelson, Sallal Office Manager; Tree Bergman, water operator; and Jessica Besso, office accountant, Richard Jonson, counsel and Brent Mickelsen and Derek Moody, Auditors from Blodgett Mickelsen & Adamson, P.S., By count, a total of 20 memberships were represented in person including staff and Board members and a total of 75 via ballots cast.

Gwen Nagano introduced the Sallal Board members, staff and consultants.

Mary Nelson, Office Manager, verified that notices of this Annual Meeting were sent to all members of record on March 16th and 17th, 2018.

APPROVAL OF MINUTES:

Gwen Nagano requested a motion to approve the minutes of the 2016 Annual Meeting.

Motion No 2018 A1- it was moved by Harold Ellebracht and seconded by Mike Kenyon to approve the minutes of the previous Annual Meeting held on March 27, 2017.
Motion approved unanimously.

FINANCIAL REPORT:

Derek Moody reported that the firm of Blodgett, Mickelsen and Naef, P.S. had completed the audit of the Association's books and records. The audit report was mailed to all members as part of the Annual Meeting notice. Derek gave a brief description of the audit and reported that the audit, conducted in accordance with U.S. generally accepted auditing standards went smoothly and presents fairly, in all material respects, the financial position of the Sallal Water Association as of December 31, 2017.

In addition to the reference made to the generally accepted auditing standards, Derek also referenced that the audit was conducted on an accrual basis and that the auditors made minor adjusting journal entries. Derek reviewed the financial condition of the Association, reporting on liabilities and RDA loans for completed projects. Brent also reported on cash balances, debt (long term notes), construction costs, the statement of activities, accounts payable, and a comparison of balances, this year vs. last year. Brent reported that Sallal is a healthy association with a strong ratio of assets to liabilities and that Sallal is very liquid due to cash and equivalent CD's. Derek reported that Sallal

gained 43 new memberships in 2017 and that the Association has 1706 active member certificates.

Derek reported that, per the auditors' report, there were no instances of non-compliance nor were there any disagreements with management during the audit process. Derek gave a "clean audit" opinion.

PRESIDENT'S REPORT:

President, Gwen Nagano, reported on the Sallal Water Association's activities during the past year. With regard to our budget, Sallal continued to add specific operational and capital reserves to help meet future demands. Sallal continued to operate in good shape and kept all of our members supplied with water without interruption.

New operations manager – Denny Scott

Easement from the City of Seattle – New well will be operated under the authority of our existing water rights – this well is being installed for redundancy and reliability.

New Sallal Offices – We have engaged an architect to commence planning for a new office and shop building at our existing 5 acre parcel at Edgewick. We anticipate that the planning and permitting process could take approximately two years.

King County Franchise Fee Ordinance – Imposes rent on water, sewer, gas and electric utilities for the use of public right of way. The initial estimate from the County indicates that this may cost Sallal membership as much as 60k per year and is to start to accrue in September of 2018.

Contract with the City of North Bend – Mitigation water review. No new water rights are obtainable in this basin. North Bend's permit contemplates an agreement between the City and Sallal in which (1) Sallal would supply the city with backup mitigation water for Boxley Creek, to be used only when Seattle water was unavailable and (2) for the city to sell Sallal non-chlorinated water for general use. A new intertie in the location of North Bend's public works facility would be needed for Sallal to take non-chlorinated water from the Centennial well. None of this has been put into place - no contract and no new interties for the Boxley Creek backup supply or the Centennial Well. The City has been extremely slow in negotiating for a supply contract. Sallal will not allow the Boxley Creek connection to occur without a supply contract in place. In the meanwhile, Sallal can only issue conditional certificates of availability to new plats and commercial development in the annexation area.

ELECTION OF TRUSTEES:

Gwen Nagano reported that two positions on the Board of Trustees have expired. Gwen asked the candidates running for Board positions to introduce themselves and add a brief bio which they did. Mary Nelson tabulated the vote count for the trustee election. Mary announced the vote tallies based on mailed-in votes and ballots submitted by members present. Incumbents Sheldon Lynn and Eric O'Brien received 74 votes each and were elected to serve for three year terms to expire in March, 2021. David Stevens received 36 votes.

UNFINISHED BUSINESS:

KC Franchise Fee Ordinance, continued. Ms. Negano requested that counsel update the members regarding a plan to challenge the validity of the King County Franchise Fee Ordinance. Mr. Jonson reported and responded to questions.

North Bend Interties (Boxley Creek and Centennial Well), continued. Ms. Negano opened the floor for persons wishing to speak concerning the proposed interties with North Bend. Questions, comments and discussion followed. Eric O'Brien stated that the Association's consultants would be made available at a future date so that the members that wish to detailed information regarding the City of North Bend's mitigation requirements and the impact on Sallal could do so.

NEW BUSINESS:

No new business

Motion No. 2018-A2 it was moved by Sherwood Dorsey and seconded by Suzanne St. Clair to adjourn the meeting at 8:33 pm, there being no further business to discuss. Motion approved unanimously.

Respectfully submitted,
Gwen Nagano, President