

SPOKANE CONSERVATION DISTRICT
 210 N. Havana, Spokane, WA 99202
BOARD MEETING MINUTES
 Tuesday, January 14, 2014

PRESENT

Supervisors: Jerry Scheele, Randy James, Jaki Shrauger, Tom Miller
Absent: Mary Sullivan
Associate Supervisors: Phil Small, Dixie Riddle
SCD Staff: Vicki Carter, Jilla Loan, Erica VanNatta, Jim Armstrong, Garth Davis
 Ty Meyer, Eric Choker, Pat Munts, Walt Edelen, Lindsay Chutas
Guests: Chad Greif, BIAS; Rich Edlund, NRCS; Cori Absolor, State Auditor's Office, Brad White, State Auditor's Office, Brian Werst, K & L Gates, Thad O'Sullivan, K & L Gates, Steven Munts, guest, Mike LaShaw, guest

Chair Scheele called the meeting to order at 5:30pm, presented the agenda and stated that the Auditors will be moved near the top of the agenda and the legal counsel as well.

Motion Miller/Shrauger to accept the agenda with changes presented by Chair Scheele. Motion carried.

PREVIOUS MEETING MINUTES

Minutes from the December 10, 2013 meeting had previously been distributed for review.

Motion Shrauger/Miller to accept the December 10, 2013 Meeting Minutes. Motion carried.

TREASURER'S REPORT

Acting Auditor Randy James, presented the Treasurer's Report for December 2013.

ACCOUNT	BEG. BALANCE	DEPOSITS	WITHDRAWALS	END BALANCE	OUTSTANDING BALANCE	ADJ. BALANCE
FCAAP DRG- Acct 1090	\$21,973.74	\$0	\$21,973.74	\$0	\$0	\$0
Argonne Mit. Fund	\$65,852.06	\$0	\$0	\$65,852.06	\$0	\$65,852.06
NW Pipeline Savings Acct	\$61,224.32	\$0	\$0	\$61,224.32	\$0	\$61,224.32
Columbia Bank MMA	\$1,336,216.34	\$0.72	\$1,336,217.06	\$0	\$0	\$0
Bank of Fairfield Checking	\$-251,896.93	\$1,799,000.12	\$174,520.69	\$1,372,582.50	\$63,650.59	\$1,436,233.09
Bank of Fairfield MMA	\$159,126.83	\$25.41	\$125,000.00	\$34,152.24	\$0	\$34,152.24

James presented the Treasurer's report and stated that prior to the board meeting he reviewed the bank statements with the Treasurer's Report. **December's Treasurer's Report: Receipts: 9401-9457, 9481, Claims: 41806-41860, EFTS: 2383, 2385, 2420-2431, 2446, 2465, 2471-2485, 2498-2499, Voids: none. January Accounts Payable: \$249,592.62.** Patriot Electric and Chewack Wildfire vendors were questioned and clarified.

Motion Shrauger/Miller to approve the December TREASURER'S REPORT and January Accounts Payable as presented. Motion Carried.

NEW BUSINESS / LINKAGE TO COMMUNITY

Public Comments and Introductions

On Site Septic System (OSS) Loan Program Legal Advice

Chair Scheele introduced Brian Werst and Thad O'Sullivan from K & L Gates. Werst and O'Sullivan explained that they are here to give advice on the On Site Septic System Loan Program and whether or not the district should employ a third party vendor to administer the loan program in compliance with state and federal lending laws. The truth in lending act applies to lenders who produce five or more loans per year with a home as collateral. This would apply to us and complicates our potential procedures with additional disclosures and regulations so much so that it would make the loan program too costly to start in house. O'Sullivan recommends using a third party loan administrator. If we were to run it in house, Werst recommends using loan document software that would be legally and contractually responsible to stay in compliance – but this could also be very expensive. Tom Miller, Walt Edelen, Werst and O'Sullivan talked

through some options. Vicki Carter would like to have our OSS program administration decided before February 6 when she will meet with Department of Ecology. Edelen will follow up with other entities that are performing on-site septic system loans and report back.

WA State Auditor

Chair Scheele introduced Cori Absolor and Brad White from the State Auditor's Office. Absolor issued a clean audit for 2012. Absolor looked at Contracts & Agreements, Cash Receipting, and Grant Disbursements (two state grants were sampled). The district passed each of these specific sections with a clean audit and would be issuing an unmodified opinion of the financial statements.

Department Report Review

Pat Munts distributed a Small Equipment Purchase Recommendation chart to the board. She recommended the purchase of a Harrow and several Tree Planters. Munts commented on the equipment she reviewed before making this decision. Shrauger asked Garth Davis if the "dibble" tree planter is user friendly; it is, except in rocky and gravel areas.

Motion James/Shrauger to approve the purchase of a harrow, trailer and 10 dibble style tree planter, not to exceed \$3,100. Motion Carried.

Erica VanNatta shared some early tree sale numbers with the board. A new online system is in place for taking orders and orders are ahead of last year in number of customers, but a little behind last year in number of trees sold so far. However, we are only 14 days into the sale. Jim Armstrong estimates that more than two million trees have been planted from our tree sales.

Phil Small gave some bio char information. A NRCS Conservation Innovation Grant (CIG) Proposal is in the works for Terry Morgan property. Rich Edlund commented that there is no state funding for CIG at this time, but the national fund pool is available. Small will submit the grant in the fall, and the state pool may be open at that time. Small is representing the SCD on the Spokane Food Policy Council; he helped with both of the City of Spokane Urban Agriculture ordinances.

SRF Program Update

Ty Meyer stated that the drill sale fell through last month, so we are advertising again with the same prices as before. If our new drill isn't completed and our old drill still has not sold, we will continue to use the old drill for spring seeding. We are also taking bids on the tractor until the end of January. The Direct Seed & Oilseed conference is January 20-22 in the Tri Cities and Ag Expo is Feb 4 – 6 in Spokane.

Rich Edlund commented that the upcoming CRP takeout is down by about half compared to last year. Numbers are low in part due to uncertainty surrounding the Farm Bill.

Communications and Outreach

WACD Legislative Days are January 27 and 28. Jim Armstrong has set appointments for himself, Carter and Miller to meet with almost all of our area representatives. Armstrong will complete his 31st year with the district this Thursday. Armstrong anticipates that the DOE will have several pieces of legislation targeted against them in regard to conditioning practices and more.

Water Resources

Lindsay Chutas will continue running an Irrigation Efficiency program in the Hangman watershed. She is currently looking for potential applicants. Freeman High School and Tekoa Parks are previous entities that have participated in the program.

Walt Edelen will attend the Washington State Conservation Commission meeting hosted by King County on January 16.

Natural Resource Conservation Service (NRCS)

Rich Edlund announced that the Air Quality Initiative of EQIP will be available in Spokane County; tree planting may be eligible for financial incentives. The Local Working Group meeting will be pushed back until April/May so that NRCS has last year's results to present. Direct Seed and soil conservation remain priority in EQIP funding.

GOVERNANCE CULTURE

Directors Discussion

Chair Scheele announced the board supervisor elections to be held March 11, 2014. Applications are due February 11. Carter announced that Randy James will not be running for reelection. He will begin looking for a replacement.

Ty Meyer described the contract that is drafted to have Travis Willson (T-Will Custom Direct Seed) pull our drill with his tractor to run our Direct Seed program. Our legal counsel has reviewed and approved the contract and it will be sent to the board soon. Willson's tractor is financed by the SCD. The tractor loan payment will be held in trust and come out of the payment to Willson. Willson will be at the Pacific Northwest Direct Seed Conference and Ag Expo. We are already signing farmers up for summer canola seeding. Meyer anticipates our program will be very busy from spring to fall with approximately 3,000 acres already on the books for spring.

Carter will be absent for the next scheduled board meeting and gave the board the option to move the meeting. They decided to keep the meeting as scheduled, and use Vicki on conference call or Skype as needed. The director's evaluation will be February 7. Carter has completed all but one of the employee evaluations and they have gone well. A result of recent events and employee evaluations is to create a more formal policy about keeping all grant contracts in writing and avoiding going forward (even partially) in good faith alone.

Carter informed the Board that she has signed a Master Contract with the State of Washington for purchasing. She noted that we as a conservation district do not have to use the State contract but at least have it as an option if it is advantageous to us.

Carter pointed out the reimbursement check in Accounts Payable to Ty Meyer for mileage and cell phone use. He has also invoiced us for other equipment purchases. Shop use, fuel and part hauling, tools used, lost, or stolen while on the job, totaling \$4,569. Carter asked for board approval since these are not typical reimbursement items.

Motion James/Shrauger to accept the invoice from Ty Meyer for Shop use, fuel and part hauling, tools used, lost, replaced while on the job, totaling \$4,569. Motion Carried.

Carter asked for approval from the Board to wire transfer our final payment of \$100,158.80 to CrossSlot. This is needed to complete the CrossSlot portion of our new drill purchase.

Motion Shrauger/James to approve the wire transfer of \$100,158.80 to CrossSlot. Motion Carried.

Carter collected board signatures on an updated signature card for our Bank of Fairfield accounts.

Carter informed the Board that we received our contracts from WA DOE for the Livestock and Land grant and loan program. The documents will need to be reviewed and signed. A legal opinion will need to be obtained for our attorney and the Board will have to approve a formal resolution. Carter will prepare the documents and present them at the next meeting for review and approval.

OPERATIONAL EXPECTATIONS

2013 Budget Position

Carter distributed a 2013 budget position document. We closed 2013 with a \$48,000 budget deficit in the general fund. This is a significant improvement over last year. We have \$42,000 in salary reimbursement coming from DOE; had it arrived in 2013, we would show a much smaller gap. Carter anticipates that 2014 will bring us even closer to fiscal balance.

Financial Overview

Chad Greif included the cash-flow statements in our financial report this month. The SRF fund is down \$675,000, but we are now starting to voucher to DOE to be repaid for this program. December was a net positive month. General fund was up \$57,000 in December. We have a non-performing customer that has 3 pieces of equipment that may be recalled as collateral. The value is \$160-175,000 worth of equipment, resulting in a \$40,000 loan revenue loss. Greif updated the 2013 interest revenue we gain versus the interest we pay to DOE and the total is \$190,000 income including custom Direct Seeding revenue. Greif noted that even though we may not be using DOE loan funds and making payments toward them, they are still accruing interest; he will find a way to make this accessible in future finance reports. If we were to shut our doors

today, the total employee accrual cost (vacation paid at 100% wage value, sick 25%, comp time 100%) is \$134,000. This is up from \$118,000 in 2012, \$108,000 in 2011. Employee leave policies can help decrease this liability. Scheele is interested to know the total maximum liability if everyone saved up their maximum leave time.

Employee Leave Policy

Carter gave a recap of our Employee Leave Policy discussions over the past several months. The proposed policy allows for 240 maximum leave to be paid upon leaving the district. It removes the ability for employees to sell back up to 80 hours of leave per year. The cap of 640 hours sick leave to be cashed out at 25% will remain. This is a policy that the board may like to eventually have, but they want to see three options of how to bring us to it gradually so that the 5 employees with excess of 240 hours will be treated fairly. Carter will create and bring these options to the board.

Correspondence and Announcements

- January 20-23 – Pacific Northwest Direct Seed Conference
- January 27-28 – Legislative Days in Olympia, WA
- February 2-5 NACD Meeting in Anaheim, CA
- February 4-6 – AgExpo in Spokane, WA
- February 6 – OSS with DOE in Olympia, WA
- We received our DOE contracts for the Livestock and Land program grant and loan. A resolution to approve these will be on the agenda for the next meeting.

CLOSING OF MEETING

READING OF THE MOTIONS

Motion Miller/Shrauger to accept the agenda with changes presented by Chair Scheele. Motion carried.

Motion Shrauger/Miller to accept the December 10, 2013 Meeting Minutes. Motion carried.

Motion Shrauger/Miller to approve the December TREASURER'S REPORT and January Accounts Payable as presented. Motion Carried.

Motion James/Shrauger to approve the purchase of a harrow, trailer and 10 dibble style tree planter, not to exceed \$3,100. Motion Carried.

Motion James/Shrauger to accept the invoice from Ty Meyer for Shop use, fuel and part hauling, tools used, lost, or replaced while on the job, totaling \$4,569. Motion Carried.

Motion Shrauger/James to approve the wire transfer of \$100,158.80 to CrossSlot. Motion Carried.

Meeting adjourned at 7:53 pm.
Respectfully submitted by: Erica VanNatta.

Gerald Scheele, Chair

Randy James, Vice Chair