

**Sallal Water Association
Board of Trustees
Minutes of Tuesday, April 20, 2021 Meeting**

The regularly scheduled meeting of the Board of Trustees of the Sallal Water Association was called to order on Tuesday, March 16, 2021 at 6:02 pm by Mr. McKone. This meeting was held online using Zoom due to the COVID-19 outbreak.

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

Consultants present: Richard Jonson, Attorney; Kevin Aguilar, Engineer; Mike Johnson, G&O President; Ashley Emery, Peninsula Financial Consulting

Employees present: Nikka Rose, Manager; Denny Scott, Water Superintendent

Guests present: Mike Kenyon, Wilderness Rim

FAUSETT MEMBERSHIP HEARING:

Mr. McKone opened the hearing at 6:03 pm and requested Mr. Scott and Ms. Rose to summarize the situation. Ms. Rose stated that several attempts were made to contact the owner with no response. Notice of Intent to Cancel Membership and Hearing was sent by certified mail on March 2, and a return receipt signed by the owner was received on April 3. Non-user charge on the membership account is overdue in the amount of \$1,513.36 as of April 13, which far exceeds the amount paid for the membership. The current owners reside in Joyce, Washington and the property is vacant – a manufactured home having been removed from the parcel several years ago. Property taxes are delinquent and the County is pursuing foreclosure. Discussion followed.

MOTION NO 2021-28: Motion to terminate the Fausett Membership and applying \$600 paid for the membership fee towards past due charges was made by Ms. Baker, and seconded by Ms. Hibma. Motion carried.

VISITOR COMMENTS:

Mike Kenyon requested information discussed during the Board's April work study meeting concerning water rates for Wilderness Rim. Mr. McKone stated that the Board requested background information at the meeting which has not yet been reviewed. He stated that Ashley Emery will be discussing the background of the Wilderness Rim rate study later in the meeting. Mr. Kenyon stated that he needs information before the Wilderness Rim Community Board meeting on May 19, 2021. Mr. Kenyon requested a copy of the 2017 Wilderness Rim Service Agreement.

CONSENT AGENDA:

MOTION NO 2021-29: Motion to approve the March Board meeting minutes and the April work study meeting minutes, as amended, was made by Ms. Baker and seconded by Mr. Costello. Motion carried.

MOTION NO 2021-30: Motion to post draft Annual Member Meeting minutes with date correction was made by Ms. Baker, and seconded by Mr. Costello. Motion carried.

MOTION NO 2021-31: Motion to approve the consultant statements: Jonson & Jonson -- \$8,264.00; Gray & Osborne – \$25,351.39; Helsell Fetterman \$450.00 and \$653.00; Van Ness Feldman \$3,861.00; Akana \$8,917.98; Lawhead \$7,804.88 was made by Ms. Baker and seconded by Mr. Formisano. Mr. Costello questioned if the G & O charges for the CAD technician was placed in the correct category. Mr. Aguilar will check into the billing. Mr. McKone questioned the past due amount on the Helsell Fetterman bill. Ms. Hibma verified that the past due amount was paid. Motion carried.

REPORTS:

Member Advisory Committee Report: Mr. Formisano stated that no meeting occurred this month – no report.

Conservation Committee Report: Mr. McKone reported that no meeting occurred this month - no report

Treasurer's Report: Ms. Hibma reported on first quarter balance sheet and profit/loss statement posted to DropBox. She stated that leak relief adjustments will be reported along with over and under billed revenue in future reports. Past due amounts have decreased by \$13,000 due to Lisa's efforts in contacting members. She stated that Cedar Landing will be requesting leak relief for approximately \$21,000, for an irrigation leak for which happened last year. Wood River also requested leak relief, but has not provided evidence that there is a leak. Application of leak relief to irrigation-only accounts was discussed. Ms. Hibma noted that a few water service installation bills have not been paid by two members. Ms. Rose will follow up. Mr. Jonson stated that Rule 15 allows disconnection of water service for nonpayment of a service installation charge but the Association must wait to do so until the COVID proclamation regarding disconnections is lifted.

Mr. Costello requested capital budget and amortization reports to track membership fee payments and construction costs on a monthly and/or quarterly basis. Ms. Rose will follow up. Mr. Costello also requested a report on land parcels owned by Sallal.

Ms. Rose stated that she is hoping that the audit will get started any day.

Unfinished Business - Wilderness Rim: Mr. McKone moved the Wilderness Rim wholesale rate discussion to this part of the meeting. Ashley Emery reported on the history of the Wilderness Rim rate development. Mr. Jonson stated that Sallal alone can set a wholesale rate for Wilderness Rim pursuant to the 1986 joint facilities agreement between the parties as later interpreted by an arbitrator when a legal dispute between the parties arose in 2005. Per Mr. Kenyon's request, Ms. Rose will provide him with a copy of the arbitration decision. Mr. Emery stated that there is no specific contractual formula for determining the wholesale rate. If there is disagreement, the result can be arbitrated. The rate is based on an allocation of costs of operations and facilities, services provided, and amortization. He added that a water utility's operation's costs are usually very stable from month to month but are affected by cost inflation. He stated that the billing rate for Wilderness Rim was set using the first tier residential water rate for a certain volume of water and a reduced amortization amount. In order to have predictability in payments, the volume charge was set high enough to provide Wilderness Rim with a sufficient water without having an overage rate apply unless something unusual happened. Wilderness Rim's rate was adjusted when the rest of the Sallal rates are adjusted and the last time that his firm analyzed the rate was in 2017. He noted that presently, Wilderness Rim pays approximately 45% of the amount charged to a Sallal residence, which indicates a fair wholesale rate. Mr. Kenyon stated that the fixed volume charge was too high because water use in Wilderness Rim has declined, that homes in Wilderness Rim use less water than the typical Sallal residential member, and that Wilderness Rim should be charged for actual water usage. He also requested that he be included in Sallal's water rate work group. Discussion followed. Mr. Emery will confer with G&O to review additions to the Sallal system and check in with staff and the Board to gather information to determine a reasonable rate for Wilderness Rim. Mr. Emery proposed that the rate be based on historical data rather than forecasted budgetary costs. He anticipates a month to 6 weeks to complete the study but it could be less. Mr. Emery will send a rate analysis proposal to the Board by April 22.

Mr. Kenyon left the meeting at 8:28 pm.

Engineering Report:

PCI #6: Kevin Aguilar and Mike Johnson reported that the reservoir is complete except for electrical and piping. The Well 4 pump is installed and the electrician is currently working on installation of the electrical panel and controls. Substantial completion is scheduled to occur in mid-June. PCI's pay estimate no. 6 was reviewed and discussed.

MOTION NO 2021-32: Motion to approve PCI #6 \$216,746.81 less \$9,969.95 retainage for a payment of \$206,776.86 was made by Ms. Hibma, and seconded by Ms. Baker. Motion carried.

PCI Change Orders: PCI change orders nos. 4 and 5 were reviewed. Mr. Costello requested backup information for the 25 day extension contained in Change Order No. 4 and carried forward in Change Order No. 5. He again noted the lack of a proper project schedule from PCI. He stated that he does not object to the cost adjustment aspects of the Change Order Nos. 4 and 5. Mr. Johnson suggested approving the dollar amounts of Change Order Nos. 4 and 5, and striking the time extension. After discussion, consideration of Change Order Nos. 4 and 5 were tabled. Mr. Mike Johnson will communicate to PCI that the Board has no objection to the dollar amount of the change orders, only the extension of time for project completion.

Generator. Mr. Aguilar presented alternatives for sizing a new generator at Rattlesnake. A 275KW generator will power two wells at one time (although would be connected to all three wells) and a 450KW will power all three wells at one time. He stated that the fuel tank for the 450KW generator is double the size of the smaller generator and questioned the need for the for a 450KW generator. He reviewed enclosure options. Discussion followed. Mr. Costello questioned the generator sizing conclusion regarding the number of pumps that can be operated at one time from the 275kW generator. Mr. Costello believes that all three pumps can be operated simultaneously from this size generator and requested to review the backup calculations for the sizing. Mr. Aguilar will provide the calculations. More discussion will occur during the May work study meeting.

New Office. Regarding Akana CM support, it was confirmed that the landscape architect and geotechnical support will be moved from G&O's contract to Akana's contract. Mr. Costello stated that the Landscape and Pan GEO work proposals need to be reviewed and suggested that they be voted upon via email.

Attorney Report: No report

Business Manager Report: Ms. Rose reported on loan arrangements for the headquarters project. Contract execution is planned for April 30th and NTP on May 3rd. She stated that Lisa provided a document to address changes in the Rules and Regulations for review at a future Board meeting.

Operations Report: Mr. Scott reported on chlorine injection pump issues in Well 1 which are being addressed. Mr. Bergman and he are reviewing the applicants for the new filed support position and noted that over 50 applications were received.

UNFINISHED BUSINESS:

Wilderness Rim: See above.

2001 Water Right Application: Mr. Formisano will prepare an email to the Board with suggested action.

Vote to Ratify Daylin Signing Loan Documents: Ms. Rose stated that the Columbia Bank Construction loan documents were signed, accepted by the bank and the Association has received its first draw on the loan. Discussion followed.

MOTION NO 2021-33: Motion by Ms. Hibma to ratify, confirm and approve a construction loan with Columbia Bank for the new headquarters project including ratification of Ms. Baker's execution of loan documents on behalf of the Association. Seconded by Mr. O'Brien. Motion carried.

Vote to Ratify Bid Award to Hi-Mark: Bid results were reviewed and Hi-Mark Construction, Inc. was the only bidder that submitted a complete bid. Discussion followed.

MOTION NO 2021-34: Motion by Ms. Baker to ratify, confirm and approve bid award to Hi Mark Construction, Inc. as the lowest, responsible and responsive bidder for the new headquarters construction project and authorizing execution of the contract documents by President Shawn McKone on behalf of the Association. Seconded Mr. Formisano. Discussion followed concerning Hi-Mark's work experience. Motion carried.

Vote to Ratify Hiring of new Water Operator: Mr. Scott discussed the proposed new hire and stated that due to the Association's growth, it was necessary that this hiring be for a year around position. Discussion followed.

MOTION NO 2021-35: Vote to authorize hiring of new field support person was made by Ms. Baker, and seconded by Mr. O'Brien. Mr. Costello asked for clarification in the need for water operator and discussion followed. Motion carried.

NEW BUSINESS:

CWA Haug: Mr. Scott reviewed the property owner's application for a certificate of water availability and noted that the developer of the Uplands plat previously purchased memberships for each lot. He recommended approval for one

single family home and noted that a one inch meter had been requested due to an in-home sprinkler system, which will be billed as such.

MOTION NO 2021-36: Motion to approve the Haung CWA was made by Mr. O'Brien, and seconded by Mr. Costello. Mr. Formisano requested a tally of remaining ERU's and Mr. Scott stated that the water capacity spreadsheet will be updated and provided to the Board on a monthly basis. . Motion carried.

Agenda Revision: The Board concurred that all other agenda items be moved to next regular Board meeting or May work study meeting. Mr. McKone suggested that contracts for landscaping and geotechnical services for the headquarters project as contained in DropBox be decided by email vote.

Mr. Aguilar and Mr. Mike Johnson exited at 9:41 pm

EXECUTIVE SESSION

Mr. McKone called the Board into Executive Session at 9:41pm to discuss legal matters with counsel. Mr. Scott and Ms. Rose exited 10:04pm. The executive session continued for purposes of discussing personnel matters. The executive session concluded at 10:32pm and the regular session of the meeting resumed.

MOTION TO ADJOURN: Motion to adjourn meeting was made by Ms. Baker, seconded by Ms. Hibma at 10:32 pm. Motion carried.

Submitted by: Ann Reed, Board of Trustees Secretary