

**Sallal Water Association  
Board of Trustees Meeting  
Minutes of Tuesday, June 15, 2021**

The regularly scheduled meeting of the Board of Trustees of the Sallal Water Association was called to order on Tuesday, June 15, 2021, at 6:00 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; Jeff Faunce, Akana

**Employees present:** Denny Scott, Water Superintendent; Lisa Hagen, Utility Customer Administrator

**Guests present:** Marcus Morissette and Hugh Gundry

**VISITOR COMMENTS:** Hugh Gundry presented a history of his property. He requests a CWA for a new building on his property which replaces an older structure previously served with Sallal water that was removed. The existing home, which has the original connection to Sallal water, will remain. Mr. Gundry requested that Sallal not require a new membership and meter for the replacement building due to the history of prior service. Mr. McKone stated that the Board will discuss the situation later in the meeting.

Marcus Morissette requested an update on discussions with the city, specifically a term sheet, regarding the proposed water supply contract with the City of North Bend. Ms. Baker reviewed the discussions and explained that no term sheet exists. She added that if a mutually acceptable draft contract with North Bend is developed, it will be presented to the members for discussion and comment.

**CONSENT AGENDA:** The minutes of the May 18, 2021 regular Board meeting and the June 4, 2021 work study session and recent consultant billing statements were presented in Dropbox and reviewed.

**MOTION NO 2021-49:** Motion was made by Ms. Baker and seconded by Ms. Hibma to approve the May 18, 2021 Board meeting minutes, the June 4, 2021 Work Study meeting minutes, as amended, and the following billing statements: Jonson & Jonson -- \$9,020.00, Gray & Osborne – \$13,004.37, Helsell Fetterman \$1,071.65 and \$545.00, VanNess Feldman \$990.00, Akana \$23,691.50, Lawhead \$5,273.00, Aspect \$5,431.75. Motion carried. Mr. Costello noted that the Gray & Osborne invoice needed correction and hasn't seen an adjustment. Mr. Johnson noted the correction was made as a line item in the previous month's invoice.

**MOTION NO 2021-50:** Ratification of PCI Progress Payment #7 was considered. In response to a question about PCI failing to conform with the contract specification, Attorney Jonson discussed procedures to delay progress payments. G&O confirmed that the notice regarding failure to perform was sent to PCI on May 24, 2021 as directed at the last board meeting. Deadline for receiving an approved startup and testing plan from PCI was June 14, 2021. Mr. Johnson reported that PCI is making slow progress with its startup testing plan and submitted a revision this evening that has yet to be reviewed. Discussion followed. A motion to ratify PCI pay application #7 was made by Ms. Baker and seconded by Mr. O'Brien without waiving startup testing plan requirements. Motion carried with Mr. Formisano and Mr. Costello opposing.

A bid from Tucci & Sons for water main replacement to accommodate future round about at 436<sup>th</sup> Ave SE and North Bend Way was presented and discussed.

**MOTION NO 2021-51:** Motion to accept the Tucci & Sons bid in the amount of \$78,081.30 for the water main replacement on North Bend Way new Round-about was made by Ms. Hibma, and seconded by Mr. Costello. Motion carried.

**REPORTS:**

**Member Advisory Committee Report:** Mr. Formisano stated that 6/8/2021 meeting was cancelled – no report.

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

**Treasurer's Report:** Ms. Hibma reported on documents in DropBox. Accounts receivable were reviewed and she thanked Ms. Hagen for her efforts in collecting overdue accounts. The CPA is working on 2020 financial statements and the audit should start by next week. Ms. Hagen reported on current leak relief requests: Cedar Landing HOA (TriPoint) - under review; Rainbow Temple - in process; WoodRiver HOA – under review. There have been rate changes since leak reliefs were requested. WoodRiver has not proven their leak. Mr. Scott supported denying leak relief and the Board concurred. Wood River will be advised of the decision.

**Akana (New Office) Report:** Mr. Faunce reported on resolved easement and service installation matters with Tanner Electric. Site work is proceeding satisfactorily including elevation and grade adjustments to address survey discrepancies. These adjustments are no cost. Installation of utilities is proceeding. Existing trees on the site will stay along the west border. A tie into the existing Genie fence will be made instead of running a parallel fence – this will be a deductive change order. Mr. Costello inquired about the project schedule and Mr. Faunce reported that the project is on time. Base schedule has been submitted and a schedule of values is in progress for approval. Mr. Faunce left the meeting 7:11pm

**Engineering Report:**

**PCI Progress Payment #8.** Mr. Aguilar reported that the Well 4/reservoir project nears completion. The tank has a few leaks in the seams that will be addressed in the next week by Mt. Baker. Leaks are significant at approximately 300 gallons per day. A revised start-up and testing plan submittal 30B is still under review by G&O, Mr. Costello and Mr. Formisano. A motion to approve PCI pay application #8 for \$116,346.29 less \$5,581.71 retainage for a payment of \$110,764.58 was made by Mr. O'Brien, seconded by Ms. Baker. Mr. Costello stated that he recommended a \$25,000 offset until we receive a conforming start-up and testing plan. Discussion followed. Mr. O'Brien removed his motion and suggested that Mr. Johnson review the startup plan documentation before further action is taken.

**Emergency Generator Procurement Package:** Mr. Aguilar presented sizing information and added that G&O is still researching the fire suppression option. Mr. Scott noted the generator will be installed outside and that fire suppression should not be needed. He added that a hydrant is located near the generator installation location. The Board concurred in abandoning the fire suppression option. G&O will prepare bid specifications for procurement by June 30<sup>th</sup>, and Mr. Jonson will review. Development of the installation design package has not yet started.

**Task #2 Engineering Study.** Mr. Johnson presented preliminary information regarding Sallal's ability to supply mitigation water to North Bend at the rate of 865 gallons per minute from August to October through 2040. Discussion followed. Sallal board and staff will review the updated Task 2 memo and will provide comments to G&O. Authorization was granted to G&O to begin work on Task #3 regarding evaluation of the capital improvements needed to facilitate the inter-tie with North Bend.

**King County Franchise Agreement Fire Flow Analysis –** Mr. Jonson advised that the likelihood of a meeting with the other utility stakeholders to discuss their approach is very low, a such, is off the table. G&O will work to include Sallal comments (Costello and Jonson) from the prior DRAFT reports.

**Attorney Report:**

Mr. Jonson reported on the status of the King County franchise fee litigation.

**Business Manager Report:**

Ms. Rose posted her report in DropBox for review. Discussion continued on the Gundy CWA request and application of Rule #37 to accessory dwelling units. Mr. Jonson stated that the history of two dwellings on the site distinguished the request from applications involving expanded use and new construction. Mr. O'Brien stated he supported the request

if the application states that an additional ERU is not needed. Discussion followed and Mr. Gundry stated that he will amend his application.

**MOTION NO 2021-52:** Motion to approve amended CWA application by Mr. Gundy was made by Ms. Baker, and seconded by Ms. Hibma. Motion carried. Mr. Gundy left the meeting at 8:14 pm.

**Operations Report:** Mr. Scott summarized highlights in his report posted to DropBox. Mr. Bergman reported on progress on the reservoir and Well #4 projects. Installation of power conductors between Well #2 and Well #4 will begin on June 16<sup>th</sup>. SI will start work on June 18<sup>th</sup>. He stated that due to problems with PSE, the project was supported by generator for 2.5 weeks. Conduit still needs to be run in the ditches and a change order will be submitted by PCI for additional conduit needed for the replacement standby generator. Mr. Bergman reported on Sallal start-up and testing impacts and strategies for ensuring training schedules. In response to a question concerning the availability of chlorine, Cascade Supply delayed a current chlorine shipment. Mr. Bergman ordered a double supply to cover the well needs. Mr. O'Brien asked Mr. Scott about the information request from Mike Kenyon at Wilderness Rim regarding chlorine levels. Mr. Scott stated that Mr. Kenyon is satisfied with the information. The Water Quality Report is ready to submit and post to the website.

**UNFINISHED BUSINESS:**

**Leak Relief Request – Wood River:** No further discussion.

**Rules and Regulations:** Ms. Hagen stated that leak relief and CWA sections of the rules need revision. She will work on draft changes for review at the July Work Study Session. A copy will be provided to the MAC members as well.

**CWA Policy:** No discussion.

**2 SPU Water Right Applications with EKRWA:** Mr. Formisano reported on two SPU Water Right Applications with East King County Regional Water Association (EKCRWA) that include surface water and a ground water application that have been sitting idle for several years. SPU asked if Sallal was interested in learning more about them. Mr. Formisano volunteered to find out more about these applications.

**Update on the 2001 Water Right application:** Mr. Formisano shared a communication from SPU concerning a recommendation to meet with SPU. Mr. Formisano requested that Aspect attend the meeting with SPU in July if needed.

**NEW BUSINESS:**

**Lawhead Additional Services:** A proposed change request was reviewed.

**MOTION NO 2021-53:** Motion to approve the Lawhead Additional Services for \$1,255.00 was made by Ms. Baker and seconded by Mr. Costello. Motion carried.

**Tanner Electric Estimate.** Mr. Costello stated that Akana has reviewed the proposal from Tanner Electric to bring power into the new building site and recommends approval. Discussion followed.

**MOTION NO 2021-54:** Motion to approve the Tanner Electrical Estimate for service to the headquarters project not to exceed \$68,167.87 was made by Mr. Costello, and seconded by Ms. Baker. Motion carried.

**Financial Advisor Questions:**

Ms. Baker will follow up on investment strategies and bring information for the next meeting. Investing in the ETF funds option appears most favorable. Discussion followed concerning changing signature authorizations following change in management.

**MOTION NO 2021-55:** Motion to remove Nikka Rose for all financial accounts affective June 18<sup>th</sup>, 5pm was made by Ms. Hibma, seconded by Ms. Baker. Motion carried.

**Communication Plan:**

After discussion, the Board concurred in reducing newsletter frequency to a quarterly basis. Website upgrades can wait. Ms. Reed will post work study minutes to the website and research alternative hosting with Google Sites. Akana will be asked to attend Board meetings as needed.

Mr. Aguilar and Mr. Johnson left the meeting at 9:28 pm.

#### **EXECUTIVE SESSION**

Mr. McKone called the Board into Executive Session at 9:28 pm to discuss legal and personnel issues. Mr. Emery left the meeting at 9:54 pm. Ms. Hagen, Mr. Scott, and Mr. Jonson left the meeting at 10:08pm. Mr. McKone closed the executive session and returned to regular session at 10:46 pm.

**MOTION TO ADJOURN:** Motion to adjourn meeting at 10:46 pm was made by Ms. Baker, seconded by Mr. O'Brien. Motion carried.

#### **Special Meeting Continuation**

The Board of Trustees reconvened at 6:00 pm on June 22, 2021 for a continuation of the June 15<sup>th</sup> Meeting of the board. The purpose of the continuation was to discuss G&Os findings from their startup plan review and to complete deliberation of Progress Payment #8. Board members present included: Shawn McKone, Daylin Baker, Ann Reed, Joyce Hibma, Larry Costello, Eric O'Brien, and Rich Formisano. Consultants present included: Kevin Aguilar, Engineer; and Mike Johnson, G&O President. Mr. Johnson advised that some progress had been made with the most recent startup and testing plan submittal, but that PCI has acknowledged difficulty in meeting the requirements. Mr. Costello pointed out that the review by himself and Mr. Formisano has identified significant gaps in the testing plan in relation to the contract requirements. It was also pointed out that PCI has failed to meet its current schedule even with the additional 35 days as provided via CO #5 – substantial completion was expected by June 16, 2021 with final completion by July 14, 2021. Due to these continuing failures by PCI to meet the contract requirements, Mr. Costello recommended a setoff be imposed against Pay Application #8 to cover the costs of developing and executing a conforming startup and testing plan. After further discussion Mr. O'Brien reintroduced his motion from the June 15<sup>th</sup> meeting to approve the Pay Application #8 as is. The reintroduced motion also stipulated that another notice to be sent to PCI requiring they correct the deficiencies with the startup and testing plan by a specific date or be subject to default actions as provided in the contract.

MOTION NO 2021-56: Motion to approve PCI#8 was made by Mr. O'Brien and seconded by Ms. Baker. Motion carried, Mr. Costello no, Mr. Formisano abstain.

The continued meeting adjourned at 6:30 pm.

Submitted by: Ann Reed, Board of Trustees Secretary