SALLAL WATER ASSOCIATION
MINUTES OF SEPT. 15, 2026, BOARD OF TRUSTEES' MEETING

Board Members Present: Bill Iverson (President), Rich Formisano (Secretary), Eric O'Brien, Ann Bailey, Emilie Moore (remote).

Consultants Present: Leslie Sesser, Finney Neill; Richard Jonson, Attorney (remote); Karyn Johnson, KLJ Financial (remote); Amanda Jackson, Minute Services.

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

Guests present: None

CALL TO ORDER (Quorum)
Mr. Iverson called the meeting to order at 6:01 p.m. at the Association's business office located at 47230 SE 144th St, North Bend, WA 98045.

APPROVAL OF THE AGENDA
The agenda was reviewed and Rule 42 was moved to the October 20, 2026 Board meeting.

VISITOR COMMENTS
None

CONSENT AGENDA
- Minutes from August 18, 2026, Board Meeting
- Minutes from August 22, 2026, Board Work Study
- Consultant statements:
    - Advantage Accounting - $4,537.50
    - Finney Neill - $9,100.00
    - Jonson & Jonson - $3,462.50
    - KLJ Financial - $11.529.00

Motion 2026-09-15-01: by Mr. Formisano moved to approve the Consent Agenda, seconded by Ms. Moore and passed unanimously.

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RATE STUDY - *Karyn Johnson, KLJ Financial*

Ms. Johnson provided the retail rate study overview & status. Topics discussed included cost of services results and options and evaluation of proposed rate structures for each customer class (SFR, MFR, Commercial and Irrigation). Customer Class distinctions between master (MFR) and individual (SFR) metered units were discussed. Board direction for rate design - SRF=6 Tiers; MFR=Single Tier/Universal Rate; COM=4 Tiers; IRR=Across the Board. Next month's Board meeting will include final recommendations on customer class cost of service recovery options and customer class rate structure designs. Ms. Johnson exited the meeting at 7:46 pm.

2025 FINANCIAL AUDIT PRESENTATION – Lesile Sesser, Finney Neill

Ms. Sesser presented the 2025 single audit results. The presentation covered the opinion on the financial statements, a report on internal controls and compliance in accordance with Government Auditing Standards.

- Financial Statement Opinion: the audit opinion was "Unmodified" which is the highest level of assurance.
- 1st year qualification as "Low Risk Analysis" due to on time filings and no findings for the 3rd year in a row.
- Government Auditing Standards: there were no material weaknesses in internal control over financial reporting and no findings of material noncompliance.
- Uniform Guidance (Federal Awards, e.g. USDA Loans): No material weaknesses in internal control over compliance, and no findings of material noncompliance.
- The financial statement footnotes were reviewed.

Transition to new financial and accounting software systems and data privacy and security were also discussed. Ms. Sesser exited the meeting at 8:12 pm.

ENGINEERING REPORT – *Tree Bergman for Mike Johnson*

- Well #1 Replacement Drilling: Mr. Bergman reported that the pump test was successfully completed. A final test report, video, alignment testing, and site cleaning are pending. Contract estimate at completion remains on budget. The next phase is a G&O proposal for equipping the replacement well and next steps for Well #1 repairs. Mr. Bergman recommended payment of Progress Estimate #5 ($19,715.03)

Motion 2026-09-15-02: by Mr. Formisano moved to approve payment of Holt Progress Estimate #5 in the amount of $19,717.03, seconded by Mr. O'Brien and passed unanimously.

- Wilderness Rim Intertie #3 – Update: Mr. Bergman reported the King County right-of-way permit was approved. DOH reviewed the plans and provided comments. G&O will respond. The draft contract amendment with Wilderness Rim is 95% complete and will be submitted to Wilderness Rim shortly.

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- Water System Plan Amendment - CIP: G&O responding to minor comments received from DOH. Revision will be submitted for review at the October 20 Board of Trustee meeting.

OPERATIONS REPORT - *Tree Berman*

- Superintendent's Report: Mr. Bergman reported on the following highlights:
  - Water production & consumption:
    - Distribution system leakage was 3.56%.
    - Water production was 940,000 gallons per day during the last month. In the last two weeks, it decreased to approximately 600,000 to 650,000 gallons per day.
  - Water testing:
    - Chlorine residuals remain within specs.
    - Scheduled Lead & Copper test lab results showed all levels below the action level.
    - Well #3 polyfluoroalkyl substances (PFAS) test had no detect results.
  - Operations Maintenance, Sallal Projects and Ops Staff training:
    - Leak detection on hold. Proposals from vendors pending.
    - Sallal received a cost estimate of $325k to perform analysis of nearly 10 miles of Sallal's AC pipe. Mr. Bergman recommended Sallal continue our current process of pipe repair and replacement rather than undertaking the proposed AC pipe analysis.
    - Fire hydrant relocation due to sidewalk construction on Cedar Falls Rd.
    - Broken 6" AC water main transmission line on 149th St SE occurred around midnight. Staff worked through the night to repair the leak and returned water service by 8:00 am that morning.
      - Board requested plan for capping/abandoning the 6" line.
    - New Tank reader boards at Terrell and Riverpoint installed.
    - Tanner RTU Panel –Subcontractor behind schedule fabricating new cabinet.
  - Mini Excavator:
    - Mr. Bergman presented a first-read proposal to purchase a Mini Excavator in the 2027 CIP Budget. Short discussion on benefits of Sallal owning a small excavator. Board asked to investigate if it could be a shared resource with another organization and consider installing a davit to one of the Sallal trucks for moving material.
  - Development Projects:
    - Ichijo development: water main installation is physically complete.
    - Triple60 Partners / Gravity Marine: waiting for closeout documents for project completion.

BUSINESS REPORT

TREASURER'S REPORT – *Devin Mettler for Larry Costello*

- Treasurer's reports are posted to Dropbox.

GM REPORT – *Devin Mettler*

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- DWSRF Loan 2025-4610 –Contract terms reviewed. Management to request DOH to insert lien parity language in order to not interfere with future loans.
- A new USDA loan application is on hold, since DOH approved DWSRF application.
- Springbrook Update: Mr. Mettler stated that test and live accounts were nearing completion for the accounting module. Staff are building a financial history from December 2023 to the present. Springbrook accounting module will be operational by the end of November 2026, and staff will test the accounting module while continuing to use QuickBooks through the end of 2026. The billing module will be built after the accounting module operational testing is completed. Mr. Formisano requested a Springbrook project plan, updated monthly. The Plan should include: A list of tasks, their estimated and actual start and stop dates, budget to actual costs, and estimated cost and schedule to complete, comment/help needed. Mr. Mettler recommended payment of Springbrook Annual Subscriptions invoice per contract payment terms (Invoice # INV-024760 for $22,403.45).

Motion 2026-09-15-03: by Mr. O'Brien to approve payment of Springbrook invoice #INV-024760 in the amount of $22,403.45, seconded by Ms. Bailey and passed unanimously.

- 2027 Budget: Management to begin working on the CIP,O&M and Labor budget estimates next month with a goal of bringing an initial draft budget to the next Board meeting.

ATTORNEY REPORT - *Richard Jonson, J&J*

Mr. Jonson reported on the following items:

- Water Supply Agreement amendment to add telemetry equipment in Sallal's intertie building remains unresolved as does Sallal's Amendment #2.
- The final DROUT study results were discussed. The results conclude that municipal groundwater withdrawals have a negligible negative effect on surface flow and temperature. Sallal will write a letter to point out several discrepancies in the report.
- Franchise Agreements with King County and the City of North Bend expired several years ago. No effort will be made to pursue these agreements until the County and City request.

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EXECUTIVE SESSION

Executive Session was entered at 9:28 p.m. to discuss the division of duties between the Board and Management. Ms. Jackson, Minute Services left the meeting. Executive Session ended at 10:01 p.m. and the regular session of the meeting continued.

ADJOURNMENT

Motion 2026-09-15-04: by Ms. Bailey to adjourn the Board Meeting at 10:01 p.m., seconded by Ms. Moore and passed unanimously.

Next Scheduled Meeting

Board Meeting: Tuesday, October 20, 2026, at 6:00 p.m.

Submitted by: Minutes Services

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