

**SALLAL WATER ASSOCIATION
MINUTES OF February 17, 2026, BOARD OF TRUSTEES' MEETING**

Board members present: Shawn McKone (Vice President), Larry Costello (Treasurer), Eric O'Brien (Secretary), Rich Formisano (via Zoom), Emilie Moore and Bill Iverson.

Consultants present: Richard Jonson, Attorney; Mike Johnson, Engineer.

Employees present: Tree Bergman, Superintendent.

Note Taker: Nils Krahe

Guests present: Michael Thomas.

CALL TO ORDER

Mr. McKone opened the meeting at 6:02 pm.

VISITOR COMMENTS:

Michael Thomas – Mr. Thomas addressed the Board regarding North Bend's draft water system plan update. He mentioned that a potential water system merger was discussed at the February 3, 2026, council meeting and noted that, if the merger takes place, customers outside North Bend's city limits would see a 50% increase in fees. He mentioned that changes are being discussed by City personnel regarding the water supply agreement with North Bend. Ms. Moore asked Mr. Thomas for a written summary of his statements.

CONSENT AGENDA

- Minutes from January 20, 2026, Board Meeting
- Consultant statements:
 - Advantage Accounting - \$1,462.50
 - Gray & Osborne - \$18,727.31
 - Jonson & Jonson - \$11,450.00
 - KLJ Financial - \$5,124.00

Motion 2026-02-17-01 by Mr. McKone and seconded by Mr. Costello to approve all items on the Consent Agenda including all edits to the minutes as submitted. Motion passed unanimously.

ENGINEERING REPORT (Mike Johnson, G&O)

- North Bend Intertie Update – Mr. Johnson reported that physical work is complete and he is waiting for Anvil to submit its affidavit of wages to Washington State.

- Well #2 Variable Frequency Drive (VFD) Project – Physical completion has been achieved and that he is waiting on Gary Harper Construction to submit its affidavit of wages to the State.
- Mount Si Roundabout – Update– The pre-construction meeting for this project is tentatively scheduled for March 9, 2026 and work will then commence.
- Well #1 Replacement Drilling – Update –Drilling is expected to begin in mid-March, 2026.
- Water Use Projection Analysis – Update – A Draft Water Use Projection was provided but is still being worked on. Mr. Formisano will submit written comments.
 - Golder Model – Update – He is waiting for an updated analysis from Golder/WSP regarding the scope of demands on the two water systems and expects to receive the updated analysis by next week. He will ask Golder to provide additional data so that Sallal can analyze additional mitigation scenarios beyond those covered in Golder’s analysis for North Bend.
 - Work Study in March – date set for March 14, 2026, for Board review of the Water Use Projection Analysis.
- Wilderness Rim Intertie #3 – Update – Mr. Bergman has been given multiple concepts to evaluate. Mr. Bergman stated that he is waiting for Wilderness Rim to respond to his request for a meeting to discuss a contract amendment.
- Drinking Water State Revolving Fund (DWSRF) Loan 2025-4610 Application – Update. Rattlesnake Tank #3 is on the State’s preliminary approval list, and he expects Sallal to receive funding of a low-interest loan of 2.25%. Final approval notification is not expected until the third quarter of 2026.

OPERATIONS REPORT (Tree Bergman)

- General Overview of Water System – Mr. Bergman reported that Sallal produced 13 million gallons in January, approximately 5.8% of its water rights. He noted that there may be slight differences in his well reads and the meter reads documented by Ms. Melander of G-O due to timing. Chlorine residual and Bac-T readings were good. DSL for January was 10.21%and the three-year running average is 10.2% to 10.4%.
- Two new mag meters have been installed on Wells #1 and #2 on January 1, 2026, and this may be responsible for the higher readings.
- Maintenance and developer activities were reviewed including final documentation on the Triple 60 / Gravity Marine project that will involve the release of an old easement for a water main that has been removed. He added that the developer will grant a new easement to cover all the new water main and there is no need for the old easement.

- He noted that updated water use efficiency goals must be submitted to DOH in July but a public forum to review and set the goals is not required until the next water system plan update.
- Well #4 VFD – Emergency Repairs – Update – The surge arrester at Well #2 requires repair and he has ordered a new unit along with related replaceable parts at a cost of \$7,200 plus tax.
- SCADA Ignition HMI Software – Update –Work on this project is approximately 50% complete. He recommended payment of the latest invoice to Systems Interface.

Motion 2026-02-17-02 by Mr. Costello and seconded by Ms. Moore to approve the payment of the Systems Interface invoice for programming the SCADA Ignition HMI in the amount of \$10,690.68. Motion passed unanimously.

- Mr. Bergman reported that PJO Northwest Development CWA was issued and he has received two other applications – one from Karen Jurgensen for her main home on Cedar Falls Road and the other for her accessory dwelling unit (ADU) on the same parcel.
- Mr. Bergman confirmed that the 2026 Water Use Plan with North Bend is in operation. Sallal began receiving water through the North Bend Intertie on February 2nd, in order to bank Sallal water for mitigation. The plan is to bank 85AF by the end of May (approximately 236,000 GPD on average).

BUSINESS REPORT

Treasurer's Report (Larry Costello)

- Financial Investments – Mr. Costello provided highlights from the Treasurer's Report. Columbia Bank has been contacted to determine whether Sallal would exceed FDIC insurance limits post-merger with Umpqua and Pacific Premier. It is confirmed that the Umpqua Bank cash sweep account automatically ensures that all funds in that account are covered to the FDIC \$250,000 limit. The other accounts are not yet confirmed pending feedback from the Columbia representative.
- 2025 Member Sourced Income Test – Finney Neill; In Progress – He reported that Finney-Neil is currently conducting the 2025 preliminary Member Sourced Income Test. Mr. Mettler is looking into whether Finney-Neil should work on the annual IRS Form 990 and added that is not part of Finney-Neil's current approved scope of work.
- Karyn Johnson is currently working on the rate study and will present her work at the March Board meeting

GM Report (Tree Bergman)

- Annual Insurance Renewal – \$103,288.54 – Mr. Bergman reported that a new truck has been added to the insurance and insurance premiums have been reduced by \$4,232.19 from 2025. Mr. Bergman noted that the 2008 truck covered under the insurance policy will be sold.

Motion 2026-02-17-03 by Mr. Costello and seconded by Ms. Moore to approve payment of Acrisure Insurance invoices for the 2026 insurance policies in the amount of \$46,289.18 and \$11,537.00, respectively. Motion passed unanimously.

- Annual Member Meeting – Mailer Packet – To Printer 2/18/26 – Mr. Bergman reported that the draft annual member meeting packet has been posted to Dropbox and is ready to be sent the printer. No additional applications have been received for the vacant Board position. Mr. Costello objected to having two ballots, one for incumbents serving standard three-year terms and one for new applicants serving shorter terms. After much discussion, the Board concurred that only one ballot was appropriate. The board will work to facilitate resolving the bylaw amendment after the Annual Meeting. The remaining vacant position will be filled by Board appointment after the Annual Meeting (once a candidate is identified). The Board also reviewed the draft proxy and concurred to amend the proxy statement to quote language from Article 3 Section 5(b) of the bylaws to limit a member from holding no more than one proxy.
- Board Vacancy – Update – No further discussion.

ATTORNEY REPORT (Richard Jonson, J&J)

- Rules 35-38 - Mr. Jonson stated that draft changes to Rules 35-38 were presented to add flexibility to deal with new building standards regarding ADUs and multiple dwellings on a parcel but added that it would be helpful to have the rate study recommendations available so that all changes work together. Board consideration of the changes to Rules 35 through 38 and Rule 42 were deferred until new rates are analyzed.
- North Bend Draft Water System Plan– Sallal Comment Letter to North Bend – The comment letter was reviewed. In order to accommodate additional comments from the separate engineering review of the Draft WSP, the comment letter will be amended to indicate that the information is preliminary and additional comments may follow. Mr. Jonson will amend the letter accordingly. Additionally, Mr. Costello reviewed a comments memo from UTRC regarding the Draft WSP.
- PFAS Risks & Fire Training Academy – North Bend / Sallal Letter to DOE –

- Mr. Jonson stated that Sallal's letter to the Department of Ecology (DOE) has been issued. Mr. Formisano requested that the Board review comment letters by Sallal to governmental agencies prior to issuance. Mr. McKone stated that he will review the GM engagement letter and report.
- Mr. Costello requested that Mr. Bergman update the polyfluoroalkyl substances (PFAS) testing to associate it with source monitoring rather than distribution testing.
- Mr. Bergman stated that he spoke with the Nor' West RV Park owner who confirmed that Norwest had a PFAS detection but noted that Norwest achieved a 50% reduction in PFAS in subsequent testing after cleaning out the building where the test occurred. There is no indication that Sallal's water source at Rattlesnake is vulnerable to PFAS contamination.

UNFINISHED BUSINESS

NEW BUSINESS

- Mr. Formisano recommended that the Board review water efficiency goals regularly, and prior to submission to the Department of Health (DOH).
- Mr. Costello noted that Michael Thomas mentioned that the Board meeting minutes from December 2025 have not been posted to Sallal's website.

EXECUTIVE SESSION

Executive Session was entered at 7:51 p.m. to discuss legal issues with counsel concerning Gray & Osborne's work for both the City of North Bend and Sallal. The note taker exited the meeting. The executive session concluded at 8:40 pm and the regular session of the meeting resumed.

Motion 2026-02-17-04 by Mr. O'Brien and seconded by Mr. Costello to authorize and direct Mike Johnson of Gray & Osborne to review and comment to Sallal on the City of North Bend's draft water system plan update at a cost not to exceed \$10,000. Motion passed unanimously.

Upon motion made by Mr. Iverson and seconded by Ms. Moore, the meeting was adjourned at 8:45 pm.

Submitted by: Minutes Services

Next Scheduled Board Meeting

Board Meeting: Tuesday, March 17, 2026, at 6:00 pm.