

**CHEHALIS BASIN PARTNERSHIP
CBP ORGANIZATIONAL WORKING GROUP
Washington State Department of Fish and Wildlife
600 Capitol Way
Olympia, WA
March 4, 2010
9:30 AM**

Meeting Summary

MEMBERS, ALTERNATES, AND GUESTS PRESENT

Lee Napier, Grays Harbor County

Janel Spaulding, Grays Harbor College

Mark Swartout, Thurston County

Kahle Jennings, City of Centralia

Bill Schulte, Lewis County

John Penberth, Citizen, Lewis County

Valerie Gow, Puget Sound Meeting Services

Welcome & Introductions

Janel Spaulding convened the meeting at 9:40 a.m.

Discussion on Articles of Incorporation & Bylaws for CBP Non-Profit

Ms. Spaulding reported she followed up with Justin Hall with the Nisqually River Foundation and learned that a foundation can organize as a 501(c) 3 under the Internal Revenue Service.

Bill Schulte shared that Lewis County Attorney Glenn Carter advised that the bylaws and articles of incorporation for a new organization should be reviewed by an attorney and that a foundation is preferable rather than forming a non-profit organization. Lee Napier added that she also had a similar conversation with Mr. Carter. Mr. Carter described a situation that occurred with Lewis County. Apparently, a service was provided, which the county no longer wished to provide. The service included some assets, which were taken when the service organized as a non-profit. The attorney suggested the Partnership should consider assets it may be transferring to any new organization, such as intellectual assets involving logos and branding. Another recommendation is for a legal review of all paperwork associated with establishing a new entity. There are some attorneys that work with the counties that might provide pro bono services if asked.

Mr. Schulte referred to Horizons, an organization that fights world poverty. The community has to meet certain parameters to qualify for assistance. Pe Ell was selected as a community of focus and was informed of the need to establish a non-profit to receive the funding. However, Horizons wasn't aware that once a non-profit is established, it becomes a separate, legal entity. The three founding members subsequently changed the bylaws. Later, after an issue arose, Horizons discovered it no longer had any oversight over the non-profit with both organizations now separate and no longer in contact. Mr. Schulte said he contacted Bob Schroeter, who provides pro bono legal advice for non-profits. Mr. Schulte suggested contacting Mr. Schroeter who is more familiar with non-profits for assistance. It's also important to specify the rules on the control and handling of funds. As a foundation accepting funds from different sources, it's important to establish rules on how those funds are managed by the foundation for the Partnership. Ms. Napier suggested another option is specifying the role, such as assigning Grays Harbor County as the fiscal agent.

Mark Swartout asked about the articles of incorporation. It's likely once the articles are filed with the Secretary of State, they cannot be changed. The most important document for the group to review is the articles of incorporation followed by the bylaws. The goal is specifying the parameter of the functions the non-profit will perform with the group considering current actions of the Partnership, such as implementing the Detailed Implementation Plan (DIP) and future programs, projects, or actions.

John Penberth commented on the difficulty of having both organizations while maintaining them separately. He cited the analogy of a two-headed monster. To create the non-profit, there must be a board of directors, who could subsequently change the bylaws. It's difficult to comprehend how the Partnership will change from its current form to either a foundation or nonprofit.

Ms. Napier suggested the answer could pertain to the membership of the new organization. Mr. Swartout shared that there are members of the Nisqually River Foundation who are also active on the Nisqually River Council, but not necessarily as members. The Nisqually River Council is not a planning unit under the Watershed Planning Act. Instead, Nisqually has a Nisqually Watershed Planning Unit, which is a subcommittee to the Nisqually River Council. Currently, the members are discussing the possibility of a foundation providing the financial support for the planning unit.

Ms. Napier suggested the possibility of having a brainstorming session on what role the new organization will serve and then breaking down the functions. For example, there needs to be a planning unit and Grays Harbor County could continue serving as the fiscal agent until otherwise changed.

John Penberth said typically, a board of directors is not compensated. There should be two separate entities. If the foundation is handling the funds, there must be a support system in place, such as grant writers, accounting staff, and staff for fundraising. The foundation comprised of a three-member board has the exclusive goal of raising funds and disbursing funds to the CBP. There would need to be two separate entities working together rather than a joint organization.

Mr. Schulte cited the example of the Centralia Community College, which has a foundation for raising funds for the college. That's what the CBP is seeking, a foundation that raises funds to continue the work of the CBP.

Kahle Jennings offered the suggestion of having the articles of incorporation specify that the board members of the foundation must be members of the CBP. Mr. Schulte commented that it may not be possible to specify such a requirement, but it may be possible to specify that members of the foundation must join the CBP.

Mr. Swartout said another consideration is contracting especially government contracting and specific requirements for a government sponsor of a grant. For government funds, the nonprofit must have a contractual agreement with another government agency.

Discussion followed on the types of foundation boards and whether CBP owns any property through some of its completed projects. Ms. Napier explained that although the CBP recommended projects to fund to the Salmon Recovery Funding Board (SRFB), once those projects were funded by the SRFB, the Partnership was no longer involved in the process. The CBP's role was facilitating the process.

Mr. Penberth questioned the amount of funds necessary to maintain the operation. The foundation will also need funds and access to funds for fundraising activities, which involves socializing and other expenses. It's important to know how much money the Partnership has expended since its inception.

Members discussed IRS filing requirements for nonprofits, which can entail a complicated process. From the day the organization forms, the new organization must be organized and ready to file IRS required forms. Funding triggers the requirement for filing. Tracking the expenditure of funds is also necessary. Mr. Swartout noted that most of the transactions involving the CBP and Grays Harbor County could be under some contractual agreement with the foundation except for funds received from other foundations through

fundraising efforts. Mr. Schulte cited the example of the City of Centralia and Lewis County working with the Chehalis Basin Land Trust on Discovery Trail. Although Lewis County completed much of the work, the City administered the grants. In some cases, nonprofits can apply for grants.

Mr. Swartout said another opportunity could involve the foundation receiving funds from Partnership members. For example, Mark White, with the Chehalis Tribe, has the authority annually to contribute funds to nonprofits. Those discussions are currently underway and could be another revenue source.

Members discussed the purpose of the foundation, which is to raise funds for the Partnership. The foundation banks the money until the Partnership needs funds for projects. The foundation will also incur operating and legal expenses as well. Mr. Schulte noted that funds donated to a foundation usually incur some stipulations in how the funds are spent, which will require account categories and tracking mechanisms. The purpose for a legal review is to ensure that once the foundation is established, legal problems are not encountered later on.

Ms. Napier acknowledged the importance of obtaining more information on how much funding the Partnership has received and spent. For the foundation to be successful in fundraising activities, it will need to know the different categories of need. The Partnership's functions include implementing the DIP and other watershed planning activities and working as a citizen's committee on salmon projects. Mr. Schulte commented that the Partnership's functions include special studies, special projects, salmon recovery, restoration, and a general fund. The most difficulty encountered by a foundation is raising funds for the general fund. It's easier to raise funds for specific projects. It's important to convey the mission, the projects, and its structure to ensure it can raise the funds.

Mr. Jennings suggested obtaining several copies of other articles of incorporation and bylaws from existing foundations to provide some examples and to help define the relationship. The mission of the foundation may be as general as stating that the purpose of the foundation is to implement the Chehalis Basin Watershed Management Plan and fisheries restoration. Mr. Jennings suggested the purpose of the organization within the bylaws shouldn't be too specific in the event legislation changes the role or purpose of the CBP.

Mr. Penberth said another question is how green the organization will focus as many people will want to contribute but only for specific things. Ms. Napier said it's likely the organization will be as "green" as the opportunities allow financially and the willingness of partners to participate. Mr. Swartout said another area of focus within the watershed plan is keeping forestry and agriculture uses within the basin. The focus may not only be green but involve efforts with farmers to employ conservation efforts through irrigation methods. Depending on the opportunities for funding and the details of the DIP and the Partnership's goals, there may be an account for agriculture and forestry efforts.

Members discussed whether the various accounts must be established as a component of the bylaws.

Members reviewed the purpose statement. Mr. Schulte suggested the Purpose statement within the bylaws should state, "The purpose of the Chehalis Basin Foundation non-profit organization is to generate and provide funds and resources for the implementation of the Chehalis Basin Watershed Management Plan, Detailed Implementation Plan, and Habitat Work Plan in accordance with the Chehalis Basin Partnership's mission and vision statements."

Mr. Jennings suggested avoiding too much specificity within the purpose statement in the event groups approach the Partnership that may want to focus only on wildlife habitat. He offered the suggestion of including enough flexibility to accommodate those types of projects. Mr. Schulte offered that in those

instances those groups could be referred to other organizations with those objectives. Mr. Swartout added that with the formation of the foundation, it will add to existing organizations already formed within the basin as well.

Discussion followed on the state of the economy and potential impacts for attracting board members to undertake the work involved in the administering the foundation. Mr. Schulte shared that the college foundation includes three paid staff members. The foundation's purpose is purely fundraising. It's fairly easy to attract a social group who believe in a cause who then can attract their friends to donate. Private foundations are required to donate a minimum of 5% annually. There is a constant stream of money available, but dedicated staff will be required to secure those funds through fundraising efforts.

Mr. Swartout reviewed the Partnership's mission statement, which state, "The mission of the Chehalis Basin Partnership is to coordinate local, tribal, state, federal, and private efforts to reduce the effects of flooding, enhance fish resources, improve recreational opportunities, protect and restore water quality, protect surface water flow and groundwater resources, and recognize beneficial human uses of surface and ground water, while at all times recognizing the relationship of these issue to the economic health and sustainability of the basin."

Members discussed other sources of funding, such as third-party settlements from court cases involving the environment, NPDES permit violations, and wastewater lawsuits.

Mr. Swartout shared information on salmon recovery efforts in the Hood Canal and various sources of funding used by the Hood Canal Coordinating Council. The Council began as an interlocal agreement with each participating jurisdiction donating funds. The Council then created a non-profit with members of the Council as the board members. Now, there are efforts to separate the two similar to the Nisqually River Foundation.

Mr. Penberth recommended the introductory letter to CBP members should include a request to contribute funding to help initiate the foundation.

Mr. Schulte reported he participated in training for foundations. It's important to have a group of like-minded people who know the Partnership and follow the Partnership's efforts. There has to be a clear mission that is marketable to secure donations. The foundation will need a secure office as well. Members discussed the need for a registered agent.

Members discussed funding from the Legislature. Mr. Swartout said that at this time it's unknown whether the Legislature has cut funding to the Partnership.

Mr. Jennings said fundamentally, the objective is to establish an organization to raise funds to support the mission of the CBP. The issue is figuring how to facilitate setting up the structure.

Mr. Schulte suggested the articles of incorporation should name the corporation as Chehalis Basin Foundation. Under Article 4, the first paragraph should state, "The corporation is organized and shall be operated exclusively for fundraising in support of Chehalis Basin Partnership's scientific, educational, and charitable purposes..." He suggested that throughout the document where the CBP Watershed Management Plan and DIP are referenced, including as well, the CBP's mission and vision statements because those two statements include everything the Partnership is about.

Members discussed the makeup of the board and desired experience and skill sets. Mr. Schulte suggested the board's skill set should include accountants, fundraisers, and marketing. Additionally, it's important to attract people who are wealthy and can contribute. New board members should donate to the foundation as well. Mr. Schulte stressed the importance of finding at least three people who believe in the mission of the Partnership and ask them to serve on the board.

Members agreed the discussion was beneficial and clarified the direction. They discussed next steps and assignments:

- Obtain copies of articles of incorporation and bylaws for the Centralia College Foundation – Bill Schulte
- Visit the Secretary of State Office regarding the degree of detail within the articles – Kahle Jennings
- Contact Bob Schroeter for pro bono services – Bill Schulte to contact to schedule a meeting with Janel Spaulding
- Obtain copies of the articles of incorporation and bylaws from the Chehalis Basin Fisheries Task Force, Hood Canal Coordinating Council, and Grays Harbor College Foundation – Janel Spaulding
- Draft a transition letter for the Partnership on next steps for creating the foundation – Lee Napier
- Begin developing a list of potential board members with skill sets. Consider marketing expertise from the Chehalis Tribe involved either with the casino and hotel or Great Wolf Lodge. The goal is to find sources of funding. The Tribe may be an initial source for funds.
- Provide a report on progress to the Partnership – Janel Spaulding/Lee Napier

Mr. Swartout suggested that during the legal review, it will be important to discuss how to incorporate the mission statement within the articles of incorporation and how to address the specificity issue.

Mr. Schulte referred to the potential of available office space at the old courthouse that could be donated by Lewis County for an initial period. The building currently houses other groups.

Discussion followed on whether to incorporate the suggested changes within the documents. Mr. Schulte recommended making the suggested changes to the articles of incorporation and within the purpose statement of the bylaws.

Members discussed timing for establishing the non-profit based on available funding. Ms. Napier shared information on her involvement in various related projects and studies.

Mr. Schulte shared some details of his personal and professional background as well as his interest in a basin-wide solution to help mitigate future flooding events.

Adjournment

With there being no further business, the meeting was adjourned at 11:15 a.m.