

**SPOKANE CONSERVATION DISTRICT**  
210 N. Havana, Spokane, WA 99202  
**BOARD MEETING MINUTES**  
Tuesday, August 11, 2015

**PRESENT**

**Supervisors:** Jerry Scheele, Jaki Shrauger, Wendy Knopp, Tom Miller

**Absent:** Randy James

**Associate Supervisors:**

**SCD Staff:** Vicki Carter, Erica Johnson, Cori Turntine, Ty Meyer, Eric Choker, Barry Tee, Pat Munts, and Lindsay Chutas.

**Guests:** Walter Reilly, Whitman Conservation District; Bill Demers, citizen; Cathy Reynolds, Spokane County Cattlemen; Lee Reynolds, Spokane County Cattlemen; Jim Wentland, Spokane County Cattlemen; Sherri Demers, citizen; Jim Robinson, citizen; Jim Potts, Cattle Producers of Washington; Zak Kennedy, Cattle Producers of Washington; Kim Weerts, Whitman County Cattlemen Association; Robyn Meenach, Spokane County Farm Bureau; Brian Werst, K&L Gates (SCD Legal Counsel); Chad Greif, BIAS; Pat Lewis; Tip Hudson, WSU Extension.

Chair Scheele called the meeting to order at 12:00pm.

**Approval of Agenda**

Chair Scheele presented the agenda for approval.

**Motion Miller/Shrauger to accept the agenda with changes noted. Motion carried.**

**Previous Meeting Minutes**

Minutes from the July 14, 2015 board meeting had previously been distributed for review.

**Motion Shrauger/Miller to accept the July 14, 2015 Meeting Minutes. Motion carried.**

**NEW BUSINESS / LINKAGE TO COMMUNITY**

**Public Comments/Introductions**

Chair Scheele introduced Bill Demers who had asked to address the board. Demers stated that he is a small farmer who lives at 10220 S Sharon Rd, distributed documents to the board and asked to give his presentation in full before questions. Mr. Demers stated that in his opinion, the SCD is a pawn of the DOE and therefore has no creditability. He reported that he has monitored our finances and contracts for years. He stated that DOE uses outdated science and politically driven methods and when the SCD works with them we have a negative effect on the environment. Demers reported that he tells all fellow farmers to work with NRCS, work with Tip Hudson, but run from SCD due to our association with DOE. Demers concluded with a list of suggestions for the board: 1) re-earn the trust of the community, 2) condemn the risk assessment that has been published by DOE, 3) advocate for the balance of industry and clean water, 4) ask the ag community what they want, 5) start looking at research from U.C. Davis, not DOE, 6) create and use an independent review panel to screen research before using it, 7) be a leader and you'll develop allies and make a difference in Spokane County.

Chair Scheele introduced the next guest to share public comment. Walter Reilly is a landowner and is on the Whitman County Conservation District Board. Reilly stated that in Whitman County they do not take any DOE money. For example, the Direct Seed Loan program is available there, but he will not use it because it is with DOE. In his opinion, DOE lies and is full of idiots; He stated DOE stands for Department of Idiots. Mr. Reilly further stated that DOE is a hindrance to the agricultural business. (It is important to note that after this testimony, it was found that all Whitman County conservation districts receive a quarterly commission on loans that are made in their districts through our Direct Seed Program. This is indirectly DOE money.)

Jim Wentland with the Spokane County Cattleman agrees with Reilly that DOE is a hindrance. In his opinion, SCD gets more money from DOE than all other CDs. Ranchers and farmers have always been

stewards of the land. He described how buffers not only take away useable land, but create costs as the landowner is expected to manage the weeds and pay the taxes. His opinion is that the “potential to pollute” assessments from the roadside are not valid. Wentland stated that if a cow poops in a stream it’s just water and grass going back into the water.

Sherri Demers had indicated on the sign-in sheet that she would share public comment, but declined.

Chair Scheele introduced Tip Hudson from the Washington State University Extension. Hudson stated that the Washington State water pollution control statute is unhelpfully rigid and anything above 0 is a violation. Technically, it is easy to enforce, but in reality it’s an unlivable standard. Hudson commented on the nature of research: in a natural resources context, it is impossible to isolate and manipulate a variable in order to provide a scientifically valid report; therefore, both sides are guilty of cherry picking evidence from this data. Hudson tries to help producers assess their “risk of pollution” rather than use the terms of DOE that see a violation of a “significant” discharge because there are no clear definitions. In October, there will be an event series with Hudson to swim through the vagueness and find common ground. In Hudson’s opinion, there is an 80% middle ground where people really are agreeing, though they disagree on the means. Chair Scheele asked for details on the events. Through a mini grant from Western SARE, the State Farm Bureau and the Washington State Conservation Commission will host a workshop for conservation district employees and others in Ellensburg on October 23. Likewise, a Producers Workshop will be held on October 22 in Fairfield. Demers stated that pledges have been received from all eastern Washington farm bureaus, cattlemen associations, and other farm organizations to fund the October 22 event. Spokane Conservation District will pay for the room rental and provide refreshments. SCD will also assist by promoting the workshop through our network of land owners and others interested.

Chair Scheele noted that it may be appropriate for the interested parties to put together a formal resolution for the board to discuss and perhaps adopt. Then, if it’s adopted, we take resolutions to the NE Area Meeting in October. Those that pass are brought to the WACD meeting Nov 30-December 2. Those recommendations can lead to concrete legislative changes, or official internal policy changes with how we work with the WSCC or DOE. One district alone cannot change the state water quality rules. Demers countered that the contingency here today only seeks to change the SCD methods of doing business with DOE.

Carter detailed that we have always and will continue to work directly with landowners to accomplish voluntary conservation. Sometimes this means going against DOE. Our goal is to work with landowners on a voluntary basis to apply or implement best management practices. Use of DOE funding to complete a project is an option that the landowner can take or leave as they work with us.

Kim Weerts, Whitman County Cattlemen’s Association, noted that DOE funding comes with strings attached.

Demers stated that he heard SCD used assessment funding to buy land rather than help landowners. Carter immediately clarified that this is false. The SCD has never bought land. We have been interested in the past in procuring land for a conservation farm project or Veteran’s project, but nothing has come to fruition. She further stated that the land that we are able to use for developing the Vets on the Farm program was given to us to use but it has not been sold to us.

Carter recalled the Farm Bureau meeting following the DOE Meeting in Fairfield where she was told that producers want education, not DOE talks, and that they want options. Carter is excited to work with Demers on the upcoming educational workshop. However, she does not see the SCD denying DOE dollars completely because in the end, it’s the landowners’ decision to act on SCD recommendations and use or not use DOE funding to complete a given project.

Chair Scheele talked about several other programs that are support by DOE funding and the many Spokane residents who benefit from it including the On-site Septic System Financial Assistance (OSS) and Direct Seed Loan Programs. Barry Tee gave more information about the OSS program. Concluding the public comment period, Chair Scheele acknowledged that guests could stay or leave and encouraged them to visit with Tip Hudson while they are onsite together.

### **Direct Seed Loan Program**

Ty Meyer has an operating line loan request for land that is coming out of CRP. Half of it is proposed to go

back into a buffer program. The request includes a \$184,000 operating line, and has insurance at a rate of \$363,000 for the 989 acres. It would also have an equipment loan.

**Motion Miller/Shrauger that Meyer may proceed with the \$184,000 operating loan with our standard due diligence in terms of security documents. Motion carried.**

### Website

Erica Johnson showed the board the new website and explained the change in the look and navigation including the possibility of a new URL, spokaneconservation.org to help us move away from the “county” implied in sccd.org.

### Interns

Craig Nelson, a Marine Veteran, is helping Ben Peterson and Garth Davis with the booming Firewise program. He has fuels reduction experience and to be here working with the forestry department. Seth Flanders may have the opportunity to stay on and do some grant based work. William Hulings will stay on until school starts and then his schedule will change. He has done event planning with the parade season. Upcoming parade dates: September 5 in Ritzville (home to Brian Borth and the Ritzville Car Club), Deutschesfest on September 19 in Odessa, September 25 at Spokane Valley Valleyfest, and September 26-27 is the SE Valley Fair in Rockford. WSU Extension has a series of “value added” courses this fall that we will be relying on for Veteran education. We will provide scholarships to these courses for Vets. About 5 scholarships were granted to Vets for our upcoming Tree School event.

### On-site Septic System (OSS) Financial Assistance Program Update

Barry Tee reported that the OSS program is on project 46 of the year and 80 of the program life. Last year, August-October was the busiest season and we anticipate that again.

### Financial Report

Chad noted we may want to adjust the promotional materials budget and board travel budgets or review the accounts to make sure they charges are coded correctly. Staff travel is below budget. We have received 62% of our expected budget in SRF Equipment Rentals. Principal repayments from producers are ahead of projections. We have not vouchered for SRF funds yet. Greif suggests that we could back-voucher for loans issued in 2012 to put us over the single audit threshold and forcing SAO to perform a single audit for 2012 and would also result in an automatic finding from SAO. Greif likes this idea as it demonstrates the absurdity of the A-133 guidance document. Carter and Meyer further discussed the ambiguity in the interpretations in the A-133 guidance and Meyer stated that Turntine is drafting a request for clarification from SAO that will help us to ensure proper reporting in the future. The state auditor will be here tomorrow and Turntine will work with him. Turntine anticipates a good working relationship with this auditor. The total cost will be about \$17,500, with about \$10,000 specifically for the federal single audits of 2013 and 2014. We feel that having a 2013 single audit is a waste of tax payer money, not to mention the staff time involved.

## **TREASURER’S REPORT**

**Auditor Shrauger, presented the Treasurer’s Report for July, 2015.**

ACCOUNT	BEG. BALANCE	DEPOSITS	WITHDRAWALS	END BALANCE	OUTSTANDING BALANCE	ADJ. BALANCE
NW Pipeline Savings Acct	66,224.32	0	0	66,224.32	0	66,224.32
PayPal Merchant Acct	0	1,790.97	1,535.78	255.19	0	255.19
PayPal Transfer Acct	639.50	2,569.12	2,858.62	350.00	0	350.00
Bank of Fairfield Checking	351,882.34	477,945.60	671,576.47	158,251.47	27,017.81	185,269.28
Bank of Fairfield MMA	867,543.57	1,152,171.65	1,500,025.00	519,690.22	0	519,690.22
<b>LGIP</b>	<b>2,353,764.73</b>	<b>750,303.82</b>	<b>0</b>	<b>3,104,068.55</b>	<b>0</b>	<b>3,104,068.55</b>

Prior to the meeting, auditor Shrauger was not able to verify the bank statements against the balances due to time restrictions; these will be reviewed in September. Bank of Fairfield is being bought by Inland Northwest Bank and we will see if their VISA services and others will continue to meet our needs. Greif noted that only \$750,000 was transferred to LGIP once, but it didn’t process the first time so it listed twice. **Treasurer’s**

**Reports: Claims: 43302-43310, 43312-43363, Receipts: 11636-11639, 11643-11735, EFTs: 1478-1556, 1617-1625, 1628, 1633, 1635, 1640, 1643, Refunds: none, Void: 43311. Accounts Payable: \$243,978.04.**

**Motion Miller/Knopp to approve the treasurer's report with the exceptions noted. Motion carried.**

### **New Reports**

Turntine presented two documents to the board that shows outstanding invoices and outstanding loans receivables in SRF and OSS. Knopp asked for a description of our collection process. Meyer described the process our late penalties, default loan interest rate, and that we could take a hard line and go after equipment, but it is in our interest to re-amortize and keep moving forward.

### **2015 Draft Budget**

A budget form will be distributed to managers tomorrow and a draft budget will be given to the board at the September meeting. Several revisions will be made, but it needs to be approved by December.

### **NE Area Resolutions**

Discussion was held regarding the number of producers that have benefited from DOE money in a wide variety of counties through our Direct Seed Loans. Also, discussion touched on how many producers are benefited through our other DOE projects like OSS. The board is interested to know how much money the districts in the Whitman County area have received for commission on the Direct Seed Loans. We have September and October to finalize any resolutions to bring to the NE Area Meeting. We will be prepared to receive a resolution from the contingency of landowners who are here today; though it sounds like they are not interested in taking action that way.

### **Cost-share**

There are no cost-share applications to review today.

### **CLOSING OF MEETING**

#### **Correspondence and Announcements**

Carter presented the Cost Share Resolution for the fiscal year 2015 to be approved. It is the same as last year with cost shares being allowed up to 100%.

**Motion James/Shrauger to approve the cost share resolution agreement up to 100%. Motion carried.**

Carter presented the MOU with the Washington Conservation Society for \$150.

**Motion James/Shrauger to approve the Washington Conservation Society MOU and \$150 fee. Motion carried.**

Carter announced that Dave Vogel of the WACD sent a "supervisor needs assessment" form to be completed by August 31. Carter took a head count for the Rhizoterra field day. We received news from the DOE that the Morning Star Boys Ranch is going to have to pay in full for the best management practices that we installed; the total is at least \$40,000. This is due to a property ownership issue between their two boards. They may need to secure a loan to pay for this, but it can't be a DOE based loan. We received our WACD dues notice and the WACD annual meeting will be in Spokane this December. When to pay the dues will be discussed at the board planning session in August.

Miller asked about the federal audit issue. Carter relayed that our letter is now with Diana Windsor at the State Auditor's Office. She asked some questions about our loan contracts; we are formulating our response. Greif takes this as a good sign because they are open to reviewing the issue rather than keeping a hard line. Carter forwarded the letter from Diana Windsor to the board.

Miller is looking into attending a water law conference at the end of the month. He will give a report at the annual planning session. Scheele and Carter will be in Ellensburg for a WSCC meeting next week. Turntine and Carter went to the Global Leadership Summit last week. They bought the DVD to share with the staff as well. Next year it is August 11 & 12 and Carter recommends that everyone attend.

**Dates:**

- August 15: Tree School
- August: audit
- October 22: producers meeting in Fairfield with Tip Hudson
- October 23: conservation district meeting in Ellensburg regarding DOE and livestock
- October 20: WACD Area meeting in Stevens County
- November 13: Farm-A-Palouse-A featuring a Vets on the Farm track, in conjunction with the Tilth Producers Conference, November 13-15.

**READING OF THE MOTIONS**

**Motion Miller/Shrauger to accept the agenda with changes noted. Motion carried.**

**Motion Shrauger/Miller to accept the July 14, 2015 Meeting Minutes. Motion carried.**

**Motion Miller/Shrauger that Meyer may proceed with the \$184,000 operating loan with our standard due diligence in terms of security documents. Motion carried.**

**Motion Miller/Knopp to approve the treasurer's report with the exceptions noted. Motion carried.**

**Motion James/Shrauger to approve the cost share resolution agreement up to 100%. Motion carried**

**Motion James/Shrauger to approve the Washington Conservation Society MOU and \$150 fee. Motion carried.**

Meeting adjourned at 2:05pm. Respectfully submitted by: Erica Johnson

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**Jerry Scheele, Board Chair**

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**Jaki Shrauger, Auditor**