



April 2023 Newsletter

Please submit questions/comments to admin@sallal.com

New Challenges for Sallal

An anti-growth special interest group is willing to put the future of Sallal at risk in their fight against the City of North Bend. While they would let your association become collateral damage in an attempt to stop growth in North Bend, their efforts to stop a water supply contract from occurring will only damage the Association. The Department of Health has already said that it will not put the City in a moratorium if Sallal is in a moratorium. The only available paths that Sallal can take now are either to enter into the supply contract with the City or enter moratorium. The special interest group has reason to oppose this contract no matter what it contains or how much research is done by throwing out endless questions and challenges. It is apparent that they are intending to breed distrust and opposition with the hope it will delay or stop the contract, thereby forcing Sallal into a long-term/permanent moratorium and stopping growth.

This same group has repeatedly brought attention to DOH and DOE about Sallal's unmitigated water right, to the extent that we have received an informal warning that our water right could be in jeopardy of requiring mitigation if this continues to have a spotlight on it – effectively putting Sallal out of business.

This same group has contacted USDA, the holder of Sallal's loans, to attempt to get the USDA to take sides on the contract and prevent Sallal from executing it. Sallal is just now closing its most recent USDA loan. The USDA requires that Sallal "provide adequate service to all persons within the service area who can legally and feasibly be served." Turning down additional water supply when offered may violate this loan covenant and put all of our loans at risk.

The Board President in 2019 stated that Sallal hold two member meetings to explain the contract. A special interest group has exploited this extra time given for the two meetings to try to gain control of this major business decision before the contract is signed. Unfortunately, that forced the majority of Sallal's board to approve the contract sooner than planned to ensure no one group could impose its own agenda on an Association of over 2,000 members.

Now the same group is petitioning to remove the four board members who voted to approve the contract. The bylaws require a majority vote of all members to carry this out but beware that if the members so voted, the members present at the meeting will immediately be able vote in four new board members of their choosing. If that happens, there is the possibility that Sallal will be governed by this special interest group.

Sallal needs to know if that is what the majority of members want. Please tell us via a contract survey at www.sallal.com and vote if you receive a ballot from Sallal in the near future.

Water Supply Contract With the City

- This contract will NOT make rates go up right now. After ten years, in-house projections show an increase of around \$6 a month to cover general cost increases. But without this contract, rates are estimated to go up at least \$39 a month on average (not including inflation) to just fund capital facility replacements that would have been otherwise funded through new memberships.
- Sallal is not selling the Association or any assets to the City. Sallal remains independent in all reporting requirements and assets. This is an exchange of water only.
- While there is no guarantee, this contract is the best way to keep Sallal independent and prevent a City takeover.
- Previous surveys of the members overwhelming showed that members did not want to “sell” Sallal to the City. The contract does not sell any part of Sallal to the City. The membership has not been surveyed about whether they want the contract.
- This contract represents an exchange of water between the two parties. Water to the City is capped at 100 acre feet per year for mitigation and has to be replaced, gallon for gallon in the same year. In addition, Sallal can buy far more water than that for Sallal members.
- This contract only requires Sallal to sell water to the City for mitigation that it has available. Sallal members will remain our priority. There should be no net reduction in Sallal’s water rights available to Sallal members. In fact, the flip side of this contract provides Sallal with ample potable water to serve the annexation area which in turn will make more water available from Sallal’s water rights and wells to serve rural zones.
- Sallal needs a contract with the City now because it has almost reached its water right limit and needs access to an additional supply of water rights to avoid a long-term/permanent moratorium. This contract will keep Sallal out of a moratorium.
- Why urgency? There is no assurance that the contract will still be available if there is a delay in execution. Sallal is on the verge of having to enter a moratorium without additional supply. Once in moratorium, there will be no foreseeable way out. We don’t know what the City will do if that happens, but this will not improve Sallal’s negotiating position with the City.
- In a permanent moratorium, the expense to operate Sallal will fall on the shoulders of the current members. Sallal will likely have a problem in qualifying for loans for capital projects.
- Allowing the City to use Sallal’s water for mitigation before it uses SPU’s water will save Sallal from paying extra for the water we buy from them due to SPU fees.
- The buying and selling of water will not begin until the interties are constructed which will likely take 2 years.
- Sallal maintains control over its water system reporting and quality controls.

The contract is the best way to keep Sallal in business, independent, our system in good condition, and our rates low. It also gives the river a more reliable source of mitigation water when it’s needed. A supply contract with the City is recommended by a majority of the Board of Trustees, Sallal’s management, our legal counsel, and engineer. More details are available at <https://sallal.com/sallal-city-water-issues/>

Without a contract with the City, Sallal will very soon be in a long-term/permanent moratorium. It will be able to serve existing connections but be unable to serve new connections. Existing members will have to cover the costs for capital improvements that are typically paid for by new connection fees. Without a contract, the preliminary rate assessment indicates an average increase of at least \$39 per household per month. This preliminary assessment is available at <https://sallal.com/sallal-city-water-issues/>

	<p>Without more water to serve, Sallal will be more vulnerable to City condemnation. If the City succeeds in taking over Sallal, we will all become City customers but rural members will have no representation and will have to pay the City's increased outside of boundary water rates.</p> <p>Sallal and the City of North Bend have tentatively settled upon a mutually acceptable water supply contract. That contract is posted on our website, as is the motion to approve it (passed 4-3) at the April 18, 2023 board meeting.</p> <p>On May 24, 2023, Sallal will be holding the second of two member-information meetings to present and explain the contract as well as listen to member input. A representative from the Department of Ecology, Department of Health, and Sallal's litigation consultant who evaluated Sallal's risk of eminent domain may be available to answer member's questions as well.</p>
<p>Annual Members Meeting and Run-off Election</p>	<p>On March 28, 2023, 42 members participated in Sallal's annual member meeting, and 254 members submitted valid ballots before or during the meeting. This constitutes 13% of the members eligible to vote.</p> <p>Per Article III, Section 4 of the bylaws, votes from at least 5% of the members are entitled to cast votes must be represented at the annual meeting in person, by proxy, or by mail in ballot to establish a quorum to transact association business. Sallal sends its appreciation to those that participated! We were able to reach the required quorum to hold the meeting and reelect Larry Costello for another 3-year term. None of the other four candidates received a majority of votes cast, so there will be a run-off election on May 1, 2023 to fill the other board position.</p>