

ANNUAL MEETING OF THE MEMBERSHIP
Minutes of Meeting
Monday, March 25, 2019

Vice President David Edwards called the Annual Meeting of the Membership of the Sallal Water Association to order on Monday, March 25, 2019 at 7:05 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 David Edwards, the following members of the Board of Trustees were present: Daylin Baker, Gerry Prior, Eric O'Brien, and Harold Ellebracht.

Also present were Ted Stonebridge, General Manager, Denny Scott, Sallal Water Superintendent, Mary Nelson, Sallal Office Manager, Richard Jonson, Counsel, Warren Perkins, Engineer and Brent Mickelsen and Derek Moody, Auditors from Blodgett Mickelsen & Adamson, P.S., By count, a total of 93 memberships were represented in person plus staff and Board members and a total of 145 ballots cast.

Mr.Edwards introduced the Sallal Board staff, members and consultants.

Mary Nelson, Office Manager, verified that notices of this Annual Meeting were mailed by Minuteman Press on Wednesday, March 13th and Thursday March 14th, 2019 from the Issaquah Post Office.

APPROVAL OF MINUTES:

Mr. Edwards requested a motion to approve the minutes of the 2018 Annual Meeting.

<p>Motion No 2019 A1- it was moved by a Sallal member and seconded by another Sallal member to approve the minutes of the previous Annual Meeting held on March 26, 2018. Motion approved unanimously.</p>

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. Mr. Moody 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, 2018.

In addition to the reference made to the generally accepted auditing standards, Mr. Moody reviewed the financial condition of the Association, reporting on liabilities and RDA loans for completed projects. Mr. Moody 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. Mr. Moody reported that, per the auditors' report, there were no instances of non-compliance nor were there any disagreements with

management during the audit process. Questions, comments and discussion followed. The auditors exited the meeting at 7:42 pm.

PRESIDENT'S REPORT:

Mr. Edwards reported on the Sallal Water Association's activities during the past year. Sallal continued to provide quality water to all the members with the only interruption due to the Terrell Tank vandalism. Mr. Edwards acknowledged Sallal staff for taking care of the system and the Board for doing a good job.

New Well Drilled – A new well was drilled near two existing Rattlesnake Wells for redundancy and reliability.

New Sallal Office – The lease at our current location will be expiring in two years. Sallal has engaged an architect to commence planning for a new office and shop building at our existing 5-acre parcel at Edgewick. We are hopeful that the planning, the permitting process and construction will take approximately two years.

King County Franchise Fee Ordinance – King County is attempting to impose 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. The County's ordinance was struck down at the Superior Court level and the County has appealed to the State Supreme Court. Updates will be posted on Sallal's website.

Vandalism at the Terrell Tank – Mr. Edwards reported that tank improvements are underway and should be completed soon. Mr. Scott explained that this is one of two tanks that does not currently have power for telemetry.

Contract with the City of North Bend – The parties remain far apart on terms. The City's water right permit contemplates that Sallal would supply the city with backup mitigation water and the city would sell Sallal non-chlorinated water for general use in the UGA. 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. Questions, comments and discussion followed. Ms. Herman stated that the members want to be able to vote on a supply contract with the City. Ms. Buckner suggested that a special meeting be held to review the Association's water right capacity in detail.

UNFINISHED BUSINESS:

Bylaw Amendment – Mr. Edwards stated that Anne Herman has met all the requirements for her Bylaw amendment which was submitted to USDA. The Board also submitted a proposed Bylaw amendment to the USDA which generated much comment about increasing the vote count to an infeasible number. Once the Board hears back from USDA, a special membership meeting will be held to vote on amending the Bylaws. Questions, comments and discussion followed.

ELECTION OF TRUSTEES:

David Edwards reported that three positions on the Board of Trustees have expired. 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 Daylin Baker received 84 votes, Harold Ellebracht received 82 votes and candidate Michael

Thomas received 127 votes. They were elected to serve for three-year terms to expire in March 2022.

NEW BUSINESS:

No new business

Motion No. 2019-A2 it was moved by Harold Ellebracht and seconded by Daylin Baker to adjourn the meeting at 9:42 pm, there being no further business to discuss.

Motion approved unanimously.

Respectfully submitted,
Ted Stonebridge, General Manager