MINUTES OF THE BOARD OF DIRECTORS MEETING FOR MOAB IRRIGATION DISTRICT #20

The Board of Directors of Moab Irrigation District #20 met in regular session at the District Office, 25805 E. Trent, Newman Lake, Washington, on January 21, 2025. The meeting was called to order at 3:00 p.m. by Chairman Ayles.

## ROLL CALL

Chairman Ayles, Directors Phelps, Peplinski, Snow and Ervin were in attendance. Others in attendance included District Manager Inch, Board Secretary Radmer, and Engineer McMulkin.

## VISITORS

## There were many visitors, although not all recorded their names on the sign-in sheet available at the entryway. Sue Fields called ahead to represent and speak on behalf of David Hardy, another customer of Moab Irrigation District.

## GENERAL BUSINESS

The Board reviewed vouchers #1303 through #1304 totaling $55,813.25. Director Phelps motioned for the vouchers to be paid; Director Snow seconded. The motion passed unanimously.

The Board reviewed the December 17, 2024, and January 9, 2025, special meeting minutes. Director Phelps motioned to approve the minutes with the following amendments: For the December 2024 meeting, add that Director Neff suggested that the Excess Water Revenues be increased for the 2025 Budget Year and add to the record that Becky Snow is the wife of Robert Snow; and for the January 9, 2025 special meeting minutes, add to the record that Julie Jernigan delivered a letter to each member of the Board and to the District Manager and enter the letter into the public record. Director Peplinski seconded the motion including the suggested amendments. The motion passed unanimously.

Financial statements for December 2024 were accepted as presented.

### ENGINEER’S REPORT

Engineer McMulkin had nothing to report at this time.

### MANAGER’S REPORT

Manager Inch presented the Lakeview Road Property Water Agreement for review. Chairman Ayles, Manager Inch, and the parties to the contract all signed the contract. The contract was notarized and submitted to the attorney for recording.

The 2025 Section 25: Statement of Rates, Fees and Charges was included in the packet and made available to the attendees. An attendee noticed a correction that needed to made to the amount listed for the 2” meter size, as the amount was incorrect.

Manager Inch did not supply his project list and instead presented his CIP Plan along with an information sheet defining the components of a rate study. He discussed the value having a rate study would provide to the district, given the most recent changes to pricing to accommodate the 2025 Budget Year. He discussed what he believes should be included in the rate study: a rate evaluation, rate/pricing structure, and updated system development charges, if needed. It will include an evaluation of usage and a financial analysis component along with an updated CIP.

Director Snow motioned to approve a project plan being developed to define the scope of work for a rate study, in advance of a rate study commencing. Director Ervin seconded the motion. The motion passed unanimously.

### ATTORNEY’S REPORT

District attorneys Carrol and Dunham were not in attendance. Manager Inch reported there were no directives from Attorney Carrol.

### SECRETARY REPORT

Secretary Radmer summarized her activities from the previous meeting in December which included: tax filings and reports to the IRS, Employment Security, L&I, WA Cares, WA Paid Family and Medical Leave, Department of Revenue. She updated the 2025 Budget and the 2025 Assessment Roll to reflect the changes from the January 9th special meeting. Numerous public records requests were made and responses were provided. Other activities included performing the onboarding activities for the two newest Board members, who have been sworn in.

Secretary Radmer provided two information sheets which included 1) *Components of a Balanced Budget* which recognizes and aims to address *all parts* of the budget: operations, reserves, debt service, and allocation(s) towards capital expenditures (CIP Plan) and 2) 2024 Actual Budget Performance noting the financial impairments Moab will bring into FY2025. She acknowledged that Moab experienced a record December for revenue collection, totaling $70,783.28. The final impairment for YE 2024 totaled $100,322.55; noting that final budget approved on January 9, 2025, Special Meeting did not recognize these financial impairments by discounting the 2025 anticipated revenues.

Secretary Radmer presented the 2025 Budget approved by the Board on January 9, 2025, referencing the changes as recorded by Manager Inch from the meeting. Director Phelps motioned to amend the 2025 Budget for Excess Water Revenue to reflect $114,000 to replace the original $87,000 that was previously projected for 2025. Director Ervin seconded the motion. The motion passed unanimously. Secretary Radmer sought clarification for two specific line items in the January 9th board approved 2025 budget:

1. *“Remove $5K ($0 remaining) from the PFML and WA Cares line item*.” She explained that 4th Quarter 2024 PFML & WA Cares premiums were paid from the 2025 budget because of the timing of the reporting allowable by ESD. This means that for FY2025, while the Board approved $0 for WA CARES/PFML line item, Moab will have a cost overrun. As of today, the amount totals $1,289.09. She further clarified how the Board would like to address the premium payments going forward. It was understood that the Board Directors and the employees will be paying the premium for these programs, beginning June 1st, 2025. Secretary Radmer communicated that three items will need to be addressed to move forward: 1) Motion for approval to change the employee manual to reflect this change 2) recognition that it will take time to adjust and modify the payroll workbooks and 3) written notification to the employees regarding the change, as it will change the tax liability for each employee. She said she would reach out to ESD for further guidance. For 2024 Annual Reporting purposes, the compensated absence liability (GASB 101), will be calculated including paid family and medical leave and WA Cares premium, along with FICA paid by Moab, since at fiscal yearend 2024, this the final 2025 budget was preceded by an earlier version.
2. *“Remove $10K from Moab Paid Health Insurance line item.”* Secretary Radmer inquired as to how the Board would like to address the financial deficiency during the interim, citing federal and state WAC, ACA, ERISA, and IRC Section 125, which requires advanced communication with employees before, during and after PEBB Open Enrollment. PEBB contract provisions and RCW 41.05.050 disable Moab’s ability to fulfill this 2025 budget decision. PEBB adjusts rates twice per year: January and July. Additionally, Moab’s Employee Policy Manual (2007) discloses that Moab will provide advanced notification to employees. It should be noted that this will change federal and state reporting, including amounts reported to the IRS causing tax implications to each employee. An employer must provide reasonable notice to the employee, should they need to change their tax forms on file with the District. This will require payroll modifications to payroll workbooks, which takes some time. Given Moab has already paid January 2025 insurance premiums and the provisions of PEBB benefit administration, any deficiencies in FY2025 for Health Care Insurance premium budget allocation will need to be paid for by Moab.

Secretary Radmer addressed the revised 2025 Tax Assessment Roll. Following a question posed by Director Peplinski to Manager Inch at the Special Meeting on January 9, 2025, she confirmed that Assessment Revenues did include amounts paid for Irrigation acres. WA State Auditor’s Office and BARS revenue recognition rules group domestic, service, irrigation, and in Moab’s case, adjustments made for uncollected excess charges into one revenue line: ***Assessment Revenue***. The total amount of the 2025 Assessment Roll is: $983,308.86, which is comprised of: $439,032.12 in domestic, $372,758.40 in administration, $119,680.79 in irrigation, and $51,837.55 in uncollected water revenues (FY2021- FY2024). The total amount is then split between two different funds: 84% to General and 16% to Bond. The final board approved rate decision, impacting the 2025 Assessment Roll, resulted in a different excise tax calculation and led to the development of new Excise Tax workbook for FY2025. As a result, this will influence the amount that was previously approved by the Board for the excise tax allocation. She advised watching budget variance over FY 2025, as it could potentially result in a cost overrun for FY 2025.

Secretary Radmer indicated that onboarding of new board members is 75% complete and that OPMA training will be sent out.

**CHAIRMAN AND/OR DIRECTOR REPORT**

Chairman Ayles opened the floor to visitor Sue Fields speaking on behalf of Dave Hardy. Mr. Hardy requested a copy of Moab’s 2015 Rate Study and all the supporting documentation. Additionally, he requested that board members waive their board per diem, in an effort to contain costs. He had an additional inquiry: “Where on the 2025 budget are financial impairments found?” Secretary Radmer indicated that Moab’s system (BIAS) isn’t like a traditional accounting system or budget software, where you would be able to itemize out what each impairment is comprised of; although she does measure that as she is performing her financial analysis in a spreadsheet and notates this impairment in BIAS next to the revenue source. She shared that the Board is accustomed to only using forms generated by BIAS. When using BIAS, the only way to acknowledge the financial impairments is in the analysis that is performed ahead of time and communicating this information to the Board. In general, this impairment should be accounted for either in revenues (generated by your rates and fees), expenditures, or in combination of both revenues and expenditures. Notes are made next to each line reflecting how you arrived at that number and why. Secretary Radmer offered to discuss and demonstrate this to Mr. Hardy at a time when it is convenient for him.

Chairman Ayles opened the floor to have a Community Concerns discussion. Director Phelps compiled and distributed a list of community concerns. Director Phelps proceeded to lead the discussion which included the following items:

***“Change the meeting time to evening allowing more working customers to attend.”***Director Snow motioned to amend the bylaws to reflect the new Board meeting time – the third Thursday beginning at 6 p.m. This motion was seconded by Director Phelps. The motion passed unanimously. The February meeting will take place on Thursday, February 20th, beginning at 6 p.m.

***“Transparency in elections and in filling Board vacancies.”***Discussion took place. Suggestions were made to include paper newsletters, communications via mail, email blasts, the use of social media and posting to message boards, Facebook etc., website posting and fliers posted in the community.

Moab customer Dave Pfiefer expressed his interest in becoming a Board Member should a vacancy occur and submitted a letter expressing his interests and offered his background and experience as why he believes he would be a viable candidate. His letter will be entered into the public record.

***“Dedicated employee to perform the following: District Insurance Coverage being shopped and self- unemployment insurance vs. state funded.”*** Manager Inch agreed to complete and report back to the Board about Business Insurance by March of 2025. Scott Inch will compare self-insured unemployment vs. state funded unemployment by February of 2025. Secretary Radmer shared that there may be a claw back provision leading to increased costs by Employment Security since Moab has never participated in the state funded program. The cost for this program is 100% funded by the District and it would add an additional expense item. Additional information will need to be sought.

***“Confusion over who actually runs the district. Chain of command.”***

Director Snow noted that the law is very clear that the directors run the district, and quoted RCW 87.03.115 for the directors’ duties and responsibilities in that regard.

Manager Inch is the District Manager. It was further clarified that each role requires a different set of skills, training, and experience, in order to perform the work and report to the various agencies the District is responsible to. In matters related to finance, accounting, budgeting, benefit administration, and reporting, Secretary Radmer is the fiscal agent on behalf of the Board, who is ultimately responsible for oversight and answerable to the State Auditor’s office for public accountability. Secretary Radmer further explained it is a necessary internal control function because it removes any conflict of interest that may exist when having to make the Board aware of a variety of financial matters which may involve the District Manager. As an example, if I were to make a monetary contribution to a health savings account benefiting the District Manager. The District Manager is protected from the appearance that he instructed her to do so. The secretary is protected because she is carrying out a financial agreement by the Board, etc.

With matters related to budget, together, the District Manager and Board Secretary (the “administration”), prepare a balanced budget using budget best practice for water utilities and known factors specific to Moab, and propose it to the Board. The proposed 2025 budget was originally presented in September 2024. In general, it is during this time the Board would seek to understand the multiple dimensions influencing the proposed budget by asking clarifying questions and deliberating. Often times, deliberation will continue through October and become solidified by November. The Board may modify the budget and deliver a new balanced budget to the administration. As a practice, a budget may not become balanced by using district reserves, as confirmed by Attorney Dunham in the December 17, 2024, meeting.

***“Exploration of becoming part of another district. Task possibly assigned to the district manager and one director.”***Secretary Radmer shared that Ben Brattabo from Spokane County reached out to her following a recent phone call she placed to the Spokane County Treasurer’s office regarding the 2025 Assessment Roll. Mr. Brattabo indicated that discussions and meetings had already been taking place with potential candidates, Water 3 being one of them. Secretary Radmer reported Mr. Brattabo inquired as to what she believed is good about Moab Irrigation. She had shared it is the first stop into Washington state before other water purveyors, Moab’s available water rights, and PFOS free water. He assured Secretary Radmer that Spokane County has Moab on their radar, especially after the recent media coverage.

***“Community concerns about having an audit by the private sector. One such person has volunteered.”***

Secretary Radmer recognized the concern and agreed the concern was warranted. She reminded the Board that she is both a public servant and a fiduciary. As such, she, like the public, is able to reach out to the State Auditors Office to report concerns. After reaching out to SAO, she learned the process SAO outlines as the additional steps the District would need to follow, one being that the audit report would need to be submitted to the SAO Auditor during Moab’s 2025 audit this fall.

Further, per SAO, “*SAO allows the reliance on the audit work performed by external auditors that contract directly with state agencies and local governments. Currently, fewer than 90 local governments utilize an outside CPA firm to conduct financial audits. Our Audit Policy 3510 – Use of External Auditor’s Work, requires the evaluation of the independence and professional reputation of the external audit firms. Additionally, we review the audit report and documentation of external firms to determine if they meet professional standards. In order to ensure audit work performed by other auditors meet professional standards, our auditors use an External Auditor Financial Statement Audit Review Checklist.”*

***“Community concern over having an updated meter book”***

Manager Inch assured the attendees that he does maintain a record of where the meters are located within the district.

**NEW BUSINESS**

## OLD BUSINESS

Secretary Radmer reminded the Board about the need for updated job descriptions for employees, as discussed earlier in the summer, since changing employee status to exempt and since they do not exist in employee files.

## ADJOURNMENT

As there was no further business, Chairman Ayles adjourned the meeting at 6:15 p.m. this 21st day of January 2025.

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Chairman Holt Ayles

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Secretary to the Board, Jeanette Radmer