

## **Sallal Water Association**

### **Board of Trustees**

#### **Minutes of Tuesday, December 15, 2020 Meeting**

The regularly scheduled meeting of the Board of Trustees of the Sallal Water Association was called to order on Tuesday, December 15, 2020 at 6:03 pm by Ms. Baker. This meeting was held online using Zoom due to the COVID-19 outbreak.

**Board members present:** Daylin Baker, Eric O'Brien, Joyce Hibma, Ann Reed, Larry Costello, Shawn McKone, and Rich Formisano

**Consultants present:** Richard Jonson, Attorney; Warren Perkins, Engineer, Ryan Hale, Engineer

**Employees present:** Nikka Rose and Denny Scott, General Manager

**Guests present:** Michael Thomas, Elmer Sams, Stephen Kangas, Marcus Morisette, Aaron Scrivo, and Jean Buckner

#### **GUEST COMMENTS:**

Mr. Thomas stated that the Association should not supply mitigation water to the City as stated in the WSP. Mr. Thomas also suggested that we consider buying water from SPU as the old infrastructure is likely still in the ground from the 1980s.

Mr. Morisette introduced himself as a new MAC member. His big concern is that Sallal seems to be subject to the whims of the City and its development decisions, adding that the City feels that the Association is interfering with the City's revenue stream.

Mr. Scrivo stated that he has requested a certificate of availability for a garage with accessory living quarters.

Ms. Buckner stated that she supports Sallal in protecting our water and members. She expressed concerns about how a new water right would be mitigated and if Sallal is still working on a water supply agreement with the City.

**CONSENT AGENDA:** Mr. Costello clarified the Jonson & Jonson billing to the correct amount of \$7,422. The Gray and Osborne billing was corrected to \$41,856.55 to include last month's billing and this month's billing. Dave Jurca's billing was corrected to \$755.

**MOTION NO 2020-68:** Motion to approve the November minutes as corrected was made by Mr. Costello and seconded by Mr. McKone. Motion carried with one abstention by Mr. O'Brien.

**MOTION NO 2020-69:** Motion to approve payment of consultant billing statements with corrected amounts of \$7,422 for Jonson and Jonson, G & O for \$41,865.55, and Dave Jurca for \$755 was made by Mr. Costello. Seconded by Ms. Hibma. Motion carried.

#### **REPORTS:**

##### **Member Advisory Committee Report**

No report - December meeting was cancelled.

**MOTION NO. 2020-70:** Motion to approve publication of MAC minutes from October 2020 was made by Mr. Costello, and seconded by Mr. Formisano. Motion carried.

##### **Conservation Committee Report**

No report

##### **Treasurer's Report**

Ms. Hibma reported on overdue accounts receivable. 147 accounts are delinquent for a total of \$109,354.55 and of those accounts, 43 members have made efforts to make payments. She noted a leak adjustment request by Toll Brothers for a home under construction. Toll Brothers will need to disclose to the future member that purchases the home that leak relief has previously been given. A notice will be sent to Toll Brothers and requesting they confirm what measures will be taken to prevent this type of problem from repeating. Decision at next meeting will be made regarding changing the leak adjustment policy as applied to builders. Mr. Formisano suggested that the overdue payment report be shared at each monthly meeting. Ms. Hibma's next project will be tracking leak relief. Mr. Costello inquired about the Association's real property ownership and how that is represented on the Balance Sheet. Also, the tax assessment for the Edgewick property may need to be adjusted to reflect removal/sale of the mobile home. Also, Mr. Costello inquired on the status of reports to track capital budget and amortization budget revenue and expenditure activity. Mr. Costello stated the Association should not be paying property taxes on water production property.

Ms. Hibma reported that Hannah Bell has been hired as the Association's new bookkeeper. She will be working part time 8 to 16 hours per week.

### **Engineer Report**

Mr. Perkins reported all work is on hold regarding analysis of interconnecting with the City's water system. He reviewed the progress on Well #4, the new reservoir, and related water main. Discussion followed on the contractor's (PCI) progress payment invoice as submitted. The reservoir construction work is off line until February for weather reasons. Well work continues. He recommended payment of the PCI invoice. He noted discussions were ongoing regarding possible change orders.

**MOTION NO 2020-71:** Motion to approve payment application of PCI invoice for \$187,218.88 less retainage of \$8,619.65 was made by Mr. Costello, and seconded by Ms. Hibma. Motion carried.

Discussion followed regarding a design change to include a motor space heater for the new well pump at Rattlesnake. Proper change documentation is needed to formalize this change. Mr. Costello stated that we need an updated outlay report and operating budget for the USDA RD loan. Also an update to the cost ledgers documenting expenditures made by Sallal that are to be reimbursed by the RD loan is needed for well 4 and reservoir. Mr. Perkins will start the process to address Amendment K to the engineering agreement. Mr. Perkins stated that completion of the reservoir and pump house is still on track for April. There is still no news on the PSE transformer that may be on the critical path. Mr. Costello requested status of the project schedule deliverable that is past due.

Mr. Perkins reported that a fire flow cost analysis report is in progress. The study assumptions and analysis methodology are to be adjusted in accordance with the meeting with Mr. Costello on November 23, 2020 as documented in the corresponding meeting notes. Mr. Perkins advised that no progress had yet been made on addressing the actions from the November meeting. Costs of large pipes and rates of depreciation are being analyzed. A draft is planned for presentation to the Board next month. He noted that fire protections costs can vary from year to year, yet franchise agreements are often for 25 years. The question is how to avoid establishing a fire flow credit amount every year.

Mr. Perkins reported that he is retiring April 1, 2021 and Ryan Hale will be replacing him.

### **Attorney Report**

Mr. Jonson updated the Board on pending claims and litigation. He noted that the City of North Bend is still responding to Dave Jurca's public records request submitted months ago regarding the City's water conservation ordinance.

### **General Manager Report**

Mr. Scott referred to his report in Dropbox.

The Board reviewed a proposal from Systems Interface in the amount of \$65,990 for SCADA work related to Well 4 and the new reservoir pursuant to project proposal dated December 3, 2020. Discussion followed including the need for a standard service agreement.

**MOTION NO 2020-72:** Mr. Costello moved to approve the proposal from Systems Interface for material and labor for \$65,990 plus the anticipated tax and to engage in a standard service agreement. Second by Mr. McKone. Motion carried.

Mr. Costello stated that he requested an interim financing waiver from USDA RD as Pacific Premier commitment for an interim construction loan has not yet been approved. The office project is ready to bid as of November 16<sup>th</sup> but is on HOLD pending resolution of the interim financing. He added that Sallal has reached the amount of self-funding required by USDA RD.

Lawhead billing to assemble the headquarters project bid package was discussed.

**MOTION NO 2020-73:** Motion to approve Lawhead billing for \$3,560.00 by Mr. Costello, seconded by Ms. Hibma. Motion carried.

Mr. Scott reported that the landlord has agreed to a lease extension on current office space to May of 2022, and the rent has not been raised. A lease amendment is being prepared.

Mr. Scott reported on office computer IT services and problems with meter reading equipment and software.

He stated that the Fausett Property lien is in process of being removed, that the owner has removed a manufactured home from the property but still owes Sallal for past due charges. The Board directed staff to write a letter giving notice of intent to void the membership if payment is not received.

Mr. Scott stated that the Snooks (Redbird) paid their membership in full for a single ERU. Redbird has requested an upsized meter for future development. If granted, Redbird would need to pay the extra cost of the larger meter that is requested in their application. This application is subject to Board review.

#### **UNFINISHED BUSINESS:**

The DEA agreement template to be acted on at the next Board meeting.

Process for issuing certificates of availability was discussed. New application forms were presented in draft.

Applications for CWA's will be reviewed first by the engineer followed by Board decision. Work will continue on the forms.

Draft bylaw amendments were discussed with no consensus as to content and next steps.

Disability Insurance update deferred to next month's Board meeting.

IT Policy revision will include stronger copyright language and will be ready for review at next month's Board meeting.

**Executive Session to Consider Water Rights.** Adam Gravely joined the meeting at 8:53 pm. Ms. Baker declared an executive session to discuss legal matters with counsel and the guests exited. The executive session was concluded at 9:31 pm and Mr. Gravely exited. The regular session of the meeting resumed and Michael Thomas rejoined the meeting as a guest.

#### **NEW BUSINESS:**

Nikka Rose was welcomed as our new Manager.

The 2021 audit engagement was discussed including an audit and tax engagement letter Finney, Neill & Company P.S. It was confirmed that the proposed audit services address the requirements for the USDA RD loans.

**MOTION NO 2020-74:** Motion to accept tax and audit engagement proposal from Finney, Neill & Company not to exceed \$24,000 was made by Ms. Reed and seconded by Mr. Costello. Motion carried.

Discussion followed concerning proposed increase to the base rate by \$1.41 as per rate study starting in 2021 with same percentage change (16.6%) across all tiers for water usage and an amortization increase to \$14.00 beginning in February. Decision will be made in January for February posting.

A bond ladder proposal from Fidelity (based on maturity, credit quality, municipal or corporate) was presented and discussed. Bank accounts will be consolidated except for two. Fidelity would like input from the Board on type and quality of bond investments. The Board concluded that governmental instruments, including municipal bonds, with at least an A rating and 6 month terms should suffice.

Review and approval of 2021 Budget – deferred to next month's Board meeting

Website information and retention was discussed (age of agendas, minutes, newsletters, etc.). The Board concluded to retain at least 3 years.

Larkin project was discussed and the Board concluded that there was no basis to retain the project on a waiting list. Mr. Larkin will be sent a letter notifying him that the project does not qualify for a CWA.

Update on 2001 Water Right project: Mr. Formisano updated the Board. Aspect completed their Phase I assessment and report for mitigation strategies and water supply options, and is ready to begin their Phase 2 work. Their Phase 2 work will be focused on the top three options from their Phase 1 report including evaluating existing hydro-geologic data around the Sallal Rattlesnake wells and incorporating legal review by Adam Gravely. Aspects Phase 2 Draft deliverable is due in April 2021 in order to ensure sufficient time to meet the preliminary Permit Phase 1 deliverable by July 2021. Proposals for Phase II from Aspect and legal services from Adam Gravely were reviewed.

**MOTION NO 2020-75:** A motion to ratify the approval of the Aspect Phase II of the 2001 Water Right project for \$25,100 was made by Mr. Costello and seconded by Mr. Formisano. Motion carried.

**MOTION NO 2020-76:** Motion to approve the Adam Gravely proposal not to exceed \$15,000 was made by Mr. Formisano, and seconded by Mr. Costello. Motion carried, subject to amending the services agreement to reflect deliverable date of January 31, 2021.

**MOTION TO ADJOURN:**

At 10:38pm, a motion was made by Mr. O'Brien to temporarily adjourn the meeting with a continuance to 7pm, December 17, 2021/ Seconded by Mr. McKone. Motion carried.

**MEETING CONTINUANCE ON DECEMBER 17, 2021:**

The regular meeting of the Board of Trustees of the Sallal Water Association resumed on Thursday, December 17, 2021 and was called to order on at 7:00 pm by Ms. Baker. This meeting was held online using Zoom due to the COVID-19 outbreak.

**Board members present:** Daylin Baker, Eric O'Brien, Joyce Hibma, Ann Reed, Larry Costello, Shawn McKone, and Rich Formisano

**Consultants present:** Richard Jonson, Attorney

**Staff present:** Denny Scott, Nikka Rose

**Executive Session.**

Ms. Baker declared an executive session to review legal matters with counsel.

The regular session of the meeting resumed at 10:38pm. Ms. Hibma left the meeting.

**MOTION NO 2020-77:** Motion to approve the Tupper CWA application was made by Mr. O'Brien and seconded by Mr. Costello. Motion carried.

**MOTION NO 2020-78:** Motion to approve the Raff CWA application upon receipt of recent copy of plans was made by Mr., McKone and seconded by Mr. Costello. Motion carried.

Remaining applications were incomplete. Staff will return other CWA applications for completion for future consideration.

**MOTION TO ADJOURN:**

Motion to adjourn the meeting at 10:39pm was made by Mr. O'Brien and seconded by Mr. Costello. Submitted by: Ann Reed, Board of Trustees Secretary