

**Sallal Water Association
Board of Trustees
Minutes of Tuesday, September 15, 2020 Meeting**

The regularly scheduled meeting of the Board of Trustees of the Sallal Water Association was called to order on Tuesday, September 15, 2020 at 6:00pm by Ms. Baker. This meeting was held online using Zoom due to the COVID-19 outbreak.

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

Consultants present: Richard Jonson, Attorney; Warren Perkins, Engineer; Dave Jurca, counsel (for executive session)

Employees present: Denny Scott, General Manager

Guests present: Jean Buckner, Dylan Kemp

GUEST COMMENTS:

Jean Buckner stated that a Sallal member recently contacted the Mayor of North Bend regarding the City's need for summer water usage information. She noted that neither the cities of Bellevue nor Issaquah required summer water use data. The Mayor responded that their policy was the same as Bellevue or Issaquah. Most members don't mind if winter water data is provided to the city.

Dylan Kemp shared that he is frustrated with how North Bend is dealing with Sallal.

CONSENT AGENDA:

The consent agenda was modified by unanimous consent to remove the minutes of the special member meeting and the Board's September Work Study meeting, to correct the amount of the Jonson & Jonson, P.S. legal fees to \$14,724, and to correct the August, 2020 Board meeting minutes.

MOTION NO 2020-37: Motion to approve the corrected consent agenda as amended was made by Mr. O'Brien and seconded by Mr. McKone. Motion passed.

The consent agenda was corrected by Ms. Reed and reposted to the website. She will add the September Work Study and RDA Special Meeting minutes for next month's approval.

REPORTS:

Member Advisory Committee Report

September 8th meeting was cancelled. No report.

Conservation Committee Report

Mr. McKone reported no new information.

Treasurer's Report

Ms. Hibma referred to the Treasurer's report in DropBox for recommended rate changes. She had discussions with staff to determine appropriate charges for obtaining right of way construction permits (ROW), and fees for extra services chargeable to members and private well owners. Mr. Formisano asked about fees concerning right away for new development, hooking up new houses, and fixing broken lines. Jean Buckner requested that developers pay more than members. Mr. Scott noted that developer fees are paid when they enter into developer extension agreements and purchase memberships.

MOTION NO 2020-38: Motion by Mr. O'Brien, and seconded by Mr. Costello to approve the Treasurer's recommended rate changes and to modify the Association's master rate schedule to include the following: Escrow Transfer fees to \$50, ROW fees to \$75, Well testing fees to \$54. Motion carried. The changes will be incorporated in rate schedule.

Ms. Baker reported that the budget is in two versions at the moment. In both versions, the projections show that Sallal will be in an operating deficit situation by the end of 2020. Revenues from summer water usage are up which will help the ending balance. One correct version will be presented next month.

Engineer Report

Mr. Perkins reported that the SPU watershed is closed for fire danger which will affect the timing of the reservoir and Well 4 construction project. At this juncture, we are not sure when construction will start. The River Run water certificate extension has run out. Mr. Scott will find out the status of the project with the City and determine whether the developer intends to move forward with construction. He presented a proposed construction management proposal for the Rattlesnake Reservoir and Well 4 work as required the USDA.

MOTION NO 2020-39: Motion to approve G&O Contract for Construction Management for Rattlesnake Reservoir and Well 4 in the amount of \$213,969 was made by Mr. Costello and seconded by Ms. Hibma. Motion passed.

For the next meeting, Mr. Scott will add the G&O on demand services contract and the King County Franchise Agreement fire flow evaluation. Regarding status of the North Bend contract intertie analysis, Mr. Perkins will provide a progress schedule via email within the next couple of days.

Mr. Perkins sent updates to the WSP via email and is ready to resubmit. Copies will be sent to DOH, UTRC, and to the Sallal Board. We did not receive consistency statements requested from the City of North Bend or King County, but we will proceed to issue the updated WSP without them.

Attorney Report

Mr. Jonson discussed proposed engagement terms with the law firm of Helsell Fetterman to assist with North Bend matters.

MOTION NO 2020-40: Motion to approve engagement with the law firm of Helsell Fetterman as presented was made by Mr. McKone, and seconded Mr. Costello.

General Manager Report

Mr. Scott referred to his report in Dropbox. The PSE rate increase is informational at this point.

He stated that he has been reviewing the non-participator members which include four individual members that were issued memberships in exchange for services or easements, but have yet to develop their sites and use water. The Board questioned if we could buy the memberships back if the non-participators are not planning to develop their properties. Mr. Scott will check on the status of the memberships and the physical addresses of the properties. Sallal will need to check procedures in the Rules for next steps.

Mr. Costello inquired about the status of pending and proposed construction projects listed in DropBox, which represent about 300 memberships. Budget planning should include proceeds from the issuance of new memberships. Mr. Scott will update the number of issued and anticipated memberships for 2020.

Mr. McKone asked about the chlorine complaints from Wilderness Rim residents. Our agreement with the Rim is that residents report issues to Wilderness Rim's water system manager through their HOA. WR's water system manager addresses the issues, or if appropriate, contacts Sallal for assistance. Sallal currently maintains a chlorine residual of approximately 0.6 ppm, the lowest maintenance level allowed by the DOH.

UNFINISHED BUSINESS:

Chlorination Member Meeting—Mr. Formisano reported on the progress of the presentation for the Member Meeting. Mr. McKone and Ms. Reed have been working on the presentation with Mr. Formisano. He asked the Board to review and edit the draft presentation in DropBox. The Board noted that a postponement of the member meeting from September 29 to October 29 would allow time for the final development of the presentation. Ms. Reed will post the member meeting date and time on Nextdoor, Facebook, and the website. Discussion followed

Rate Schedule Change—Ms. Baker reported that the Master rate schedule needs correction to address changes previously made effective on September 1. She noted that the wholesale rate for Wilderness Rim is now \$2.68 per hundred cubic feet.

MOTION NO 2020-41: Motion to approve correction of the amended Master Rate Schedule to reflect a wholesale rate of 2.68 per ccf with footnote about the effective date was made by Mr. Costello, and by Ms. Hibma. The motion also included incorporating the three fee changes addressed in the Treasurer's Report above. Motion approved.

Approval of the RDA loan Form 1780-28 (Loan Resolution Security Agreement) — Mr. Costello advised approving the form as provided in DropBox. The form is completed and requires the signatures of Ms. Baker, Ms. Reed, and Mr. Scott.

MOTION NO 2020-42: Motion to approve the RDA Loan Form 1780-28 with the signatures of Ms. Baker, Ms. Reed, and Mr. Scott was made by Mr. McKone and seconded by Mr. O'Brien. Motion carried.

Mr. Costello further updated the Board concerning ongoing communications with Darla O'Connor from USDA about Sallal's list of issues regarding the loan Letter of Conditions and frustration with Umpqua Bank's interim construction loan terms. Mr. Costello will set up a meeting between the Umpqua manager and Ms. O'Connor to attempt to work out the interim loan issues. Sallal has already spent nearly \$800K towards both projects, which counts towards the equity contribution requirement of \$977K. If the Umpqua construction loan is not available, there is a possibility that the RDA will provide a waiver. Results of Umpqua's second appraisal are being reviewed internally by Umpqua...

Sallal Medical Insurance update—Ms. Reed reported that the paperwork is in for a new representative that will be able to provide a wider variety of insurance options for review. She will provide insurance billing statements to the new representative. Sallal staff and Board should have new plans to review by the next Board meeting if not sooner.

Office/Shop Design Review—Mr. Costello met with Mr. Scott and Ms. Reed to review the plans for the proposed headquarters building and shop. Mr. Scott suggested that the outside storage shed with concrete slab is not needed and perhaps also, one bay on the west end in the shop. The Board recommended that Mr. Costello present the idea to remove the outside storage to Lawhead and to determine potential net cost savings taking into account possible redesign and permitting costs.

NEW BUSINESS:

Document approval of Aspect Proposal Phase 1 – Aspect's proposal was reviewed.

MOTION NO 2020-43: Motion to approve the Phase 1 Aspect Proposal was made by Mr. O'Brien and seconded by Mr. Costello. Motion approved.

Mr. Perkins stated that it was time for the Board to decide whether to award the Well 4/Rattlesnake Reservoir construction contract to the low bidder. Discussion followed including the availability of financing. The Board concluded that it was necessary to award the project even if the Association had to pay the entire cost from funds on hand.

MOTION NO 2020-44: Motion to document approval of awarding the Well 4/Rattlesnake Reservoir construction contract to Pacific Civil and Infrastructure, Inc. in the amount of \$1,862,859.24 based on its bid was made by Mr. Costello, and seconded by Mr. McKone. Motion approved.

Retention Policy and Schedule—Ms. Reed requested that the Board review track changes for the Retention Policy and Schedule available in Dropbox for next meeting. Mr. Jonson will also review and make recommendations.

New Building IT update—Mr. Scott and Ms. Reed provided information on the September 2, 2020 meeting with Mr. Costello and IT consultant Blackfin. This meeting was a continuation of ongoing discussions regarding the technology and IT design for the new headquarters building. Action from the September 2nd meeting was for Sallal to finalize its IT criteria for equipment, space, and future growth in order to confirm that the design for the new headquarters is adequate or if it needs adjustment. Ms. Reed will set up a meeting with Blackfin to discuss location of equipment, VOIP phones, rack size, as well as video surveillance, and bandwidth capability and more. Conclusions need to be expedited as final design by Lawhead is on HOLD.

Blackfin Services contract—Ms. Reed directed the Board to the Blackfin Service Level Agreement (SLA) and UMS Contract in DropBox. The Board felt the SLA contract was too expensive and directed Ms. Reed to explore and request bids from other IT contract services. Contracts and agreements also need to be reviewed by Sallal's legal counsel prior to execution.

City of North Bend Franchise Agreement—Ms. Baker reported to the Board that Sallal had not yet received a franchise agreement from the City. Mr. Jonson reviewed typical franchise terms.

Uplands HOA Meeting—Ms. Baker and Mr. Scott will attend a Zoom meeting to represent Sallal during an upcoming Uplands HOA meeting. Mr. Scott and Mr. Perkins will determine answers to the letter sent by the Uplands to prepare for the meeting.

Request for financial relief—Mr. Scott reported that the owner of the Edgewood Inn has requested financial relief from water service charges. Discussion followed with no action.

EXECUTIVE SESSION:

The guests having previously exited the meeting and Mr. Jurca having joined the meeting, an executive session was called by the President Baker at 8:28 pm to attend to legal, contract and personnel matters. Mr. Jurca and Mr. Perkins exited the meeting during the review of personnel matters. The executive session was concluded and the Board returned to open session at 10:46 pm.

MOTION NO 2020-45: Motion to accept the Blackfin UMS contract proposal not to exceed \$6,000 was made by Mr. O'Brien and seconded by Mr. Formisano. Six approved with one opposed. Motion carried.

MOTION TO ADJOURN:

Motion to adjourn meeting 10:48 pm was made by Ms. Reed and seconded by Ms. Baker. Motion carried.

Submitted by: Ann Reed, Board of Trustees Secretary