SALLAL WATER ASSOCIATION
MINUTES OF June 16, 2026, BOARD OF TRUSTEES' MEETING

Board Members present: Bill Iverson (President, Remote), Shawn McKone (Vice President, acting as chair), Larry Costello (Treasurer), Rich Formisano (Secretary), Eric O'Brien, Emilie Moore

Consultants present: Richard Jonson, Attorney; Mike Johnson, Engineer; Karyn Johnson, KLJ Financial (Remote), Nils Krahe (Minutes Services).

Employees Present: Devin Mettler, General Manager**;** Tree Bergman, Water Superintendent.

Guests present: Cathryn Mallory (member), Ms. Becky Steidle (guest)

CALL TO ORDER
Mr. McKone opened the meeting at 6:00 p.m.

VISITOR COMMENTS
Ms. Cathryn Mallory summarized her May 6, 2026 letter to the Board of Trustees seeking clarification and appeal of membership fees billed for connecting two homes on her property. Ms. Mallory and the Board of Trustees discussed Sallal Rules, 35, 36 & 37 and the Master Rate Schedule. She exited the meeting at 6:12 pm. See decision under New Business.

CONSENT AGENDA

- Minutes from May 19, 2026, Board Meeting
- Consultant statements:
    - Advantage Accounting - $1,537.50
    - Gray & Osborne - $9,715.39
    - Jonson & Jonson - $7,100.00
    - KLJ Financial - $5,398.50

Motion 2026-06-16-01: by Mr. Costello to approve the Consent Agenda with edits to the May 19, 2026 meeting minutes as submitted, seconded by Mr. Formisano and passed unanimously.

RATE STUDY

- Rate Study – Update – *Karyn Johnson, KLJ Financial*

Ms. Johnson gave a recap of the May 19 Board meeting direction, presented rate adjustment options based on that direction, presented draft GFC computation and

discussed next steps in finishing the rate study. Board discussion followed and provided further direction to the Capital Investment Plan (CIP) spending projection for years 2026 - 2035, preferred timing of issuing new debt (2026 -2030), assessment of impacts to Base/Water Usage & Amortization rates and review of methodology & calculation of draft GFC. Ms. Johnson exited the meeting at 7:27 pm. Mr. Mettler will prepare an adjustment to the CIP project funding list based on the discussion.

ENGINEERING REPORT (Mike Johnson, G&O)

- Wilderness Rim Intertie #3 – Update: Mr. Johnson reported final draft plans were sent to Sallal this week. The Board discussed the timeline for beginning work on this project. Plans will need to be reviewed by DOH. The Board expressed interest in completing this project by Fall, 2026.
- Water Use Projection Analysis/Interim Water System Planning – Update: G&O is finishing revisions to the water use projection analysis and will send it to Sallal tomorrow.
- Drinking Water State Revolving Fund (DWSRF) Loan 2025-4610 Application – Rattlesnake Tank 3 – Update: DOH is working through the list of approved recipients and contract forms are expected shortly.
- Mt. Si Roundabout Pipe Replacement – SLE – Project Completion and Close Out: Mr. Johnson reported on the status of this project.
    - Change Order #2 ($10,927.60): The contractor requested this change order because the depth of asphalt was deeper than anticipated. Mr. Johnson recommended approval.

Motion 2026-06-16-02: by Mr. O' Brien to approve the SLE Construction, Inc. Change Order #2 in the amount of $10,927.60, seconded by Mr. Costello and passed unanimously.

    - Progress Estimate #3 ($147,723.09): Physical work has been completed and billed as part of PE#3. Mr. Johnson recommended approval of PE#3. The final project total cost is about $15k less than the bid amount since several tasks required less material. There will also be a credit from the contractor for not providing an archaeological monitor, which was subsequently provided by G&O.

Motion 2026-06-16-03: by Mr. Costello to approve the payment of the SLE Construction, Inc. Progress Estimate #3 in the amount of $147,723.09, seconded by Mr. O'Brien and passed unanimously.

Final

- Project Completion Acceptance: Mr. Johnson reported that he is waiting for receipt of a property release form to ensure that SLE has restored property it used to the satisfaction of the property owner. He recommended acceptance subject to receipt of the form.

Motion 2026-06-16-04: by Mr. Costello to accept the Mt. Si Road Roundabout Watermain Replacement Project as complete and authorize signing of the Final Contract Voucher subject to receiving the final property release form, seconded by Mr. Formisano and passed unanimously.

- G&O CM Services Amendment – Additional Services ($29,400.00): Mr. Johnson explained G&O expended significantly more time for construction management services due to construction challenges such as resolving non-conforming work issues, addressing contractor deficiencies, and reviewing and negotiating change order requests. Mr. Mettler and Mr. Bergman stated that the additional amount was reasonable under the circumstances and recommended approval.

Motion 2026-06-16-05: by Mr. Formisano to approve the payment of the G&O Mt. Si Road Roundabout Construction Management (CM) Services Amendment in the amount of $29,400.00 and authorize the signing of the proposal, seconded by Ms. Moore and passed unanimously.

- Well #1 Replacement Drilling – Holt – Update: The screen assembly design is complete and fabrication has started. Holt is expected to install the screen assembly by the end of next week.
- WSP Amendment – CIP Projects – Update: Meeting minutes from the May Board meeting (reference Motion 2026-05-19-07) will be attached to the Water System Plan (WSP) Amendment sent to DOH.
- North Bend Draft WSP - Discussion followed concerning the status of North Bend's draft 2025 WSP. Mr. Mettler stated that North Bend has yet to respond to the review comments that Sallal submitted. Mr. Formisano requested that those comments be posted to Dropbox for board review. It was also noted that no information has yet been received regarding the WSP (formerly Golder) Mitigation Plan update which is also to be reviewed by G&O.

OPERATIONS REPORT (Tree Berman)

- CWA Applications

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- Cadman/Heidelberg Materials: Mr. Bergman reported Sallal, legal counsel, and G&O continue to work through details for an anticipated Heidelberg CWA application. A CWA has not yet been submitted.
- Sallal received two CWA applications for Accessory Dwelling Units (ADUs); one on 161st Street and the other on Mt. Si Road, past the booster station.
  - Board was concerned that due to the new State/County/City rules for plat subdivision and lot splitting, Sallal may need to re-assess whether to require ADU's to be separately metered.
  - Board requested a status update on CWAs received and issued. Mr. Bergman requested board approval for another 5 CWAs which was granted.
- Middle Fork Development project - Mr. Bergman will remind the owner that the existing CWA has expired and the owner will need to submit a new CWA.

- SCADA Ignition HMI Software Demo: Due to a member water emergency, the demo was postponed until the August Board mtg. SCADA Ignition software is up and running. The old system remains operational as a backup as Ignition software commissioning is completed.
- Water Production & Consumption: Sallal is now producing over 500,000 GPD, Sallal has pumped approximately 19% of its water rights. Additionally, 85 acre-feet of drinking water was obtained from North Bend through the end of May in order to bank that amount for North Bend's future mitigation needs. Total Sallal production plus North Bend supplied water is equivalent to approximately 28% of Sallal's water right.
- Water testing: Chlorine residuals remain within specs. PFAS testing will be performed on Well #3 this month, for internal information only. Halo-acetic acid and Trihalomethane testing throughout the water distribution system this month.
- Operations Maintenance & Sallal Projects:
  - Well #3 chlorine pump failed and was replaced.
  - Accuracy of the Wilderness Rim meter was checked. The meter achieved an acceptable accuracy rate between 98% to 99.5%, depending on the flow rate.
  - Older meters continue to be replaced or upgraded with Aquahawk smart meters & endpoints.
  - Later this summer, fire hydrants on Cedar Falls Way will be moved as-needed and raised to match-grade.
- Development Projects:
  - Triple 60 Partners (Gravity Marine) is waiting on close-out documents for their project and needs to complete easements and as-builts.
  - Ichijo has begun laying water lines.

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- Mr. Steele development project plans are under revision. Expect Sallal to see approved set of plans later this summer.

BUSINESS REPORT

Treasurer's Report (Larry Costello)

- Financial Investments: Mr. Costello summarized the Treasury Report posted to Dropbox. He noted that Sallal's operating balance has dropped below the $1,000,000 operational reserve threshold.
  - Sallal is still waiting for the City of North Bend's reimbursement for Well #1 Variable Frequency Drive (VFD) Project.
  - Sallal's investments are stable with a slight uptick in interest rates.
  - Sallal's cash accounts have been reduced per our planned spending.

GM Report (Devin Mettler)

- Banking Plan - Update
  - Account Changes – Update: Mr. Costello reported that previously approved changes to Sallal's bank accounts are progressing. Mr. Mettler stated Columbia Bank is nearly complete in establishing the insured cash sweep account.
  - Mr. Mettler plans to transfer $500,000.00 in June and $500,000.00 in July from Sallal's Fidelity account to Sallal's operating account to maintain a 180-day operating reserve per policy.

Motion 2026-06-16-06: Mr. Costello moved to authorize the transfer of $500,000.00 in June and $500,000.00 in July from the Fidelity account and to the operating account as needed to cover approved capital costs while maintaining a 180-day operating reserve policy, seconded by Ms. Moore. Motion and passed unanimously.

- Rule 42 – Revisions to Adjust for Aug 15, 2023, Board Direction and to Incorporate Unexplained/Unintentional Use Policy.
  - A draft of the proposed changes to Rule 42 was discussed. Several comments and clarifications were suggested. Mr. Mettler will submit a second draft for the next monthly Board meeting.

ATTORNEY REPORT (Richard Jonson, J&J)

- Mr. Jonson reported that the city of North Bend submitted an amendment to Sallal-North Bend water supply agreement to obtain permission to install a PLC panel at the North Bend Intertie Booster Station. The purpose of the amendment is to obtain timely data for mitigation calculations and efficient operation of North Bend's Centennial Well.

    - The Board requested staff to investigate how best to provide this data to the City while addressing considerations such as physical access to the pump house, repair & maintenance of the telemetry equipment, cybersecurity, electrical connections, liability concerns.
    - It was also noted that Sallal's amendment request clarifying pump rates for Well 2 and the combined Wells 1 & 2 submitted in Sept. 2025 is still pending North Bend's approval.
- Burlington Northern is offering to amend its license agreement for the water main under the rail crossing and to reduce Sallal's annual fee by $400 due to Sallal abandoning one section of its water main.
- Progress of the Intertie agreement with Wilderness Rim was discussed. The agreement will need to be reviewed and approved by the Board of Trustees.

UNFINISHED BUSINESS

Final decision on the Ms. Catoire request from the May board meeting is pending completion of the Rule 42 amendments, anticipated for the July meeting.

NEW BUSINESS

- Ms. Cathryn Mallory – Letter to Board: The Board discussed the meter and GFC fees charged for connection of two homes on one parcel and concluded that fees were charged in accordance with Sallal's Rules & Regulations and Master Rate schedule.

Motion 2026-06-16-07: by Ms. Moore to acknowledge that the Board received and considered Ms. Mallory's May 6, 2026, letter as an appeal under Sallal Rule No. 30 and to deny her appeal, seconded by Mr. Costello and passed unanimously.

Mr. Mettler will contact Ms. Mallory to advise her of the Board's decision.

- Ms. Stafanie Hawks-Johnson – Request of the Board was moved to Executive Session.

EXECUTIVE SESSION

The chair declared an executive session at 9:14 p.m. for the purpose of discussing Sallal's Rules & Regulations, Board vacancy and operations with counsel. Mike Johnson and Nils Krahe exited the meeting. The executive session ended at 9:26 p.m. and the regular session of the meeting continued.

Motion 2026-06-16-08: by Mr. O'Brien to adjourn the Board Meeting at 9:27 p.m., seconded by Mr. Costello and passed unanimously.

Submitted by: Minutes Services

Next Scheduled Meeting
Board Special Meeting Tuesday June 23, 2026 at 6:00 p.m.

Final