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A Member Owned Water Co-op

Pros and Cons of Possible Paths Forward For Sallal

Issue 1: Sell Sallal to the City

Pros:

1. Each member will likely get some amount of payout (after Association debts are deducted).
2. Future customers would likely have lower connection fees.
3. Sallal's service area would no longer be in a moratorium.
4. Simplified utility bill for members inside city limits.

Cons:

1. NO ELECTED REPRESENTATION FOR THOSE OUTSIDE NORTH BEND CITY LIMITS (which is still majority of members).
2. Members will pay for the purchase in higher usage rates from the City – rates will increase to fund the purchase.
3. All Sallal members will be subject to the City's conservation ordinance.
4. Loss of institutional knowledge of Sallal staff, some with 18+ years of experience with Sallal's system.
5. Water rates would support City services that don't benefit customers residing outside of the City.
6. The cost of extensive system upgrades along the UGA corridor to serve new growth by the City will be passed on to ALL customers.
7. Our wholesale customer, Wilderness Rim Association, would be subject to the City's municipal rate-making authority.
8. Quality of water would change as the City's water would be mixed with Sallal water.

Issue 2: Supply/Mitigation Contract with the City

Pros:

1. Keep lower rates because new connections will pay for new infrastructure instead of existing customers.
2. Come out of moratorium.
3. Reduces risk of takeover.
4. Maintains direct representation of existing members/owners.
5. Keep Association – co-op structure.
6. Staff retention w/Sallal specific knowledge.
7. Maintain high-level dedicated service.

Cons:

1. Members could have to curtail use when/if City doesn't have enough mitigation water.
2. City may still be able to pursue acquisition of Sallal in future years.
3. May lose some level of autonomy – City refuses to treat us as a partner.
4. Locked into future renegotiation of the contract if no other water sources are obtained.

Issue 3: Eminent Domain/Condemnation Proceedings

Pros:

1. Potential for recovery of legal fees if we win.
2. If we win, maintain direct representation of existing members/owners.
3. If we win, keep Association – co-op structure.
4. If we win, staff retention w/Sallal specific knowledge.
5. If we win, maintain high-level dedicated service.

Cons:

1. Possibility of attorney fee assessment if we lose resulting in lower payout to members; or if we win, city residents pay, with no benefits to anyone's water service.
2. If we win, still in moratorium.
3. If we lose, see pros and cons of issue #1.

Issue 4: Finalize Moratorium and Concede City All Growth in UGA

Pros:

1. Removing UGA from our service area conclusively eliminates duties to serve growth and may reduce eminent domain risk.
2. Existing members in UGA retain Sallal service.
3. Without UGA growth, we avoid new infrastructure construction.
4. Keep lower rates in the immediate future.
5. Keep direct representation of existing members/owners.
6. Staff retention w/Sallal specific knowledge.
7. Maintain high-level dedicated service.

Cons:

1. May increase risk of eminent domain with respect to in-city water system facilities.
2. Eventually leads to higher rates for maintenance and repair of system for Sallal members (due to loss of new connection fees/income).
3. The cost of extensive system upgrades to serve new growth in UGA will be passed on to City residents and may result in duplication of facilities.

* Another possibility to explore in the future in conjunction with this issue: Offer the City the opportunity for a joint venture for developing a new source of mitigation water.

Issue 5: Offer to Buy the City's Water Service System

Pros:

1. All Sallal members & North Bend members have voice/vote in operations, representation for all.
2. Sallal's superior level of service. (We are focused *only* on water issues.)
3. Removes eminent domain risk.
4. Removes moratorium.
5. No need to negotiate supply contract.
6. Lower monthly water bills for City residents.

Cons:

1. Water revenue bonds and loans issued by the City would have to be paid off or refinanced.
2. Sallal would have to learn the city's mitigation issue/management- learning curve.
3. Sallal would have to fix the City's failing system (leakage) by replacing their aging asbestos concrete pipes.
4. Increased staffing and resources to serve double the customers.
5. Likely Sallal would be limited to only using enough City water in the UGA to meet that demand.

The Sallal Board is in the process of obtaining:

- a. an appraisal/valuation of the Association so we know our value in the context of the City's offer to purchase (or future attempt at eminent domain/condemnation);
- b. a rate study to determine impacts on rates with and without a contract with the City as well as staying in a moratorium;
- c. preparation and research by legal experts on the topic of eminent domain/condemnation.

This information will be needed before the Board can offer a recommendation to members on any of the issues above.