

ANNUAL MEETING OF THE MEMBERSHIP
Minutes of Meeting
Tuesday, March 29, 2022

President Shawn McKone called the Annual Meeting of the Membership of the Sallal Water Association to order on Tuesday, March 29, 2022 at 7:01 pm. Based on a proclamation by Governor Inslee, the Association utilized a computer/telephone conferencing service by Zoom to conduct the meeting.

In addition to Mr. McKone, the following members of the Board of Trustees attended the meeting by Zoom: Eric O'Brien, Larry Costello, Rich Formisano, Daylin Baker, Denise Smutny, Joyce Hibma. The following members also attended by Zoom: Jean Buckner, Chris Brown, Marcus Morissette, Michael Thomas, Marilyn Kaye, Anne Bailey and Jack Winchester. Also present were Kristina Parker, Director of Finance and Administration, Denny Scott, Water Superintendent, Tree Bergman, System Operator; Richard Jonson, counsel; Leslie Sesser, CPA; and Mike Johnson, engineer. By count, a total of 14 memberships were attending by Zoom and a total of 157 ballots had been received through mail or delivery.

Board members, staff and consultants were introduced.

Ms. Parker verified that notices of this Annual Meeting were timely sent to all members of record and a quorum was present due to 157 ballots having been received.

APPROVAL OF MINUTES:

Mr. McKone requested a motion to approve the minutes of the March 30, 2021 Annual Meeting as presented in the meeting notice.

<p>Motion No 2022 A1- it was moved and seconded to approve the minutes of the March 30, 2021 Annual Meeting. Motion approved unanimously by a voice vote.</p>
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FINANCIAL REPORT:

Leslie Sesser, CPA from Finney, Neill & Co., presented the December 31, 2020 audit. She noted that federal single audit requirements applied for the first time due to increased borrowings from the USDA and the audit procedures were more intensive than in prior years. She responded to questions from the audience and noted that the December 31, 2021 audit should be completed prior to September 30, 2022.

PRESIDENT'S REPORT:

Ms. McKone announced that for those who have not already submitted written ballots, votes for trustees may be submitted up to 7:30 pm through the Zoom chat function. He reported on the Association's activities during the past year including the completion of a new well and reservoir at Rattlesnake and ongoing construction of a new office and shop

project at Edgewick. In response to a member question, he stated that a prior deficiency in water storage has now been remedied. He stated that efforts to procure new water rights and a water supply and mitigation contract with North Bend were unsuccessful and there was nothing new to report with respect to discussions with North Bend.

Members of the audience commented on the lack of member participation in the meeting and a question arose concerning the minimum quorum requirement. Mr. McKone responded that the Association's bylaws require 5% of the members to be present, whether in person, by proxy or mail-in ballot, and the requirement was satisfied.

Questions arose as to the Association's ability to take on new connections due to water right constraints. Mr. McKone stated that the Association was approaching its water rights capacity on an annual basis but that the figures are not static and are being evaluated based on changes in distribution system leakage, flushing, reservoir construction and other variables. A member inquired how much will monthly water rates have to be increased to pay for water system improvements and replacements if the Association is unable to issue new memberships. Mr. McKone stated that this amount has not yet been calculated but that it will be made available after a financial analysis is performed.

Comments followed concerning utilization of the Association's instantaneous water rights a capacity, North Bend water rights mitigation requirements, disclosure of annual water usage figures, and a request for clarity regarding the status of negotiations with North Bend over a water supply contract.

Ms. Parker stated that additional time was needed to count ballots. A motion was made, seconded and unanimously approved to adjust the agenda by moving the election of trustees announcement until the end of the meeting.

UNFINISHED BUSINESS:

Michael Thomas inquired about procedures for Association membership and water availability applications and suggested that the rules need to be adjusted to stop speculation from occurring. He stated that the cost to obtain a certificate of availability was too low. He stated that the Association should inquire whether a developer has obtained a certificate of sewer availability from the City in order to determine project feasibility. He requested publication of the Association's water usage figures on a rolling basis and for staff to check the accuracy of wellhead meter readings. Mr. McKone reviewed the Association's rules and procedures for issuance of certificates of availability and acknowledged Mr. Thomas's comments. Ms. Buckner stated that the City is unable to provide mitigation for the Centennial Well as required by its water right permit and it should not be allowed to expand its water system. Mr. Thomas inquired whether the City was imposing a franchise fee on the Association. Mr. McKone responded that at this point in time, the answer was negative.

NEW BUSINESS:

Marcus Morissette stated that member participation in meetings needs to be improved. He inquired about the Association's emergency response plans. Discussion followed.

Mr. Formisano reviewed the Association's efforts to obtain additional water rights and presented PowerPoint slides. Discussion followed.

ELECTION OF TRUSTEES:

Ms. Parker stated that 157 ballots had been received but five were defective and invalid. She announced the following ballot totals:

Daylin Baker	133	
Joyce Hibma		132
Marcus Morissette	69	
Denise Smutny	92	

Based on the achieving a majority of votes cast (77 of the 152 valid votes) Daylin Baker, Joyce Hibma, and Denise Smutny were elected as Trustees.

It was moved and seconded to adjourn the meeting at 9:00 pm, there being no further business to discuss.

Motion approved unanimously.

Respectfully submitted,
Richard Jonson, counsel