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**SEAL ROCK WATER DISTRICT**  
**Regular Board Meeting**  
**Thursday, March 14, 2019 @ 4:00 pm**  
**1037 NW Grebe Street, Seal Rock 97376**

**1. Call Regular Meeting to Order:**

**2. Announcements/Visitor Public Comments:**

*Public comment period provides the public with an opportunity to address the Commissioners regarding Items on the agenda. Please limit comments to (10) minutes.*

**3. Customer Portal Presentation**

Presented by: Trish Karlsen & Brendi Hargrove

**4. Consent Calendar:**

*Managers' reports included under consent calendar are an executive summary provided to Commissioners as an update of system conditions, projects, and programs. Management welcomes your feedback and request for more detailed information regarding any item before or during the meeting:*

- |                                       |                       |
|---------------------------------------|-----------------------|
| • Invoice List                        | February/March – 2019 |
| • Board Meeting Minutes               | February 14, 2019     |
| • Financial Report / Approve Invoices | February/March – 2019 |
| • USDA Project Monitoring Report #41  | March 2019            |
| • General Manager's Monthly Report    | February/March – 2019 |

**5. Discussion and Information Items:**

- Consider Proposed Corrected Wholesale Water Rate Adjustment/Settlement Agreement.  
Presented by: Adam Denlinger, General Manager
- Consider refinancing Cashmere Valley Bank borrowing with GO Bond Proceeds.  
Presented by: Adam Denlinger, General Manager

**6. Decision Items:**

- Consider June 30, 2018 Final Audit Report.  
Presented by: Joy King, Office Manager
- Consider Auditor Audit Engagement Letter.  
Presented by: Adam Denlinger, General Manager
- Consider Bond Counsel Engagement Letters.  
Presented by: Adam Denlinger, General Manager
- Consider GSI Scope of work for continued streamflow monitoring.  
Presented by: Adam Denlinger, General Manager

**7. Reports, Comments and Correspondence:**

- Budget Committee Meeting April 18, 2019 at 6:00 p.m.
- Water Management Conservation Plan Progress Report

**8. Executive Session: according to ORS 192.660(2), Concerning:**

- (e) To deliberate with persons designated by the governing body with regards to sale/purchase of real property.

**9. Adjournment: Next Meeting: April 11, 2019 @ 4:00 p.m. Regular Board Meeting or establish date.**

**ORIGINAL**

Report Criteria:  
Detail report.  
Invoices with totals above \$0 included.  
Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
<b>01-1310</b>						
TOBY KRUSE	021419	Refund Overpayment	02/14/2019	42.09	.00	
Total 01-1310:				42.09	.00	
<b>01-5290</b>						
NEWPORT NEWS-TIMES	021819	Yearly Subscription Renewal	02/18/2019	95.00	.00	
Total 01-5290:				95.00	.00	
<b>01-5310</b>						
SECRETARY OF STATE	063018	Audit Filing Fee	06/30/2018	250.00	.00	
Total 01-5310:				250.00	.00	
<b>01-5610</b>						
CENTRAL LINCOLN P.U.D.	022019	Utility Services x 15	02/20/2019	2,999.52	.00	
Total 01-5610:				2,999.52	.00	
<b>01-5634</b>						
ANALYTICAL LABORATORY GR	112673	Coliform, Presence/Absence by S	02/15/2019	45.00	.00	
Total 01-5634:				45.00	.00	
Grand Totals:				3,431.61	.00	

Dated: FEB, 25, 2019

General Manager: A. Nunn

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

**ORIGINAL**

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included.
- Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
<b>01-5291</b>						
US POSTAL SERVICE - WALDP	022219	Bulk Mailing including 2 fliers re: c	02/22/2019	1,230.31	.00	
Total 01-5291:				1,230.31	.00	
Grand Totals:				1,230.31	.00	

Dated: FEB-22-2019

General Manager: *A. [Signature]*

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

ORIGINAL

Report Criteria:

- Detail report.
- Invoices with totals above \$0 included
- Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
<b>01-5064</b>						
GLEN MORRIS	112	Stipend	03/14/2019	50.00	.00	
JOHN GARCIA	110	Stipend	03/14/2019	50.00	.00	
KAREN OTTA	28	Stipend	03/14/2019	50.00	.00	
ROB MILLS	111	Stipend	03/14/2019	50.00	.00	
SAUNDRA MIES-GRANTHAM	111	Stipend	03/14/2019	50.00	.00	
Total 01-5064:				250.00	.00	
Grand Totals:				250.00	.00	

Dated: MARCH 11, 2019

General Manager: A. [Signature]

Dated: \_\_\_\_\_

Treasurer: \_\_\_\_\_

[Signature]

**SEAL ROCK WATER DISTRICT**  
**MINUTES OF THE Regular Board Meeting**  
**February 14, 2019**

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6 Call Regular  
7 Board Meeting: President John Garcia called the regular board meeting to order at 4:00 p.m., Thursday,  
8 February 14, 2019.  
9  
10 Present: President John Garcia; Commissioner Glen Morris, Treasurer; Commissioner Rob Mills,  
11 member; Commissioner Karen Otta, Member. Staff: Adam Denlinger, General Manager; Joy  
12 King, Office Manager. See sign in sheet for public attendance.  
13  
14 Excused Absences: Commissioner Sandra Mies-Grantham; Secretary  
15  
16 Announcements: Commissioner Karen Otta will not be able to attend the March Board meeting.  
17  
18 Public Comments: None  
19  
20  
21 Agenda Calendar: Items on the consent calendar are Invoice Lists for January/February 2019;  
22 January 10, 2019 Board Meeting Minutes; January/February 2019 Financial Report/Invoices  
23 to approve; USDA Project Monitoring Report No. 40; and General Manager's Report.  
24 Commissioner Glen Morris motioned to approve the Consent Calendar. Motion was  
25 seconded by commissioner Rob Mills. Motion carried 4 – 0.  
26 Discussion and  
27 Information Items:  
28 Primary Source Water: The recent federal shut down that lasted 34 days had an unintended impact on the Beaver  
29 Creek Source Water Project. USDA and National Marine and Fisheries Services (NMFS)  
30 were in consultation process when the federal government shut down and reopened on  
31 January 28. The approval process of the Biological Assessment (BA) by NMFS is 6 weeks  
32 behind schedule. It will be farther behind as the BA has to go through 2 legal review  
33 processes before a Biological Opinion (BiOp) will be issued. Staff is working with the  
34 engineers to complete 90% of the project final design and working on obtaining permits from  
35 local and state agencies- Lincoln County Planning and Department of State Lands (DSL).  
36 Once NMFS issues the BiOp, USDA will then issue a Letter of Condition obligating funds for  
37 the SRWD Phase 4 Project. The District can then engage Bond Counsel to start the process  
38 to obtain an interim financing. The engineers are working on the Bid documents.  
39 District consultants are concerned about the project schedule delay to meet the in-water work  
40 period. This delay could push the project into another year.  
41  
42 Adam Denlinger, GM met with IFA staff in Salem and joined by phone were Holly Halligan,  
43 USDA Representative, David Ulbricht, SDAO Financial Advisor and Joy King, SRWD staff to  
44 discuss the project delay caused by the recent federal government shut down. IFA who is  
45 funding part of Phase 4 project is willing to adjust the funding schedule. If USDA funding  
46 doesn't go through, IFA might fund the whole project.  
47  
48 Audit Report: Joy King, Office Manager updated the Board regarding the draft audit report that was emailed  
49 to each Board Member for review and comments. The filing of the audit report has been  
50 delayed related to new compliance requirements by GASB and the State Audit Division for  
51 the auditors. Staff will complete the MD&A and will turn that over to the auditor no later than  
52 February 25, 2019. Comments on the draft audit should be emailed to the office before Feb  
53 25.  
54 Whole Sale Water  
55 Rate: In December, the District received information from the City of Toledo that there will be a  
56 reduction of whole sale rate from \$3.40 to \$3.24 per one thousand gallons beginning  
57 January 1. That rate was adopted by Resolution by the City Council. On January 28, the  
58 District received a letter via email from the Public Works Director, as Notice of User Rate  
59 Correction for Calendar Year 2019, due to using incorrect data in the past calculation. The  
60 corrected rate is \$3.89 per one thousand gallons.  
61 On February 4, 2019 District staff, Adam Denlinger and Joy King and commissioners, Rob  
62 Mills and Sandra Mies-Grantham with the District's legal counsel met with City of Toledo  
63 representatives to discuss the proposed action to revise the wholesale rate. The information  
64 provided for Board review includes string of emails, proposed action by the City to adjust the

65 rate after discovering that the recently adopted wholesale rate to the District was 6  
66 miscalculated back in December 2018. The GM has been in discussion with the District's 6  
67 legal counsel regarding the need to enter into a Settlement Agreement just like last year due  
68 to not receiving the rate adjustment in a given time contained in the contract. District staff  
69 recommended to include in the Settlement Agreement adjusting the rate for Jan 2020, and to  
70 include language for the City to provide the District with continued source water beyond the  
71 October 2020 termination period. It was agreed by the group to settle the rate beginning May  
72 1, 2019 and for the City PW Director to present the proposed Settlement Agreement drafted  
73 by the District's legal counsel to their City Council for review and approval. It was agreed to  
74 continue the discussion regarding the rate for Jan 2020 and the rate for continued source  
75 water beyond October 2020. The next group meeting is set for February 19, 2019 at City of  
76 Toledo at 11 a.m.

77  
78 Decision Items: None

79  
80 Reports & Comments: The GM will attend the OAWU Annual Management & Technical Conference on March 4 thru  
81 8, 2019 in Sunriver. The District office will be closed on February 18, 2019 in observance of  
82 Presidents Day.

83 The District was approached by the City of Newport Airport regarding their needs of fire flow.  
84 The completed 98<sup>th</sup> Street line improvement through Emery's property was done to improve  
85 fire flow but the system was not performing to its expected fire flow capacity. Field crew  
86 started investigating the new 98<sup>th</sup> Street waterline and flushed in different sections and found  
87 and removed a 4x2 wood trapped in the meter screen. Removing that obstruction improved  
88 the hydraulic of the system and produced the expected fire flow. The higher volume of water  
89 caused leaks in the Surfland area where the waterline is old and fragile. The GM  
90 recommended to replace that aging section of waterline.

91  
92 Adjournment: Commissioner Glen Morris motioned to adjourn the meeting. President John Garcia  
93 adjourned the meeting at 5:20 p.m.

94  
95 Next Board Meeting: March 14, 2018 at 4:00 p.m. Regular Board Meeting.  
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100  
101  
102  
103 Approved by Secretary

Date

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104

Monthly Statistics		Comments		
Total customers	2566	Includes new connection Less Abandoned / Forfeited meter plus 3 SRWD meters (shop X 2 & office) plus 1 Hydrant meter		
New connections	2			
Reinstalls	0			
Abandonments / Forfeitures / Meter Removed	0			

Financial Report	Checking/MM	LGIP/PFMMA	Fund Balances	Comments
General	\$258,153.95	\$16,861.34	\$275,015.29	
Bond	\$745,391.02	\$0.00	\$745,391.02	
Capital Projects	\$151,525.67	\$344,297.99	\$495,823.66	\$2,691,821.79 G.O. Bond Proceeds;
Revenue Bond	\$2,713.73	\$37,911.91	\$40,625.64	
Rural Development Reserve	\$0.00	\$50,546.46	\$50,546.46	
Dist. Office/Shop Reserve	\$2,524.58	\$137,382.56	\$139,907.14	
Depreciation Reserve	\$0.00	\$140,559.37	\$140,559.37	
SDC (formerly SIP)	\$0.00	\$377,949.07	\$377,949.07	\$889,405.50 SDC collections thru 2/28/19
Water Source Improvement Rsrv	\$0.00	\$873,329.63	\$873,329.63	
<b>TOTALS</b>	<b>\$1,160,308.95</b>	<b>\$1,978,838.33</b>	<b>\$3,139,147.28</b>	

General Fund Review	Current	FYTD	Budgeted Amount	Comments
Revenue	\$143,355.00	1,366,031.76	\$2,533,700.00	
Expenses	\$144,788.44	1,344,444.52	\$2,533,700.00	Contingency \$100,000; Transfers \$540,000. Total expenses budgeted \$1,893,700.
Net Gain or (Loss) from Operations	-\$1,433.44	\$21,587.24		

Water Sales Revenue Comparison	Month	FYTD	Comments
Projected Water Sales	\$143,003	\$1,190,220	Leak Adjustments & Billings Adjustments (YTD = July - June)
Actual + In Lieu of Water Sales Less H2O CR	\$137,385	\$1,234,019	Less: Billing Adj YTD -\$102.56; Leak Adj YTD \$1407.33
Over or (Under)	-\$5,617.84	\$43,799.28	TOTAL YTD ADJUSTMENTS \$1,304.77

Gallage Comparison	Current	Prior Year	Cost Comparison	Current	Prior Year
Gallons Purchased	7,968,000	5,785,000	Toledo Charges	\$25,816.30	\$19,575.70
Gallons Sold (includes accountable loss)	6,524,013	7,570,823	SRWD Sales	\$132,384.66	\$142,862.45
Variance %	18.12%	-30.87%	Ratio: Sales/Cost	5.13	7.30
Accountable Water Loss (gallons)	725,000		City of Newport Intertie Usage	0	

Approval To Pay Bills	Payroll 2/1/19 \$20,192.16	Payroll 2/15/19 \$19,798.99
Month of:	February (after meetings)	March
GF A/P	\$4,661.92	GF A/P \$42,245.56 up to 3/6/19
CPF A/P	\$0.00	CPF A/P \$0.00
City of Toledo	\$0.00	City of Toledo \$0.00
Bond Fund	\$0.00	Bond / Rev Bond Fund \$0.00
Depreciation Rsv	\$0.00	Depreciation Rsv \$0.00
AMI Project-Phase 3	\$0.00	AMI Project-Phase 3 \$0.00
Master Plan - Phase 3	\$0.00	Master Plan - Phase 3 \$0.00
MP - Phase 4 (IFA)	\$0.00	MP - Phase 4 (IFA) \$292,368.45
Prelim. MP- Phase 4	\$0.00	Prelim. MP- Phase 4 \$13,516.00
Water Source Impr.	\$0.00	Water Source Impr. \$0.00

Monthly Accrual Statistics	Beg. Balance	Accrued	Used/Paid	Balance
	1/31/2019			2/28/2019
Office Overtime Hours (2-01)	0.00	0.00	0.00	0.00
Field Overtime Hours (2-02)	0.00	4.00	4.00	0.00
PTO (3-01)	1907.15	121.86	18.25	2010.76
Comp Time (9-01 / 9-02)	110.01	29.63	24.25	115.39

**Project Monitoring Report**

Type of Request Final  Partial

Report Number 41

With Exhibit A and Invoices

Borrower: SEAL ROCK WATER DISTRICT

Date: 02/01/19-02/28/19

Address: P. O. Box 190 Seal Rock, Oregon 97376

**BUDGET ITEMS**

**STATUS**

**OF**

**BUDGET**

All entries under column b must

PROGRAMS

FUNCTIONS

ACTIVITIES

be justified with an attachment.

All entries under column e must

be documented with attached invoice.

	(a) Budgeted Amounts	(b) Budget Change	(c) Revised Budget	(d) Previous Total	(e) This Period	(d)+(e) TOTAL	
a. Administrative Expense- Preliminary		\$5,153	\$5,153	\$5,153		\$5,153	\$0
b. Preliminary Engineering- ER/PER		\$498,108	\$498,108	\$498,108		\$498,108	\$0
c. Geotechnical Studies				\$0		\$0	\$0
d. Land, Structures, Right-of-way				\$0		\$0	\$0
e. Civil West Engineering				\$0		\$0	\$0
1) Basic Engineering Svcs	\$563,763	(\$519,763)	\$44,000	\$44,000		\$44,000	(\$0)
2) Additional Services/Inspection	\$402,688	(\$62,099)	\$340,589	\$340,589		\$340,589	\$0
f. Other Engineering				\$0		\$0	\$0
1) AMI Engineering Services -Civil West		\$197,662	\$197,662	\$167,467	\$804	\$168,271	\$29,391
2) Additional Services				\$0		\$0	\$0
g. Interest & fees (interim financing)	\$210,000	(\$152,807)	\$57,193	\$57,193		\$57,193	\$0
h. Legal/Administration	\$201,344	(\$155,153)	\$46,191	\$41,908		\$41,908	\$4,283
i. Contingencies	\$595,375	(\$554,034)	\$41,341	\$0		\$0	\$41,341
j. Equipment	\$395,000	(\$385,270)	\$9,730	\$9,730		\$9,730	\$0
k. Demolition/Removal	\$365,000	(\$365,000)		\$0		\$0	\$0
l. Site Work	\$369,600	(\$369,600)		\$0		\$0	\$0
m. Construction Cost :	\$2,897,275	\$365,518		\$0		\$0	\$0
1) Sched: 1		(\$32,322)	\$960,871	\$960,871		\$960,871	\$0
2) Sched: 2		(\$26,111)	\$2,243,489	\$2,243,489		\$2,243,489	\$0
3) Other: B Creek-Electrical Work PUD		\$3,113	\$3,113	\$3,113		\$3,113	\$0
4) Other:SCADA-The Automation Group		\$29,112	\$29,112	\$29,112		\$29,112	\$0
5) AMI Project		\$1,363,901	\$1,363,901	\$1,363,901		\$1,363,901	(\$0)
6) AMI Project- Other Equipment		\$25,000	\$25,000	\$20,217		\$20,217	\$4,783
7) Schedule 2 - PRVs Project		\$134,592	\$134,592	\$0		\$0	\$134,592
n. TOTAL PROJECT COST	\$6,000,045	\$0	\$6,000,045	\$5,784,851	\$804	\$5,785,655	\$214,390
o. Funding Allocation							
1) Program Income= INTEREST			\$0	\$0		\$0	
2) Rural Development Loan	\$3,451,000		\$3,451,000	\$3,451,000		\$3,451,000	
3) Rural Development Grant	\$2,549,045		\$2,549,045	\$2,333,851	\$804	\$2,334,655	\$214,390
4) Other: DISTRICT CONTRIBUTION			\$0	\$0		\$0	
5) Other:Interim Financing Loan	\$3,451,000		\$3,451,000	\$3,451,000		\$3,451,000	\$0
p. Total Project Funding (=line l)	\$6,000,045		\$6,000,045	\$5,784,851	\$804	\$5,785,655	\$214,390
q. Percentage of Completion				96.41%		96.43%	

**5. CERTIFICATION**

I certify that; to the best of my knowledge and belief, the billed costs or disbursements shown are in accordance with the terms of the project and that an inspection has been performed and all work is in accordance with the terms of the construction contract.

<b>BORROWER:</b>	Signature of Authorized Certifying Official: _____	Date Submitted: _____
	Typed or Printed Name and Title: Adam Denlinger, General Manager	Telephone: 541-563-3529

**6. RURAL DEVELOPMENT ACCEPTANCE**

This form and attachments have been reviewed and are accepted by Rural Development, unless otherwise noted. This review and acceptance by Rural Development does not attest to the correctness of the amounts, the quantities shown, or that the work has been performed under the terms of the agreements or contracts.

<b>RURAL DEVELOPMENT</b>	Signature of Authorized Certifying Official: _____	Date Submitted: _____
	Typed or Printed Name and Title: Holly Halligan, USDA Area Specialist	Telephone: _____





PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376  
Phone: 541.563.3529 · FAX 541.563.4246 · Email: [info@srwd.org](mailto:info@srwd.org)

## Seal Rock Water District

General Manager's Report:  
Board Meeting March 14, 2019

*This report is an executive summary provided with this Board agenda to Commissioners with recommended actions if any. Detailed information, staff reports, and supporting materials are provided within the full agenda packet.*

### PHASE-4 SOURCE WATER PROJECT:

Significant delays as a result of the Federal Shutdown are placing pressure on the project schedule. Several time sensitive items are being delayed causing the district to risk the in-water work period generally scheduled for July 1, 2019. District staff and engineer are working with representatives from Oregon Department of State Lands (DSL) in a preparation for extending the in-water work period before permit approval. Consultants and USDA-RD continue to work with representatives from National Marine Fisheries Services (NMFS) a division of NOAA in an effort to complete the Biological Opinion (BiOp) originally expected in early January. However, due to the 38-day Federal Shutdown a significant delay is now expected before the District receives the completed BiOp, a BiOp is expected by mid March 2019. This delay has the unintended impact to affect some time sensitive items. While there are no official details from NMFS regarding any conditions that might be placed on the project, it sounds like there isn't anything major that would alter project design. Other permitting updates:

On January 28, 2019 after federal offices opened District staff and engineers immediately began corresponding with USDA-RD in preparation for the release of the BiOp. District staff continues to work with representatives from multiple State, Local and Federal agencies to provide additional information in an effort to expedite the review process. Phase-4 improvements project continues to move forward with several critical path tasks currently in progress:

- Staff is working with the engineering team to provide additional modifications for the completion of the 90% final design.
- 90% final design and contract documents are being reviewed by the States USDA-RD engineer.
- District staff and representatives with USDA-RD are reviewing final finance information to satisfy USDA underwriting.
- Staff is also working with representatives from USDA-RD, the Districts finance consultant, and Bond Council to discuss Phase-4 funding options.

### • WATER RATE RECALCULATION, SETTLEMENT AGREEMENT WITH CITY OF TOLEDO:

District staff and Commissioners have meet with Toledo Staff and City Counselors to discuss settlement agreement regarding recalculated rate. The Water Purchase Agreement between the City of Toledo and Seal Rock Water District, effective December 21, 2012, sets forth the procedure for water rate adjustments. Section 6.1.3 requires the City to evaluate the annual costs of delivering water to the District based on audited statements of these costs. That section requires the City to provide a trial balance of the audit on or before

*Seal Rock Water District is an Equal Opportunity Service Provider and Employer.*

Adam Denlinger, General Manager

[adenlinger@srwd.org](mailto:adenlinger@srwd.org)

[www.srwd.org](http://www.srwd.org)

October 1 of each year, and to provide a copy of the completed audit on or before January 1 of each year. The rate increase under this provision was approved by City Council on December 5, 2018 through a resolution effective on January 1, 2019.

On January 28, 2019, the District received an email from Toledo with several attachments related to a potential water rate increase for the District. That email letter dated January 28, 2019, advised of an intent to submit to the City Council on February 6, 2019, a "Request for Council Action" to raise the water rate to be charged to the District effective March 1, 2019. In response to that email and the proposed action, the District convened a meeting with Toledo representatives to discuss an offer to settle the legal issues raised by this proposed action.

The purpose of this meeting was to commence settlement alternatives to be presented to our respective governmental bodies. Among settlement provisions, settlement proposal would be an agreement for the City to continue to provide the District with emergency source water beyond the scheduled termination date. That agreement could be mutual, upon completion of the District's primary source water supply system.

As a result, representatives of the City and the District met on February 5<sup>th</sup> and February 19<sup>th</sup>, 2019 to discuss possible settlement as it relates to the recalculated rate. The City seemed intent on adopting the revised rate and unwilling to discuss anything other than settling the rate as soon as possible. A tentative agreement was proposed with the understanding that any decision for approval was subject to adoption by the respective governing bodies.

On February 25, 2019 the District submitted a settlement option to the City for consideration, however, the City chose not to include this option to Council at the February 27, 2019 Council Work Session. While the District did not present the revised settlement option on February 25, 2019, it was recommended by the District that this language be considered in ongoing discussions to develop a successor agreement through a series of meetings with the joint working group beginning March 12, 2019, starting in Toledo. The Public Works Director and the Seal Rock Water District General Manager also met for lunch on March 1, 2019 to initiate preliminary discussions related to the draft successor agreement and potentially provide a revised agreement for consideration and discussion at the March 12<sup>th</sup> joint meeting.

- **FIVE YEAR WATER MANAGEMENT AND CONSERVATION PLAN UPDATE:**

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With support of District staff, GSI Water Solutions completed the Water Management and Conservation Plan (WMCP) Progress Report. This WMCP progress report fulfills the requirement in the Final Order approving SRWD's 2014 WMCP (issued by the Oregon Water Resources Department on May 14, 2014) to submit a 5-year WMCP progress report and it contains the information required under OAR 690-086-0120(4).

The progress report contains eight exhibits that provide updates on SRWD's water management and conservation efforts:

**Exhibit 1** describes SRWD's progress addressing the 5-year water management and conservation benchmarks included in the 2014 WMCP. The highlights of SRWD's water conservation efforts over the past five years were the replacement of 61,360 linear feet of pipeline from 2014 through 2016 and the installation of an Advanced Metering Integration (AMI) system in August 2018. The pipeline replacement resolved major pipeline leakage issues. AMI improves accounting by better aligning demand and consumption data, allows for faster leak detection, improves billing accuracy with installation of the new meters, and enables customers to access daily water use information so they can improve their water conservation efforts. The United States Department of Agriculture (USDA) Rural Development, through its Water and Waste Disposal Loan and Grant Program, provided

SRWD with \$5.5 million for water line replacement projects and \$1.5 million for the AMI project. SRWD received the Outstanding Special District Program Award for Advanced Metering Integration (AMI) from the Special Districts Association of Oregon in February 2019 for its AMI project.

**Exhibit 2** presents average monthly and daily diversions under SRWD’s water rights from Fiscal Year (FY) 2012-2013 through FY 2017-2018.

**Exhibit 3** presents SRWD’s demand and consumption from 1982 through 2012, as reported in SRWD’s 2014 WMCP, and **Exhibit 4** presents SRWD’s demand and consumption from FY 2012-2013 through FY 2017-2018 to enable comparison of recent consumption to consumption reported in the 2014 WMCP. Consumption refers to the metered customer water use (i.e., annual water sold) within the finished water distribution system. Exhibit 3 shows that consumption decreased from around 100 MG to slightly more than 80 MG in the five most recent years reported in the 2014 WMCP (horizontal lines are in 20 MG increments starting at zero and vertical lines are in one year increments starting in FY 1982-1983 and ending in FY 2011-2012). Since then, consumption has remained relatively even, ranging between approximately 82 MG and 88 MG.

**Exhibits 5 and 6** present annual metered water consumption by customer category from FY 2012-2013 through FY 2017-2018, and **Exhibit 7** presents monthly-metered water consumption by customer category for the same time period.

**Exhibit 8** presents SRWD’s water loss from FY 2012-2013 through FY 2017-2018. Water loss represents the difference between demand and metered consumption plus accounted for water loss, divided by demand. Demand refers to the quantity of finished water delivered to SRWD’s water distribution system. Consumption refers to the metered customer water use within the finished water distribution system. Accounted for water loss represents non-revenue water used for maintenance of the distribution system, including routine flushing, pipeline replacement flushing, and disinfection activities. SRWD’s water loss values dropped dramatically in the past two fiscal years as a result of the replacement of 51,000 linear feet of pipeline throughout SRWD’s service area in 2015 and 2016, and the installation of AMI in 2018. The pipeline replacement project did result in increased water demand and increased accounted for water loss from FY 2015-2016 through present due to increased flushing and disinfection. Meanwhile, water conservation and improved accounting stemming from the pipeline project and installation of AMI, respectively, resulted in the substantial decrease in water loss in the past four fiscal years. In FY 2017-2018, SRWD’s water loss was 12.2 percent. The District attributes a large portion of the remaining water loss to leaks in the Toledo Supply Line, which the District will be addressing as resources allow.

**Exhibit 8. Annual Water Audit, FY 2012-2013 to FY 2017-2018.**

Fiscal Year	Demand (MG)	Metered Consumption (MG)	Accounted For Water Loss (MG)	Water Loss (MG)	Water Loss (%)
2012-2013	108.2	81.7	3.2	23.3	21.5
2013-2014	109.3	81.7	4.3	23.3	21.3
2014-2015	115.8	86.4	11.6	17.8	15.3
2015-2016	128.3	86.4	22.6	19.3	15.4
2016-2017	110.7	84.0	9.2	17.4	15.7
2017-2018	110.2	87.8	9.0	13.5	12.2

• **OTHER NOTABLE ACTIVITIES FOR THE MONTHS OF FEBRUARY/MARCH INCLUDE:**

- Attended Mid-Coast Integrated Water Resources Coordinating Committee meeting.
- Hosted regional municipal and water district working group meeting February 19, 2019.
- Attended SDAO Legislative Committee meeting in Salem.
- Participated in project team meeting to discuss Phase-4 permitting and 90% final design.
- Attended Toledo City Council work session February 27, 2019.
- District Commissioners and staff attended a meeting with Toledo February 19, 2019 to discuss proposed actions by the city to adjust the wholesale water rate to the District.
- Provided testimony to the Joint Committee on Ways and Means – Transportation and Economic Development in support of Oregon Business Development (OBDD), Safe Drinking Water Revolving Loan Fund Program, in Salem February 28, 2019.
- Assisted with revisions to the Management, Discussion and Analysis (MD&A) to complete the June 30, 2018 audit report.
- Attended a meeting with consultants working on the Sampling and Analysis Plan (SAP) report for DEQ and OWRD.
- Completed first year SAP report information and submitted to State agencies as part of the District’s conditions for withdrawal of water from Beaver Creek.
- Completed 5-year regulatory update for the District’s Water Management and Conservation Plan due March 30, 2019.
- Met with representatives from USDA-RD and Bond Council to discuss Phase-4 funding options.
- Attended a Webinar hosted by BOLI regarding Pay Equity compliance February 21, 2019.
- Met with Toledo to discuss long term supply of water/Successor Agreement March 1, 2019
- District staff hosted a meeting with Oregon Association of Water Utilities (OAWU) circuit rider consultant to complete leak detection training.
- District staff hosted the first in the series of AMI Customer Portal demonstrations at the Makai Community Special Road District meeting on Monday February 25, 2019.
- Attended 41<sup>st</sup> annual OAWU Management Conference in Central Oregon March 4<sup>th</sup> through March 9<sup>th</sup>.



PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376  
Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org

# Seal Rock Water District

<b>DATE ACTION REQUESTED: March 14, 2019</b>				
<b>Ordinance</b>	<b>Resolution</b>	<b>Motion</b>	<b>Information</b>	<b>X</b>
<b>Date Prepared: March 1, 2019</b>			<b>Dept.: Finance</b>	
<b>SUBJECT: Wholesale Water Rate Adjustment</b>			<b>Contact Person for this Item:</b> Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447	

**RECOMMENDED BOARD ACTION:**

Information item only:

Consider recalculated wholesale water rate adjustment.

**FINANCIAL IMPACTS:**

Because the District anticipates adjustment in the wholesale purchase of water during the annual budget process (6-months in advance of potential wholesale rate adjustment) the proposed amount is within budget expectations.

**DISTRICT GOAL:**

Prioritize challenges that must be overcome to assure successful operations dependent upon effective source water supply.

**BACKGROUND:**

Subject to conditions of the 2012 Water Purchase Agreement, annually the District receives an adjustment for wholesale water from the District's wholesale water provider, the City of Toledo. The rate increase under this provision was approved by City Council on December 5, 2018 through a resolution effective on January 1, 2019.

On January 28, 2019, the District received an email from the city with several attachments related to a potential recalculated water rate increase for Seal Rock Water District. That email advised of an intent to submit to the City Council on February 6, 2019, a "Request for Council Action" to raise the water rate to be charged to the District effective March 1, 2019. In response to that email and the proposed action, the District convened a meeting with Toledo Representatives to discuss an offer to settle the legal issues raised by this proposed action.

The Water Purchase Agreement between the City of Toledo and Seal Rock Water District, effective December 21, 2012, sets forth the procedure for water rate adjustments. Section 6.1.3 requires the City to evaluate the annual costs of delivering water to the District based on audited statements of these costs. That section requires the City to provide a trial balance of the audit on or before October 1 of each year, and to provide a copy of the completed audit on or before January 1 of each year. If the City failed to calculate the rate consistent with contract provisions on a timely basis, it is now too late to attempt correction, as Section 13.7 provides that time is of the essence with respect to all dates and time periods set forth in this agreement.

That provision strictly prohibits the City from attempting to correct the rate after the stated time periods have expired.

As a result, District staff and Commissioners have meet with Toledo Staff and City Counselors to discuss settlement agreement regarding recalculated rate. Representatives of the City and the District met on February 5<sup>th</sup> and February 19<sup>th</sup>, 2019 to discuss possible settlement as it relates to the recalculated rate. The City seemed intent on adopting the revised rate and unwilling to discuss anything other than settling the rate as soon as possible. A tentative agreement was proposed with the understanding that any decision for approval was subject to adoption by the respective governing bodies.

On February 25, 2019 the District submitted a settlement option to the City for consideration, however, the City chose not to include this option to Council at the February 27, 2019 Council Work Session. While the District did not present the revised settlement option on February 25, 2019, it was recommended by the District that this language be considered in ongoing discussions to develop a successor agreement through a series of meetings with the joint working group beginning March 12, 2019, starting in Toledo. The Public Works Director and the Seal Rock Water District General Manager also met for lunch on March 1, 2019 to initiate preliminary discussions related to the draft successor agreement and potently provide a revised agreement for consideration and discussion at the March 12<sup>th</sup> joint meeting.

The Toledo City Council is scheduled to consider adopting the proposed settlement agreement on March 6, 2019 at their regular meeting, effective May 1, 2019. District staff is providing the attached settlement options for consideration by the Board.

Submitted By: \_\_\_\_\_  
Adam Denlinger, General Manager



### WATER RATE SETTLEMENT AGREEMENT

The settlement agreement is entered into by and between SEAL ROCK WATER DISTRICT ("Purchaser"), and the CITY OF TOLEDO ("City"), collectively (the "Parties"). The Parties are identified as "Purchaser" and "City" in a WATER PURCHASE AGREEMENT, dated December 19, 2012.

This WATER RATE SETTLEMENT AGREEMENT settles the wholesale water rate to be paid by Purchaser for calendar year 2019.

During the time period from January 1, 2019 to March 31, 2019, the City set the water rate for purchaser at \$3.24. The City has since reevaluated the calculation of that rate and asserts that the rate as calculated under the contract should be \$3.89 per 1000 gallons. The City has not provided an audit which provides the Purchaser verified information on which to rely for this recalculation of the rate. The parties desire to settle the rate for the remaining portion of 2019 rather than expend funds in assessing the calculation factors and potentially utilizing the dispute resolution procedures of the contract.

In settlement, the parties agree that the rate for the period from January 1, 2019 through April 30, 2019 shall be \$3.24 per 1000 gallons. The rate for the period from May 1, 2019 to December 31, 2019 shall be \$3.89 per 1000 gallons. The City agrees that this settlement is without waiver of the right of Purchaser to insist on strict compliance with the terms of the Water Purchase Agreement with respect to future water rate adjustments.

This agreement is effective only upon being duly executed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this WATER RATE SETTLEMENT AGREEMENT to be effective on May 1, 2019.

CITY OF TOLEDO

SEAL ROCK WATER DISTRICT

By \_\_\_\_\_  
Mayor, Rod Cross

By \_\_\_\_\_  
John Garcia, Board President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Attest:

Attest:

\_\_\_\_\_  
City Recorder

\_\_\_\_\_  
Saundra Mies-Grantham, Board Secretary

Approved as to form:

\_\_\_\_\_  
City Legal Counsel

\_\_\_\_\_  
Date

\_\_\_\_\_  
District Legal Counsel

\_\_\_\_\_  
Date

**WATER RATE SETTLEMENT AGREEMENT**

The settlement agreement is entered into by and between SEAL ROCK WATER DISTRICT (“Purchaser”), and the CITY OF TOLEDO (“City”), collectively (the “Parties”). The Parties are identified as “Purchaser” and “City” in a WATER PURCHASE AGREEMENT, dated December 19, 2012.

This WATER RATE SETTLEMENT AGREEMENT settles the wholesale water rate to be paid by Purchaser for calendar year 2019 and 2020.

On December 5, 2018, the City set the water rate for purchaser at \$3.24. The City has since reevaluated the calculation of that rate and asserts that the rate as calculated under the contract should be \$3.89 per 1000 gallons. The parties desire to settle the rate for the remaining portion of 2019 and the rate for 2020, rather than expend funds in assessing the calculation factors and potentially utilizing the dispute resolution procedures of the contract.

In settlement, the parties agree that the rate for the period from January 1, 2019 through April 30, 2019 shall be \$3.24 per 1000 gallons. The rate for the period from May 1, 2019 through December 31, 2019 shall be \$3.89 per 1000 gallons. The rate for the time period from January 1, 2020 through October 31, 2020 shall be \$4.18 per 1000 gallons.

In settlement, the parties also agree that the City shall provide water to the District during the year 2021 at the rate of \$4.49 per 1000 gallons on an “as-needed” basis, but otherwise subject to Sections 1, 2, 3.2.1, 3.2.2, and 7-13 of the 2012 contract, which shall otherwise terminate on October 31, 2020.

This agreement is effective only upon being duly executed by both parties.

IN WITNESS WHEREOF, the parties hereto have executed this WATER RATE SETTLEMENT AGREEMENT to be effective on May 1, 2019.

CITY OF TOLEDO

SEAL ROCK WATERDISTRICT

By \_\_\_\_\_  
Mayor, Mr. Rod Cross

By \_\_\_\_\_  
Board President, Mr. John Garcia

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

Attest:

Attest:

By \_\_\_\_\_  
City Recorder

By \_\_\_\_\_  
Saundra Mies-Grantham, Board Secretary

Approved as to form:

\_\_\_\_\_  
City of Toledo, Legal Counsel

\_\_\_\_\_  
Date

\_\_\_\_\_  
District Legal Counsel

\_\_\_\_\_  
Date



**From:** [Adam Denlinger](#)  
**To:** [Public Works Director](#); [Jeff Hollen](#); [Joy King](#); [Rob Mills](#); [Saundra Mies-Grantham](#)  
**Cc:** [City Manager](#); [david@osterlundlaw.com](mailto:david@osterlundlaw.com); [paul@osterlundlaw.com](mailto:paul@osterlundlaw.com); [Rod Cross](#); [Joshua Smith](#)  
**Subject:** Pending Wholesale Water Rate Settlement Agreement  
**Date:** Thursday, February 28, 2019 9:37:15 AM  
**Attachments:** [Draft Successor Water Purchase Agreement\\_022819\\_srwd.docx](#)  
[image003.png](#)  
[WaterRateSettle\\_2\\_0219-2019.pdf](#)  
**Importance:** High

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Greetings everyone,

For the benefit of the SRWD internal working group:

At last evenings City Council Work Session city staff presented the attached unedited settlement option as agreed to by the working group at the February 19, 2019 meeting. At the recommendation of staff the proposed settlement agreement will be presented to the City Council at the March 6, 2019 Regular City Council Meeting for decision to adopt the revised rate.

Before, and during the meeting members of the Council appreciated the District for working with the City to resolve this issue. The expectation is that the District Board of Commissioners will take this item into consideration at the March 14, 2019 Board meeting. I did invite anyone from the City to attend the Board meeting and I believe the Mayor, Mr. Rod Cross indicated that he would be available to attend the March meeting.

While the District did not present the attached February 25, 2019 settlement option at last night's meeting, It was recommended by the District that this language be considered in ongoing discussions to develop a successor agreement through a series of meetings with the joint working group beginning March 12, 2019, starting in Toledo. The Public Works Director and Myself plan to meet this Friday for lunch to initiate preliminary discussions related to the draft successor agreement and potentially provide a revised agreement for consideration and discussion at the March 12<sup>th</sup> joint meeting.

Please feel free to contact me if you have any questions...the District will be providing an agenda for our meeting on March 12<sup>th</sup> sometime next week.

Regards,

Adam

Adam Denlinger  
 General Manager, Seal Rock Water District  
 Co-Convener, Mid-Coast Water Planning Partnership  
 Board Director, Special District Association of Oregon  
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**From:** Adam Denlinger  
**Sent:** Tuesday, February 26, 2019 5:27 PM  
**To:** 'Public Works Director' <pwdirector@cityoftoledo.org>; jeff Hollen <jeffh@ouderkirkhollen.com>; Joy King <JKing@srwd.org>; Rob Mills <RMills@srwd.org>; Saundra Mies-Grantham <SMies-Grantham@srwd.org>  
**Cc:** City Manager <manager@cityoftoledo.org>; david@osterlundlaw.com; paul@osterlundlaw.com; Rod Cross <Rod.Cross@cityoftoledo.org>; Joshua Smith <Joshua.Smith@cityoftoledo.org>  
**Subject:** RE: Pending Wholesale Water Rate Settlement Agreement  
**Importance:** High

Thanks Mike,

The District will be attending tomorrows work session in support of the conversation with regard to the settlement agreement for 2019. As we discussed, the District will be prepared to present to the Council the attached settlement recommendation provided by the District yesterday, for the Council's consideration.

I would like to clarify that It was generally understood at the February 19<sup>th</sup>, 2019 joint settlement meeting, that while the members of the settlement committee could agree to support the language, it is our governing bodies that ultimately make the policy decisions, and nothing could be certain with regard to approval.

I agree that we should continue to discuss options and opportunities for future mutual benefit. However, there is considerable agreement internally that the attached settlement agreement reflects the greatest value to both entities for the near term. In that it allows the City to adopt the rate for 2019 immediately, which the City desires, and provides an opportunity to set a near term rate which also benefits the City and the District, and allows for continued discussion to develop the "successor agreement" for long-term emergency and on-demand use.

Therefore, at the recommendation of our internal working group, it is my intention to have both copies of the settlement agreement available for discussion at the District's March 14, 2019 regular Board Meeting for consideration by the Board, and I would like to invite anyone from Toledo to attend. That being said, I think it is only fair to advise the Council that because this is a Board decision, I am not authorized to approve, nor can I guarantee any decision by the Board regarding approval of the settlement options provided.

Thanks again Mike for your time today it was a pleasure taking with you.

Regards,

Adam

Adam Denlinger  
General Manager, Seal Rock Water District  
Co-Convener, Mid-Coast Water Planning Partnership  
Board Director, Special District Association of Oregon  
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[www.srwd.org](http://www.srwd.org) | [www.midcoastwaterpartners.com](http://www.midcoastwaterpartners.com) | [www.SDAO.com](http://www.SDAO.com)



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**From:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>  
**Sent:** Tuesday, February 26, 2019 4:47 PM  
**To:** Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>; jeff Hollen <[jeffh@ouderkirkhollen.com](mailto:jeffh@ouderkirkhollen.com)>; Joy King <[JKing@srwd.org](mailto:JKing@srwd.org)>; Rob Mills <[RMills@srwd.org](mailto:RMills@srwd.org)>; Sandra Mies-Grantham <[SMies-Grantham@srwd.org](mailto:SMies-Grantham@srwd.org)>  
**Cc:** City Manager <[manager@cityoftoledo.org](mailto:manager@cityoftoledo.org)>; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); [paul@osterlundlaw.com](mailto:paul@osterlundlaw.com); Rod Cross <[Rod.Cross@cityoftoledo.org](mailto:Rod.Cross@cityoftoledo.org)>; Joshua Smith <[Joshua.Smith@cityoftoledo.org](mailto:Joshua.Smith@cityoftoledo.org)>  
**Subject:** RE: Pending Wholesale Water Rate Settlement Agreement

February 26, 2019

Adam –

Thank you for this information and the telephone discussion we had earlier regarding this revised settlement option. We have spoken internally and desire to have the City Council continue to move forward with formal acceptance of the settlement agreement the District provided at the February 19, 2019 negotiation meeting of which both parties tentatively agreed.

On February 19th we agreed to tentative settlement terms and it is in that spirit of mutual cooperation that we will advocate that the full Council vote to adopt the Settlement Agreement that we negotiated on the 19<sup>th</sup> (see attached).

Regarding the revised settlement agreement language you emailed yesterday evening, I believe it is a great place for you and I to continue our discussions regarding potential successor agreement language at our upcoming lunch this Friday.

Let me know if you have any questions and talk with you soon!

Michael J. Adams  
Public Works Director



(541) 336-2247 x2070  
[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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**From:** Adam Denlinger [<mailto:ADenlinger@srwd.org>]  
**Sent:** Monday, February 25, 2019 5:30 PM  
**To:** Public Works Director; jeff Hollen; Joy King; Rob Mills; Sandra Mies-Grantham  
**Cc:** City Manager; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); [paul@osterlundlaw.com](mailto:paul@osterlundlaw.com); Rod Cross; Joshua Smith  
**Subject:** RE: Pending Wholesale Water Rate Settlement Agreement  
**Importance:** High

Greetings Mike,

I would also like to extend my sincere appreciation for the recent conversations as well; it was very beneficial, thanks for taking the time to unpack Toledo's position.

After further review and deliberation with the District's legal counsel, the District would like to introduce the attached revised settlement option for consideration by City Council at this Wednesday's Council Work Session.

Please consider that the attached settlement agreement reflects the greatest immediate value for both entities, in that, it allows the City to recognize the increased rate for 2019 immediately, while allowing for ongoing discussion to develop the "successor agreement" for long-term emergency and on-demand use. The proposed settlement also benefits the City in that it removes the City's obligation to calculate the rate for 2020/2021 and provide audit figures beyond 2019. In addition, the proposed settlement agreement removes the right of Purchaser to insist on strict compliance with the terms of the Water Purchase Agreement with respect to current and future water rate adjustments under the 2012 water purchase agreement. In brief, both the City and the District will settle on a known rate through 2021 without being subject to Section 6.1.3 for future years.

Please note, the attached includes a recommendation for an increase to the rate for the purchase of water by the District through 2021 and was developed by calculating the average percentage of the actual rate increase to the District (attached) beginning in 2012 to the present. This rate represents an average annual increase of 7.44%, which has been applied to the 2020 and 2021 proposed rate. Please note, that the increase in May 2012 reflects the negotiation of the

2012 Water Purchase Agreement, and was adjusted back down in January 2013, with some fluctuation again in 2014 before leveling out.

In closing, I am pleased with the level of collaboration we have achieved and am committed to partnering with the City to realize the best possible outcomes that meet our long-term objectives. I will be happy to provide a copy of this email string along with the attachments to the City Council this Wednesday for consideration.

Please feel free to contact me if you have any questions or would like to discuss before the Work Session.

Thanks in advance for your consideration.

Adam

Adam Denlinger  
 General Manager, Seal Rock Water District  
 Co-Convener, Mid-Coast Water Planning Partnership  
 Board Director, Special District Association of Oregon  
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[www.srwd.org](http://www.srwd.org) | [www.midcoastwaterpartners.com](http://www.midcoastwaterpartners.com) | [www.SDAO.com](http://www.SDAO.com)



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**From:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>

Sent: Friday, February 22, 2019 1:18 PM

To: Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>; jeff Hollen <[jeffh@ouderkirkhollen.com](mailto:jeffh@ouderkirkhollen.com)>; Joy King <[JKing@srwd.org](mailto:JKing@srwd.org)>; Rob Mills <[RMills@srwd.org](mailto:RMills@srwd.org)>; Sandra Mies-Grantham <[SMies-Grantham@srwd.org](mailto:SMies-Grantham@srwd.org)>

Cc: City Manager <[manager@cityoftoledo.org](mailto:manager@cityoftoledo.org)>; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); [paul@osterlundlaw.com](mailto:paul@osterlundlaw.com); Rod Cross <[Rod.Cross@cityoftoledo.org](mailto:Rod.Cross@cityoftoledo.org)>; Joshua Smith <[Joshua.Smith@cityoftoledo.org](mailto:Joshua.Smith@cityoftoledo.org)>

Subject: Pending Wholesale Water Rate Settlement Agreement

February 22, 2019

Hello Adam –

Thanks again for the positive and helpful conversation this morning regarding the proposed edits of the settlement agreement that is referenced in the upcoming February 27, 2019 City Council work session packets.

As I believe I tried to articulate during our call, and upon discussing your concerns with the City Manager and legal team, I wanted to write and provide you the following clarification as we move this matter forward to the City Council. The redline additions that are in the document I provided you 2/21/19 were not intended to be counter-proposals to the agreed-to draft that we negotiated with SRWD on 2/19/19. The redlined language adds back the factual issues regarding the audit for the benefit of the whole City Council. It shows up underlined so that the Council can see what the actual agreement would read like if added to the tentative agreement that we all made. One way or another we have to give the whole council the factual issues on how we arrived at this situation so that they can decide whether or not to approve the Settlement Agreement.

To ensure clarity, I will make sure the Council members have paper-copies of the tentative agreement of 2/19/19 without the redlined language for each Council Member to review/compare at the work session.

I trust this information is helpful and I wish to convey to SRWD our apologies that the City was not meaning to renegotiate the settlement that we agreed to on 2/19/19.

As always, should you have any questions please feel free to contact me at your earliest convenience. Until then, have a great weekend and talk soon!

### Michael J. Adams

Public Works Director



City of Toledo, Oregon 97391

{541} 336-2247 x2070

[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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February 21, 2019, 18:38

Thanks Mike for getting this to us in time for review before the Council agenda packets go out.

After reviewing the changes and consulting with legal counsel the District has some reservations with the proposed edits to the draft settlement document agreed to by the parties during last Tuesday's meeting.

Proposed revisions will likely trigger the inclusion of additional revisions provided by the District. The District believes it is in the best interest of the parties to execute the agreed upon settlement agreement without making factual concessions. The version agreed to at the meeting on Tuesday is CONSISTENT with last years settlement agreement process and provides only the fare facts related to this years conditions.

Mike, if your available to have a conversation tomorrow I would like to suggest we talk before including any revisions to the settlement agreement.

Thanks Mike, I can be available in the morning before 10:00 or sometime after lunch. Happy to meet with you in Toledo if it works out, just let me know how you would like to proceed.

Thanks again  
Adam

Adam Denlinger  
General Manager, Seal Rock Water District  
Co-Convener, Mid-Coast Water Planning Partnership  
Board Director, Special District Association of Oregon  
PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376  
O: 541.563.3529 | F: 541.563.4246 | M: 541.270.0183 | [adenlinger@srwd.org](mailto:adenlinger@srwd.org)  
[www.srwd.org](http://www.srwd.org) | [www.midcoastwaterpartners.com](http://www.midcoastwaterpartners.com) | [www.SDAO.com](http://www.SDAO.com)  
On Feb 21, 2019, at 5:08 PM, Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)> wrote:

February 21, 2019

Hello Adam –

I know this is late in the day but I wanted to share with you for your consideration a slight addition to the settlement agreement; please review the attached document that has the inclusion of the language as it relates to the annual audit.

This detail did not get noticed immediately at our meeting on Tuesday and we believe it is important this language be included in the agreement. It does not appear to alter the content of the agreement and simply recognizes we do not yet have the audit to provide and is thus the reason we have not met that requirement.

Wanted to get this to you as it will be discussed accordingly at the work session next Wednesday, thanks. Let me know if you have any questions and have a great day in Salem with the legislation and look forward to having lunch with you next Thursday. Until then, have a great weekend and talk soon!

Michael J. Adams  
Public Works Director  
<image001.png>  
(541) 336-2247 x2070  
[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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**From:** Adam Denlinger [<mailto:ADenlinger@srwd.org>]  
**Sent:** Wednesday, February 20, 2019 1:38 PM  
**To:** Public Works Director  
**Subject:** RE: Meeting follow up

Deeply sensitive of you Mike...As a PW Employee I never turn down a free lunch. If your able to include the CM I believe I owe him a lunch.

When you have an opportunity just calendar this event through outlook before someone tries to fill the afternoon with other priorities.

Thanks in advance for your availability.

Regards,

Adam



Adam Denlinger  
General Manager, Seal Rock Water District  
Co-Convener, Mid-Coast Water Planning Partnership  
Board Director, Special District Association of Oregon  
PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376  
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<image002.jpg>  
2019 SDAO Special District  
Program Award Recipient:

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**From:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>  
**Sent:** Wednesday, February 20, 2019 12:32 PM  
**To:** Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>  
**Subject:** RE: Meeting follow up

Thanks Adam – I can make next Thursday work; how about early afternoon about 1:30 pm or so. If you are so inclined I will even be willing to buy your lunch, just let me know thanks.

Michael J. Adams  
Public Works Director  
<image001.png>  
(541) 336-2247 x2070  
[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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**From:** Adam Denlinger [<mailto:ADenlinger@srwd.org>]  
**Sent:** Wednesday, February 20, 2019 10:01 AM  
**To:** Public Works Director  
**Subject:** RE: Meeting follow up

Hi Mike,

Following up to scheduling some time to meet before March 12<sup>th</sup>.

I can be available as early as tomorrow morning, but would need to be back at the District by 1:pm. Friday I'm in Salem most of the day for a legislative meeting in the morning, however, I may be able to phone in for this meeting if you would like to meet in the afternoon?

I can accommodate a meeting most anytime next week on Tuesday, Wednesday or Thursday, with Thursday being the best day at the moment.

The following week March 4<sup>th</sup> I will be in central Oregon for a conference.

I know your busy Mike hopefully there's some room to fit in meeting.

Regards

Adam

Adam Denlinger  
 General Manager, Seal Rock Water District  
 Co-Convener, Mid-Coast Water Planning Partnership  
 Board Director, Special District Association of Oregon  
 PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376  
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<image002.jpg>

2019 SDAO Special District

Program Award Recipient:

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**From:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>

Sent: Wednesday, February 20, 2019 7:53 AM  
 To: Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>  
 Subject: RE: Capital Expenditures - Meeting Agenda No-2 - follow up

Thanks Adam

Michael J. Adams  
 Public Works Director  
 <image001.png>  
 (541) 336-2247 x2070  
[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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From: Adam Denlinger [<mailto:ADenlinger@srwd.org>]  
 Sent: Tuesday, February 19, 2019 5:27 PM  
 To: Public Works Director  
 Cc: Joy King; jeff Hollen; City Manager; Paul B Osterlund; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); Rob Mills; Sandra Mies-Grantham; Rod Cross; Joshua Smith  
 Subject: RE: Capital Expenditures - Meeting Agenda No-2 - follow up

Greetings Everyone,

Thank you for your participation at today's very productive meeting.

Please find the attached revised settlement agreement for your review and use at next week's council work session. I am planning on attending this meeting, but will be unavailable to attend the March 6<sup>th</sup> regular council meeting.

Some action items from today's meeting include:

- Schedule ongoing standing meetings to begin March 12<sup>th</sup> @ 11:am, hosted at the COT.
- Per the conditions of the water purchase agreement the March 12<sup>th</sup> meeting will meet the obligation for the annual meeting.
- The consensus of the conversation is to pursue developing a successor agreement by June 2019.
- District will coordinate with the PWD to schedule time to discuss potential rate for successor agreement before March 12<sup>th</sup>.
- Explore opportunity to coordinate with OAWU regarding the circuit rider program to assist in developing rate.
- District will present invoices (HACH Invoices attached) to the Board of Commissioners on March 14<sup>th</sup> for reimbursement consideration.
- District will provide a draft copy of the district's revised Water Management and Conservation Plan (WMCP) once it becomes available later this month.

Please feel free to contact me if you have any questions, and feel free to add to the list if I have missed something.

Regards,

Adam

Adam Denlinger  
 General Manager, Seal Rock Water District  
 Co-Convener, Mid-Coast Water Planning Partnership

Board Director, Special District Association of Oregon  
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<image002.jpg>  
2019 SDAO Special District  
Program Award Recipient.

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**From:** Adam Denlinger  
**Sent:** Friday, February 15, 2019 2:28 PM  
**To:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>  
**Cc:** Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>; Joy King <[JKing@srwd.org](mailto:JKing@srwd.org)>; jeff Hollen <[jeffh@ouderkirkhollen.com](mailto:jeffh@ouderkirkhollen.com)>; City Manager <[manager@cityoftoledo.org](mailto:manager@cityoftoledo.org)>; Paul B Osterlund <[Paul@osterlundlaw.com](mailto:Paul@osterlundlaw.com)>; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); Rob Mills <[RMills@srwd.org](mailto:RMills@srwd.org)>; Saundra Mies-Grantham <[SMies-Grantham@srwd.org](mailto:SMies-Grantham@srwd.org)>; Rod Cross <[Rod.Cross@cityoftoledo.org](mailto:Rod.Cross@cityoftoledo.org)>; Joshua Smith <[Joshua.Smith@cityoftoledo.org](mailto:Joshua.Smith@cityoftoledo.org)>  
**Subject:** Re: Capital Expenditures - Meeting Agenda No-2

Thanks Mike,

Very nice....this is a good starting point to begin the conversation.

Hope to provide revisions in time for our discussion next week.

Have a great weekend

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District  
PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376  
O: [541.563.3529](tel:541.563.3529) | F: [541.563.4246](tel:541.563.4246) | M: [541.270.0183](tel:541.270.0183)

[adenlinger@srwd.org](mailto:adenlinger@srwd.org) | [www.srwd.org](http://www.srwd.org) | [www.midcoastwaterpartners.com](http://www.midcoastwaterpartners.com)

On Feb 15, 2019, at 1:54 PM, Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)> wrote:

February 15, 2019

Hello Adam –

In preparation of our meeting Tuesday, we have taken the liberty of drafting a settlement agreement as it relates to the monthly charge moving forward for 2019.

Let me know if you have any questions and talk with you Tuesday!

Michael J. Adams

Public Works Director

<image001.png>

(541) 336-2247 x2070

[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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**From:** Adam Denlinger [<mailto:ADenlinger@srwd.org>]

**Sent:** Wednesday, February 13, 2019 8:11 AM

**To:** Public Works Director; Joy King; jeff Hollen

**Cc:** City Manager; 'Paul B Osterlund'; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); Rob Mills; Sandra Mies-Grantham; Rod Cross; Joshua Smith

**Subject:** RE: Capital Expenditures - Meeting Agenda No-2

Thanks Mike,

Just to follow up, the district is not questioning the capital expenditures as it relates to the revised rate...we understand that the rate excludes the \$31,702 minor capital...I apologize if my email created any confusion.

What I am suggesting for the city's consideration is that those minor capital expenditures that precede the termination notice (HACH Invoices) may be eligible invoices, and something we should discuss further next Tuesday.

For the benefit of this discussion I agree it would be good to open up the time for this meeting which we can do, and if there's a consensus from the group on Tuesday to extend our time I will make sure the room is available.

Thanks again Mike, give me a call if you would like to discuss further before the meeting.

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District

PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376

O: 541.563.3529 | F: 541.563.4246 | M: 541.270.0183

[adenlinger@srwd.org](mailto:adenlinger@srwd.org) | [www.srwd.org](http://www.srwd.org) | [www.midcoastwaterpartners.com](http://www.midcoastwaterpartners.com)

<image003.png>

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**From:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>  
**Sent:** Tuesday, February 12, 2019 2:10 PM  
**To:** Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>; Joy King <[JKing@srwd.org](mailto:JKing@srwd.org)>; jeff Hollen <[jeffh@ouderkirkhollen.com](mailto:jeffh@ouderkirkhollen.com)>  
**Cc:** City Manager <[manager@cityoftoledo.org](mailto:manager@cityoftoledo.org)>; 'Paul B Osterlund' <[Paul@osterlundlaw.com](mailto:Paul@osterlundlaw.com)>; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); Rob Mills <[RMills@srwd.org](mailto:RMills@srwd.org)>; Sandra Mies-Grantham <[SMies-Grantham@srwd.org](mailto:SMies-Grantham@srwd.org)>; Rod Cross <[Rod.Cross@cityoftoledo.org](mailto:Rod.Cross@cityoftoledo.org)>; Joshua Smith <[Joshua.Smith@cityoftoledo.org](mailto:Joshua.Smith@cityoftoledo.org)>  
**Subject:** RE: Capital Expenditures - Meeting Agenda No-2

February 12, 2019

Thanks Adam – from my perspective, maintaining the ability to extend the time if the group is finding it productive would be beneficial, however I will leave that for others to decide.

Regarding the invoices: no, the proposed rate of \$3.89/1,000 gallons DOES NOT include the \$31,702.00 (of which the HACH Invoices are part of) in the calculation and was removed so it could be considered accordingly.

As I mentioned in my earlier email correspondence of January 28, 2019, had this \$31,702 been included in the rate calculation, the proposed rate would be \$4.04/1,000 gallons.

Hope this helps; see you on Tuesday!

Michael J. Adams  
 Public Works Director  
 <[image001.png](#)>  
 (541) 336-2247 x2070  
[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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**From:** Adam Denlinger [<mailto:ADenlinger@srwd.org>]  
**Sent:** Tuesday, February 12, 2019 1:31 PM  
**To:** Public Works Director; Joy King; jeff Hollen  
**Cc:** City Manager; 'Paul B Osterlund'; [david@osterlundlaw.com](mailto:david@osterlundlaw.com); Rob Mills; Sandra Mies-Grantham; Rod Cross; Joshua Smith  
**Subject:** RE: Capital Expenditures - Meeting Agenda No-2  
**Importance:** High

Greetings Mike,

Sorry for taking so long to reply to your email, I have been out of the area.

We reviewed the invoices provided in your email dated February 5, 2019, which would seem to fit within the language of the Water Purchase Agreement and qualify as minor capital improvements.

However, after further reflection and legal review of Section 6.2.2.3 the Purchaser is no longer obligated for major/minor capital improvement cost pursuant to Section-3.2:

- 6.2.2.3: If the Purchaser pays an amount less than its share of the minor capital improvement and the City pays the balance, then the wholesale rate will be increased in an amount sufficient to pay the equivalent monthly payment required to pay that amount amortized over a term agreed between the Parties at the interest rate reported in the Oregon Bond Index published by the Oregon Treasurer's Office Debt Management Division for 10-year bonds (rated Aa2/AA/AA) if the term of the loan is 10 years or less, or for 20-year bonds if the term of the loan is 11 years or more. Any balance of Purchaser's share shall be due and payable upon termination of this Agreement unless Purchaser has given notice of termination of this Agreement pursuant to Section 3.2 prior to the City constructing the improvements.

Given the above referenced section some invoices (HACH invoice #10649915, #10651334, and #10659015) may be considered eligible because these invoices precede October 30, 2017. For these invoices to be considered the District would want assurances that these invoices were not considered in developing the rate for 2018.

For the benefit of the group we are proving the attached agenda No-2 to help guide our conversation next Tuesday. I generally believe that a 1-hour meeting limits our productivity and would be open to hosting a longer meeting but want to be sensitive to the available time Toledo has for these discussions. As such, the District is happy to consider extending the time for this meeting at Toledo's request.

The District would like to thank everyone for your time and attention to this matter, if you have any questions please don't hesitate to contact me.

We look forward to meeting with everyone next Tuesday, February 19<sup>th</sup> @ 9:am.

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District  
PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376  
O: [541.563.3529](tel:541.563.3529) | F: [541.563.4246](tel:541.563.4246) | M: [541.270.0183](tel:541.270.0183)  
[adenlinger@srwd.org](mailto:adenlinger@srwd.org) | [www.srwd.org](http://www.srwd.org) | [www.midcoastwaterpartners.com](http://www.midcoastwaterpartners.com)

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**From:** Public Works Director <[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)>

**Sent:** Tuesday, February 05, 2019 2:59 PM

**To:** Adam Denlinger <[ADenlinger@srwd.org](mailto:ADenlinger@srwd.org)>; Joy King <[King@srwd.org](mailto:King@srwd.org)>; jeff Hollen <[jeffh@ouderkirkhollen.com](mailto:jeffh@ouderkirkhollen.com)>

**Cc:** City Manager <[manager@cityoftoledo.org](mailto:manager@cityoftoledo.org)>; 'Paul B Osterlund' <[Paul@osterlundlaw.com](mailto:Paul@osterlundlaw.com)>; [david@osterlundlaw.com](mailto:david@osterlundlaw.com)

**Subject:** Capital Expenditures

February 5, 2019

Hello Again Adam:

Per our earlier correspondence, attached please find the invoices totaling \$31,702 of what I believe could be perceived as "minor capital" expenditures within the framework of the agreement. Upon your review if you have any questions please contact me at your convenience.

**Michael J. Adams**

Public Works Director

<image001.png>

City of Toledo, Oregon 97391

(541) 336-2247 x2070

[pwdirector@cityoftoledo.org](mailto:pwdirector@cityoftoledo.org)

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 Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org

## Seal Rock Water District

DATE ACTION REQUESTED: March 14, 2019					
Ordinance	Resolution	Motion	X	Information	
Date Prepared: March 7, 2019			Dept.: Administration		
SUBJECT: June 30, 2018 Audit Report			Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447		

**RECOMMENDED BOARD ACTION:**

Consider a motion to approve the SRWD June 30, 2018 annual audit report as prepared by Grimstad & Associates.

**FINANCIAL IMPACTS:**

State of Oregon Municipal Auditing Practices require the District to complete an annual audit under the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules.

**DISTRICT GOAL:**

Identify and prioritize challenges that must be overcome to ensure successful District operations dependent upon effective financial planning for the annual operation of the District.

**BACKGROUND:**

District and staff has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In the opinion of the auditor, the financial statements referred to in the June 30, 2018 Audit Report present fairly, in all material respects, the respective financial position of the business-type activities of Seal Rock Water District as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Joy King*

Submitted By: \_\_\_\_\_

Joy King, Office Manager





PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376  
Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org

# Seal Rock Water District

<b>DATE ACTION REQUESTED: March 14, 2019</b>						
<b>Ordinance</b>		<b>Resolution</b>		<b>Motion</b>	<b>X</b>	<b>Information</b>
<b>Date Prepared: March 7, 2019</b>				<b>Dept.: Administration</b>		
<b>SUBJECT: Auditor Services Agreement</b>				<b>Contact Person for this Item:</b> Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447		

**RECOMMENDED BOARD ACTION:**

Consider a motion to authorize the General Manager to execute Auditor Services Agreement in accordance with USDA Rural Utilities Services Bulletin 1780-7

**FINANCIAL IMPACTS:**

Financial impacts are identified in the agreement and are consistent with those funds appropriated in the 2019/2020 Budget.

**DISTRICT GOAL:**

Identify and prioritize challenges that must be overcome to ensure successful District operations dependent upon effective financial planning for the annual operation of the District.

**BACKGROUND:**

USDA-RD requires the District to enter into an Auditor Services Agreement to assist the District, and ensure appropriate services are provided for a reasonable fee, and to expedite the achievement of the District's goals regarding financial review and response to funding District improvements.

*A. Denlinger*

Submitted By: \_\_\_\_\_  
Adam Denlinger, General Manager

**GRIMSTAD & ASSOCIATES**  
Certified Public Accountants

March 6, 2019

Newport Office:  
P.O. Box 1930  
530 N.W. 3rd St. Ste E  
Newport, OR 97365  
(541) 265-5411  
Fax (541) 265-9255  
info@grimstad-assoc.com

Joy King  
SRWD Board of Commissioners  
PO Box 190  
Seal Rock, OR 97376

Dear Ms. King:

I thank you for the opportunity to submit a proposal for conducting the audit of the Seal Rock Water District. My proposal is based on a three year contract ending June 30, 2021 as follows: \$7,800, \$8,000 and \$8,300. If the District were required to file under the Single Audit Act in any of the above years, my fee for the additional work would be in the range of \$5,000 to \$5,500.

A large portion of my practice consists of auditing services. We have conducted audits of municipalities, nonprofits, federal grant projects and single audits as well as audits of businesses in the private sector. For the year 2017 we performed over forty-three audits, reviews and state compilation reports.

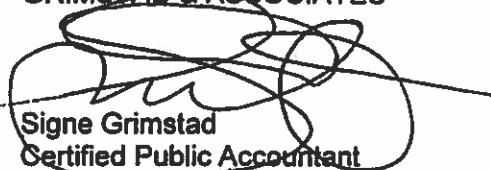
I have audited municipals and private businesses for over thirty-five years and hold a municipal license, #0913. Oren Hampton also holds a municipal license, #1109. My background includes accounting controls in the computer environment and have participated in converting data accounting systems. I am a member of the AICPA and Oregon Society of CPA.

My firm consists of eleven people: three CPA's, four paraprofessionals, two bookkeepers, computer/bookkeeper analyst, office manager, and secretary. Because the firm is involved with many audits, we participate in a Peer Review Program, sponsored by the Oregon Society of CPA's; and have received a clean opinion by the auditor. This quality review requirement was introduced by the American Institute of CPA's to assure the public that high standards are being maintained. Enclosed is a copy of our last review.

Thank you for considering our firm and we look forward to hearing from you. References available upon request.

Sincerely,

GRIMSTAD & ASSOCIATES



Signe Grimstad  
Certified Public Accountant

SG:dp  
Encl.

Members:  
AICPA OSCPA & OAIA



PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376  
Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org

# Seal Rock Water District

<b>DATE ACTION REQUESTED: March 14, 2019</b>							
<b>Ordinance</b>		<b>Resolution</b>		<b>Motion</b>	<b>X</b>	<b>Information</b>	
<b>Date Prepared: March 11, 2019</b>				<b>Dept.: Administration</b>			
<b>SUBJECT: Bond Counsel Engagement Letters</b>				<b>Contact Person for this Item:</b> Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447			

**RECOMMENDATION:**

Consider authorizing staff to execute letters of engagement with the District's Bond Counsel.

**FISCAL IMPACT:**

Engagement letters establishes a fee structure for bond counsel services on an as-needed basis.

**DISTRICT GOAL:**

Identify and prioritize challenges that must be overcome to ensure successful District operations dependent upon effective financing.

**BACKGROUND:**

In July 2017, the SRWD Board authorized staff to advertise a Request for Proposals to provide bond counsel professional services in connection with multiple issues resulting in \$12.7 million dollars. Some of these issues could be 2 to 3 months apart with the only differences being the new amount of issuance. Additionally, the District intends to pursue financing that considers using grants/loans from state and federal agencies which may occur in the same period. As such, the Board is being asked to consider Bond Council engagement letters for interim financing and proposed general obligation bonds with USDA -RD to fund major municipal District improvements.

*A. Denlinger*

Submitted By: \_\_\_\_\_

Adam Denlinger, General Manager



PHONE: 503-402-1320  
FAX: 503-402-1331

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February 26, 2019

**Via Email: adenlinger@srwd.org**  
Adam Denlinger  
General Manager  
Seal Rock Water District

Dear Adam:

Thank you for selecting Hawkins Delafield & Wood LLP to act as bond counsel to Seal Rock Water District (the "District") in connection with the issuance of its interim financing (the "Financing") for improvements to the District (the "Project"). To this end, we submit for your approval the following provisions governing our engagement. If you are in agreement, please sign the enclosed copy of this letter in the space provided below. We are available to answer any questions that you may have concerning these provisions, or any modifications that you may wish to suggest. We at Hawkins are pleased to have the opportunity to serve the District.

1. *Client; Limited Scope of Representation.* Our client in this matter will be the District. We will be engaged hereunder to render legal advice to the District as its bond counsel or special counsel, including the following:

- (1) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Financing Opinion") regarding the validity and binding effect of the Financing, the source of payment and security for the Financing, and excludability of interest on the Financing from gross income for federal and for state of Oregon income tax purposes.
- (2) Prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Financing, coordinate the authorization and execution of such documents, and review enabling legislation.
- (3) Assist the District in seeking from other governmental authorities such approvals, permissions, and exemptions as are necessary or appropriate in

connection with the authorization, issuance and delivery of the Financing, except that we will not be responsible for any required Blue Sky filings.

- (4) Review and respond to specific legal issues raised by the District that relate to and arise out of the District's structuring of the interim Financing issue.
- (5) If applicable, review those sections of the official statement, private placement memorandum or other form of offering or disclosure document to be disseminated in connection with the sale or placement of the Financing involving a description of the legal authority and documents authorizing the Financing.
- (6) Assist the District in presenting information to bond rating, organizations and providers of credit enhancement relating to legal issues affecting the issuance of the Financing.
- (7) If applicable, draft the continuing disclosure undertaking of the District.

Our Financing Opinion will be addressed to the District and will be based on facts and law existing as of its date. In rendering our Financing Opinion we will rely upon the certified proceedings and other representations and certifications of public officials, counsel for and representatives of the District, the lender of the Financing, and other persons, furnished to us without any undertaking by us to verify the same by independent investigation, and we will assume continuing compliance by the District and all other participants in the transaction with applicable laws relating to the Financing. During the course of this engagement, we will rely on the District to provide us with complete and timely information on all developments pertaining to any aspect of the Financing and their security. We understand that the District will direct members of its staff and other employees to cooperate with us in this regard.

Our duties in this engagement are limited to those expressly set forth above. Among other things, our duties do not include:

- (a) Except as described in paragraph (5) above, assisting in the preparation or review of an official statement or any other disclosure document with respect to the Financing, or performing an independent investigation to determine the accuracy, completeness or sufficiency of any such document or rendering advice that the official statement or other disclosure document does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.
- (b) Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.

- (c) Preparing blue sky or investments surveys with respect to the Financing.
- (d) Drafting state constitutional or legislative amendments.
- (e) Pursuing test cases or other litigation such as contested validation proceedings.
- (f) Making an investigation or expressing any view as to the creditworthiness or financial strength of the District or any other party being or having been contracted with by the District or the Financing.
- (g) Opining on a continuing disclosure undertaking pertaining to the Financing or, after Closing, providing advice concerning any actions necessary to assure compliance with any continuing disclosure undertaking.
- (h) Representing the District in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- (i) After Closing, providing continuing advice to the District or any other party concerning any actions necessary to assure that interest paid on the Financing will continue to be excludable from gross income for federal or for State income tax purposes (*e.g.*, our engagement does not include rebate calculations for the Financing).
- (j) Addressing any other matter not specifically set forth above that is not required to render our Financing Opinion.

It is expressly agreed that the District shall not request the firm to provide predictions or advice regarding, and that the firm shall provide no predictions or advice and owes the District no duty regarding, the financial structuring or feasibility of any arrangement nor any predictions or advice as to the ability or likelihood of any other party actually performing their obligations relating thereto.

We understand that the District has a general counsel. Such general counsel will be asked to advise upon the District's general corporate matters and such matters are not included in the scope of our retainer hereunder. As bond counsel or special counsel, we shall be entitled to rely upon the opinions of and representations by such general counsel.

In expressing its opinion, the firm does not represent, warrant or guarantee that a court will not invalidate either any of the procedures or contracts being utilized in connection with the issuance of the Financing, nor does the firm represent, warrant or guarantee the actual performance rendered by participants in any transaction with the District.

It is also expressly agreed that (i) our client for purposes of this representation is the District and not any of its officers or employees, members, creditors, bondholders, or any

other entities having any interest in the District or in which the District has an interest, and (ii) accordingly, this engagement will not establish an attorney-client relationship between the firm and any such individual, member or other entity.

2. *Term of Engagement.* Either the District or the firm may terminate this engagement at any time for any reason, subject on our part to applicable rules of professional conduct. In the event that we terminate the engagement, we will take such steps as are reasonably practicable to protect the District's interests in matters within the scope of this engagement. In the event of termination of this engagement for any reason, the firm will be paid for services satisfactorily rendered by the firm up to the date of termination, and for any post-termination services requested by the District in connection with the termination.

3. *Conclusion of Representation; Retention and Disposition of Documents.* At the District's request, its papers and property will be returned to it or delivered to successor counsel, as it may direct, promptly upon receipt of payment of outstanding fees and expenses. Our own files pertaining to this engagement will be retained by the firm. These firm files include, for example, firm administrative records, time and expense reports, and accounting records, as well as internal lawyer's work product such as drafts, notes, internal memoranda, and legal and factual research prepared by or for the internal use of lawyers. For various reasons, including the minimization of unnecessary storage expenses, we reserve the right to destroy or otherwise dispose of any such documents or other materials retained by us within a reasonable time after the termination of this engagement.

4. *Post-Engagement Matters.* After completion of this engagement, changes may occur in applicable laws or regulations, or in administrative District or judicial interpretations thereof, that could have an impact upon issues as to which we have advised the District during the course of this engagement. Unless you subsequently engage us, after completion of this engagement, to provide additional advice on such issues, the firm has no continuing obligation to advise you with respect to any such future legal developments.

5. *Fees and Expenses.* We will submit statements at the times indicated in the fourth paragraph of this section detailing time charges recorded in connection with this engagement, including time charges for performance of services recorded prior to the execution of this letter, at our then-current generally applicable hourly rates. Current hourly rates for attorneys and staff who are expected to work on the District's matters are:

Attorney	Rate
Gülgün Mersereau	\$415
Sarah Dickey	\$300
Jennifer Córdova	\$435
Paralegal	\$200

These hourly rates are subject to change from time to time.

February 26, 2019

Page 5

We also will charge for other ancillary services provided. Examples include charges for photocopies, travel, binding and assembling documents, and similar items. We estimate our costs will not exceed \$300.

Fees and expenses of others (such as consultants, appraisers and other counsel retained by you) will not be paid by us, and should be billed directly to you. Arrangements for billing and payment for services of others should be made between you and the other parties.

6. *Consent to Conflict; Non-reliance upon Hawkins Representations.* The firm from time to time has represented, currently represents, and may in the future represent, underwriters and lenders in municipal financings involving other issuers. The District consents to the firm simultaneously representing such other parties and the District. The District acknowledges and agrees that it has not relied upon any firm representations or statements of any kind in deciding to give its consent. Instead, it has consulted with other independent counsel and that it has exclusively relied upon such other counsel in deciding to consent.

7. *Attorney-Client Privilege.* In recent years, several courts have said that when a firm reviews its compliance with professional conduct rules or other law in the representation of a client, the firm may not be able to claim attorney-client privilege for its review unless the firm withdraws from representing the particular client before conducting the review or the client agrees that the firm can assert privilege for any such review. We believe it is in the interest of our clients that the firm have the protection of the privilege in connection with internal reviews of its work for you. The District agrees that any communications between the lawyers and staff working on the District's matter and the lawyers at the firm who may be reviewing that work for compliance with professional conduct rules or other law will be protected by the firm's own attorney-client privilege and that any such review will not constitute a conflict between our interests and your interests.

8. *Client Responsibilities.* The District agrees to cooperate fully with us and to provide promptly all information known or available to the District relevant to our representation. The District also agrees to pay our statements for services and expenses in accordance with paragraph 5 above.

9. *Fully Integrated Agreement; Merger; No Oral Amendments or Modifications.* This agreement is intended as a complete integration of the terms of this engagement and, as such, all prior understandings, representations, warranties, and agreements are fully and completely merged herein.

Of course, you may limit or expand the scope of our representation from time to time, provided that any such expansion is agreed to by each of us and memorialized in a supplement hereto.



We are pleased to have this opportunity to work with the District. I trust that you will not hesitate to call me if you have any questions or comments during the course of this engagement.

Very truly yours,

*Hawkins Delafield & Wood LLP*



Agreed and Accepted:

Seal Rock Water District, Oregon

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



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FAX: 503-402-1331

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ANN ARBOR

February 26, 2019

**Via Email: adenlinger@srwd.org**  
Adam Denlinger  
General Manager  
Seal Rock Water District

Dear Adam:

Thank you for selecting Hawkins Delafield & Wood LLP to act as bond counsel to Seal Rock Water District (the "District") in connection with the proposed general obligation bonds with USDA (the "Financing"). To this end, we submit for your approval the following provisions governing our engagement. If you are in agreement, please sign the enclosed copy of this letter in the space provided below. We are available to answer any questions that you may have concerning these provisions, or any modifications that you may wish to suggest. We at Hawkins are pleased to have the opportunity to serve the District.

1. *Client; Limited Scope of Representation.* Our client in this matter will be the District. We will be engaged hereunder to render legal advice to the District as its bond counsel or special counsel, including the following:

- (1) Subject to the completion of proceedings to our satisfaction, render our legal opinion (the "Financing Opinion") regarding the validity and binding effect of the Financing, the source of payment and security for the Financing, and excludability of interest on the Financing from gross income for federal and for state of Oregon income tax purposes.
- (2) Prepare and review documents necessary or appropriate to the authorization, issuance and delivery of the Financing, coordinate the authorization and execution of such documents, and review enabling legislation.
- (3) Assist the District in seeking from other governmental authorities such approvals, permissions, and exemptions as are necessary or appropriate in connection with the authorization, issuance and delivery of the Financing, except that we will not be responsible for any required Blue Sky filings.

- (4) Review and respond to specific legal issues raised by the District that relate to and arise out of the District's structuring of the Financing.
- (5) If applicable, review those sections of the official statement, private placement memorandum or other form of offering or disclosure document to be disseminated in connection with the sale or placement of the Financing involving a description of the legal authority and documents authorizing the Financing.
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4. *Post-Engagement Matters.* After completion of this engagement, changes may occur in applicable laws or regulations, or in administrative District or judicial interpretations thereof, that could have an impact upon issues as to which we have advised the District during the course of this engagement. Unless you subsequently engage us, after completion of this engagement, to provide additional advice on such issues, the firm has no continuing obligation to advise you with respect to any such future legal developments.

5. *Fees and Expenses.* We will charge the District a fixed fee of \$13,000 for our bond counsel services. Such fees will be paid from Bond proceeds at Closing and will not be due if the issue does not close.

Fees and expenses of others (such as consultants, appraisers and other counsel retained by you) will not be paid by us, and should be billed directly to you. Arrangements for billing and payment for services of others should be made between you and the other parties.

6. *Consent to Conflict; Non-reliance upon Hawkins Representations.* The firm from time to time has represented, currently represents, and may in the future represent, underwriters and lenders in municipal financings involving other issuers. The District consents to the firm simultaneously representing such other parties and the District. The District acknowledges and agrees that it has not relied upon any firm representations or statements of any kind in deciding to give its consent. Instead, it has consulted with other independent counsel and that it has exclusively relied upon such other counsel in deciding to consent.

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review unless the firm withdraws from representing the particular client before conducting the review or the client agrees that the firm can assert privilege for any such review. We believe it is in the interest of our clients that the firm have the protection of the privilege in connection with internal reviews of its work for you. The District agrees that any communications between the lawyers and staff working on the District's matter and the lawyers at the firm who may be reviewing that work for compliance with professional conduct rules or other law will be protected by the firm's own attorney-client privilege and that any such review will not constitute a conflict between our interests and your interests.

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9. *Fully Integrated Agreement; Merger; No Oral Amendments or Modifications.* This agreement is intended as a complete integration of the terms of this engagement and, as such, all prior understandings, representations, warranties, and agreements are fully and completely merged herein.

Of course, you may limit or expand the scope of our representation from time to time, provided that any such expansion is agreed to by each of us and memorialized in a supplement hereto.

We are pleased to have this opportunity to once again work with the District. I trust that you will not hesitate to call me if you have any questions or comments during the course of this engagement.

Very truly yours,

*Hawkins Delafield & Wood LLP*



Agreed and Accepted:

Seal Rock Water District, Oregon

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

PO Box 190 · 1037 NW Grebe Street · Seal Rock, Oregon 97376  
Phone: 541.563.3529 · FAX 541.563.4246 · Email: info@srwd.org



# Seal Rock Water District

<b>DATE ACTION REQUESTED: March 14, 2019</b>					
<b>Ordinance</b>	<b>Resolution</b>	<b>Motion</b>	<b>X</b>	<b>Information</b>	
<b>Date Prepared: March 6, 2019</b>			<b>Dept.: Field Operation</b>		
<b>SUBJECT:</b> Consider Scope of Work to complete Streamflow Monitoring Support on Beaver Creek			<b>Contact Person for this Item:</b> Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447		

**RECOMMENDED DISTRICT ACTION:**

Consider approving Scope of Work provided by GSI Water Solution for continued streamflow monitoring.

**FINANCIAL IMPACTS:**

Water quality monitoring can be funded with proceeds from a loan and grant provided by Oregon Business Development Division (OBDD), Safe Drinking Water Revolving Loan Fund (SDWRLF) Program approved by the Board on February 15, 2018. Loan amount \$2,451,000, forgivable Loan Amount \$1,030,000.

**DISTRICT GOAL:**

Prioritize challenges that must be overcome to assure successful operations dependent upon effective source water system operations.

**BACKGROUND:**

The purpose of continued monitoring is to meet requirements outlined in the District's water use permit S-55012, which require:

- Prior to initiating water diversion from Beaver Creek, the installation of a streamflow gaging station at or near the District's proposed intake for monitoring of streamflow and water depth during the period of May 15 to October 15 for 5 years.
- A minimum of eight streamflow measurements (at various rates of flow) are required during the first year, with additional measurements every four to six weeks thereafter.
- Annual reporting of the collected data to the Oregon Water Resources Department (OWRD).

*A. Denlinger*

Submitted By: \_\_\_\_\_  
Adam Denlinger, General Manager



## **Water Solutions, Inc.**

March 5, 2019

Adam Denlinger  
 Seal Rock Water District  
 PO Box 190  
 1037 NW Grebe Street  
 Seal Rock, OR 97376

Re: Scope and Cost Estimate for Water Temperature Monitoring Support, Year 2 in Beaver Creek for Water Right Permit S-55012

Dear Adam,

GSI Water Solutions, Inc. (GSI) appreciates the opportunity to provide this scope and budget to Seal Rock Water District (District) for monitoring water temperature in Beaver Creek. The purpose of the monitoring is to meet requirements outlined in the District's water use Permit S-55012, which states that temperature must be monitored between May 15 and October 31 at 30 minute intervals upstream and downstream of the point of diversion (POD) for 2 years prior to diversion and 5 years after diversion. This scope of work is for the second year of water temperature monitoring.

## **Scope of Work**

GSI will perform water temperature monitoring in Beaver Creek and submit the data to Oregon Water Resources (OWRD) and Oregon Department of Environmental Quality (DEQ) at the end of the year as outlined in the Sampling and Analysis Plan (SAP). This work is organized into three tasks which are described below.

### **Task 1: Stream Temperature Monitoring**

The task will include:

- Install the loggers in stilling wells prior to May 15<sup>th</sup>.
- Routinely inspect stilling wells and download logger data.
- Remove the loggers after October 31<sup>st</sup> to protect the equipment from weather and high water flow conditions. Equipment will be removed, cleaned, and stored over the winter months.
- Perform quality control tests on loggers, as outlined in the SAP, including pre- and post-deployment water baths and two in-stream temperature confirmations.

Additionally, the thermometer used for transducer data quality control will be NIST calibrated prior to the season. The estimated fee for GSI labor and expenses for Task 1 is **\$10,012** (86 labor hours).



**Assumptions:**

- Time is based on a 5 hour field day for (1) GSI staff from Corvallis for each of the 9 routine monitoring trips included in the scope of work. (It is assumed that 4 site visits will be accomplished while implementing streamflow measurements under a separate task).
- For installation of the loggers, time is based on a 10 hour field day for (1) GSI staff from Portland and 6.5 hours for (2) GSI staff from Corvallis. For logger removal, time is based on a 10 hour field day for (1) GSI staff from Portland and 6.5 hours for (1) GSI staff from Corvallis.
- The District is responsible for any repairs to the stilling wells in case of damage.
- Thermometer calibration cost is \$150.

**Task 2: Data Review and Reporting (Year 2)**

During the monitoring period, the data will be downloaded every 2 weeks and reviewed to ensure data quality and logger functionality. Following our quality review, GSI will submit the electronic water temperature data and any required documentation to OWRD and DEQ by December 31, 2019, consistent with the SAP. The estimated fee for GSI labor and expenses for Task 2 is \$6,210 (58 labor hours).

**Task 3: Project Management**

GSI will manage the project, which will include invoicing, tracking budget and schedule, progress updates with the District, and internal management. Additionally, GSI will meet with the District and DEQ to review monitoring results for Year 2 and potential adjustments needed for Year 3. The estimated fee for GSI labor and expenses for Task 3 is \$2,631 (22 labor hours).

**Assumptions:**

- Meeting with the District and DEQ is assumed to be 3 hours and held in Corvallis.

**Proposed Budget**

Our proposed scope of work will be completed on a time and materials basis. The total estimated fee for monitoring water temperature in Beaver Creek for Year 2 is \$18,853. Table 1, presented below, shows a breakdown of the budget by task.

**Table 1. Project Budget**

Description	Labor Hours	Labor Cost	Direct Expenses	Total
Task .001 - Stream Monitoring	86	\$8,460	\$1,552	\$10,012
Task .002 - Data Review and Report (Year 2)	58	\$6,210	\$0	\$6,210
Task .003 - Project Management	22	\$2,631	\$0	\$2,631
<b>Project Totals</b>	<b>166</b>	<b>\$17,301</b>	<b>\$1,552</b>	<b>\$18,853</b>

Please give me a call if you have any questions regarding this scope and budget. We greatly appreciate the opportunity to work with the District on this project. If this meets the District's needs we have attached GSI's standard Professional Services Agreement for review and approval as your notice to proceed.

Sincerely,

Groundwater Solutions, Inc. dba  
GSI Water Solutions, Inc.



Adam Sussman  
Principal Water Resources Consultant  
Enclosure

**GSI Water Solutions, Inc.  
55 SW Yamhill, Suite 400  
Portland, Oregon 97204**

## **PROFESSIONAL SERVICES AGREEMENT**

Client:

Seal Rock Water District  
Attention: Adam Denlinger  
P.O. Box 190  
1037 NW Grebe Street  
Seal Rock, OR 97376

**Name of Project: Water Rights Consulting (Temperature Monitoring Support, Year 2)**

Seal Rock Water District (CLIENT) authorizes Groundwater Solutions, Inc, dba GSI Water Solutions, Inc. (GSI) to perform the following water rights consulting services.

### **Scope of Services**

- The attached proposal letter dated March 5, 2019 to Adam Denlinger presents the scope of work for this project.

### **Compensation**

- The scope of work outlined in the proposal letter dated March 5, 2019 will be completed on a time and materials basis, billed as provided herein. GSI has provided you with a good faith estimate that the work should not exceed \$18,853. GSI reserves the right to adjust this amount in the event of encountering unforeseen issues relating to the project, which may arise during the time of the contract. In the event GSI must adjust price, it will contact the client at its earliest convenience to discuss adjustment of the total cost of the project. The total cost will then be subject to mutual Agreement of the parties.

### **Schedule**

- GSI will proceed with the work in a professional and expeditious manner, unless delayed by the unforeseen unavailability of necessary labor, restricted access t the work site, discovery in handling of toxic materials, delays in communications with the client, insufficient or unworkable drawings or specifications, changes in the work, or any other causes beyond GSI's control. While GSI shall, at all times, conscientiously proceed with the work, the estimated time to complete this project as outlined in the letter dated March 5, 2019, is only for the benefit of the client's general planning. The actual completion time is subject to

3/5/2019

● Page 2

factors listed above. GSI will not be responsible for any financing costs or other consequential damages or costs incurred by the client due to delays in the completion of the project.

**Terms:**

Services covered by this Agreement will be performed in accordance with the attached provisions and schedules. This Agreement supersedes all prior Agreements and understandings and may only be changed by written amendment executed by both parties.

**GSI WATER SOLUTIONS, INC.**

**Seal Rock Water District**

Signature:

Signature:

Name (printed):

Name (printed):

Title:

Title:

Date:

Date:

## **Provisions**

### ***Authorization to Proceed***

Execution of this Agreement by the CLIENT will be authorization for Groundwater Solutions, Inc. (GSI) to proceed with the services, unless otherwise provided for in this Agreement.

### ***Compensation Rates***

Compensation for services provided under this agreement will be on a time and materials basis in accordance with the rates contained in the Attached fee schedule. The hourly labor rates shown in Attachment are subject to annual adjustments effective each anniversary of the contract signing date.

### ***Subcontracts and Direct Expenses***

When services are performed on a cost reimbursement basis, a markup of 10 percent will be applied to subcontracts and outside services and a markup of 10 percent will be applied to Direct Expenses. For purposes of this Agreement, Direct Expenses are defined to include those necessary costs and charges incurred for the project including, but not limited to the direct costs of transportation, meals, lodging, mail, shipping, equipment, supplies, laboratory test and analysis, printing and reproduction services, and certain field equipment.

All sales, use, value added, business transfer, gross receipts, or other similar taxes will be added to GSI compensation when invoicing CLIENT.

### ***Ownership of Documents***

CLIENT agrees that all original documents produced by GSI in accordance with this agreement, except documents which are required to be filed with public agencies, shall remain the property of Consultant. CLIENT agrees to waive any claim against Consultant and to indemnify, defend and hold harmless Consultant for any and all claims arising out of any use, not authorized in writing by GSI, of these documents by third parties not related to this agreement.

### ***Cost Opinions***

Any cost opinions or project economic evaluations provided by GSI will be on a basis of experience and judgment, but, since GSI has no control over market conditions or bidding procedures, GSI cannot warrant that bids,

ultimate construction cost, or project economics will not vary from these opinions.

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Monthly invoices will be issued by GSI for all services performed under this Agreement. CLIENT shall pay each invoice within 30 days.

In the event of a disputed billing, only that disputed portion will be withheld from payment, and the undisputed portion will be paid. CLIENT will exercise reasonableness in disputing any bill or portion thereof.

### ***Insurance***

GSI will maintain throughout this Agreement the following insurance:

- (a) Worker's compensation insurance in the statutory amount of not less than \$1,000,000 for all employees engaged in the work. Owners of GSI who are exempt from worker's compensation requirements shall maintain equivalent disability insurance.
- (b) Comprehensive automobile and vehicle liability insurance covering claims for injuries to members of the public and/or damages to property of others arising from use of motor vehicles, including onsite and offsite operations, and owned, non-owned, or hired vehicles, with \$1,000,000 combined single limits.
- (c) Commercial general liability insurance covering claims for injuries to members of the public or damage to property of others arising out of any covered negligent act or omission of GSI or of any of its employees, agents, or subcontractors, with \$2,000,000 per occurrence and \$2,000,000 in the aggregate.
- (d) Professional liability insurance of \$1,000,000 per occurrence and \$2,000,000 in the aggregate.

Insurance coverage in (b) and (c) above will name CLIENT and OWNER as additional insureds. Such insurance will be the primary coverage to GSI and CLIENT.

Before commencing work under this contract, GSI will furnish CLIENT with certificates of insurance verifying coverages and additional insureds. Certificates also

● Page 4

will state that the insurance carrier will give CLIENT thirty (30) days notice of any insurance cancellation or material alteration.

***Standard of Care***

GSI will complete its services with the standard of care and degree of skill and diligence normally employed by professionals performing the same or similar services in the locality in which the services are performed.

***Indemnification***

GSI agrees, to the fullest extent permitted by law, to indemnify and hold harmless CLIENT from damages, liabilities, and costs to the extent such liabilities, and costs are caused by GSI's negligent acts, errors, or omissions in the performance of professional services under this agreement, or anyone for whom GSI is legally liable.

CLIENT agrees, to the fullest extent permitted by law, to indemnify and hold harmless GSI from damages, liabilities, and costs to the extent such liabilities, and costs are caused by Client's acts, errors, or omissions, or anyone for whom the CLIENT is legally liable.

In the event that damages, liabilities and costs are caused by the joint or concurrent negligence of CLIENT and GSI, they shall be borne by each party in proportion to its own negligence. This provision is intended to indemnify and hold harmless each other and each other's clients specifically in any situation in which employees, agents, and representatives commence a third party action for injuries or death otherwise covered by applicable workmen's compensation laws.

***Limitation of Liability***

GSI's liability will, in the aggregate, not exceed \$100,000. This Provision takes precedence over any conflicting Provision of this Agreement or any document incorporated into it or referenced by it.

This limitation of liability will apply whether GSI's liability arises under breach of contract or warranty; tort, including negligence; strict liability; statutory liability; or any other cause of action, and shall include GSI's officers, employees, and subcontractors.

***Severability and Survival***

If any of the provisions contained in this Agreement are held illegal, invalid or unenforceable, the other provisions shall remain

in full effect. Limitations of liability shall survive termination of this Agreement for any cause.

***No Third Party Beneficiaries***

This Agreement gives no rights or benefits to anyone other than CLIENT and GSI and has no third party beneficiaries except as provided in *Limitation of Liability*.

***Materials and Samples***

Any items, substances, materials, or samples removed from the project site for testing, analysis, or other evaluation will be returned to the project site unless agreed to otherwise. CLIENT recognizes and agrees that GSI at no time assumes title to said items, substances, materials, or samples. CLIENT recognizes that GSI assumes no risk and/or liability for a waste or hazardous waste site originated by other than GSI.

***Assignments***

Neither party shall have the power to or will assign any of the duties or rights or any claim arising out of or related to this Agreement, whether arising in tort, contract or otherwise, without the written consent of the other party. Any unauthorized assignment is void and unenforceable.

***Integration***

This Agreement incorporates all previous communications and negotiations and constitutes the entire Agreement of the parties. If CLIENT issues a Purchase Order in conjunction with performance of the services, general or standard terms and conditions on the Purchase Order do not apply to this Agreement.

***Force Majeure***

If performance of the services is affected by causes beyond GSI's reasonable control, project schedule and compensation shall be equitably adjusted.

***Changes***

CLIENT may make or approve changes within the general Scope of Services in this Agreement, subject to GSI approval and with appropriate adjustment for costs and time for performance. If such changes affect GSI's cost of or time required for performance of the services, an equitable adjustment will be made through an amendment to this Agreement.

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This Agreement may be terminated for convenience on 30 days' written notice or if either party fails substantially to perform through no fault of the other and does not commence correction of such nonperformance within 5 days of written notice and diligently complete the correction thereafter. The preceding sentence does not apply to a non-payment for services rendered, at which time, the client shall be deemed to be in default and GSI may suspend services. On termination, GSI will be paid for all authorized work performed up to the termination date plus termination expenses, such as, but not limited to, reassignment of personnel, subcontract termination costs, and related closeout costs.

***Attorney's Fees***

In case this Agreement is referred to an attorney for collection, suit, or action, including arbitration, by any of the parties to enforce any provision of this Agreement, the prevailing party shall be entitled to, in addition to any award of costs or disbursements provided by statute, such additional sums as the court may adjudge reasonable as attorney's fees and costs to be allowed in such suit or action, including sums allowed as reasonable attorney's fees and costs on any appeal of such suit or action.

***Governing Law***

This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon and venue of any action shall be in Multnomah County, Oregon.





## 2019 GSI Fee Schedule

<b>Labor Category</b>	<b>Hourly Rate</b>
<b>Technical Professionals</b>	
Principal	\$180 - \$240
Supervising	\$150 - \$210
Managing	\$135 - \$160
Consulting	\$120 - \$145
Project	\$100 - \$130
Staff	\$90 - \$120
<b>Other Services</b>	
GIS/Graphics	\$100 - \$165
Editor/Documents	\$110 - \$125
Administration	\$65 - \$100

The hourly rate for trial preparation and expert witness testimony is 1.5 times the standard billing rate shown above.

### Expenses

- **Mileage:** IRS authorized rate/mile plus 10 percent markup
- **Direct expenses and outside services:** Cost plus 10 percent markup



March 5, 2019

Adam Denlinger  
Seal Rock Water District  
PO Box 190  
1037 NW Grebe Street  
Seal Rock 97376

**Re: Scope and Cost Estimate for Streamflow Monitoring Support on Beaver Creek for Water Use Permit S-55012**

Dear Adam,

GSI Water Solutions, Inc. (GSI) appreciates the opportunity to provide this scope and budget to Seal Rock Water District (District) for streamflow monitoring on Beaver Creek. The purpose of the monitoring is to meet requirements outlined in the District’s water use permit S-55012, which require:

- Prior to initiating water diversion from Beaver Creek, the installation of a streamflow gaging station at or near the District’s proposed intake for monitoring of streamflow and water depth (according to USGS standards) during the period of May 15 to October 15 for 5 years.
- A minimum of eight streamflow measurements (at various rates of flow) are required during the first year, with additional measurements every four to six weeks thereafter.
- Annual reporting of the collected data to the Oregon Water Resources Department (OWRD).

## Scope of Work

This scope of work includes the tasks to be completed during Year 1 of streamflow monitoring support, and is organized into four tasks that are described below. We have included a description of the tasks to continue the streamflow monitoring during additional years of monitoring (Years 2 through 5) for your information, but have not included costs beyond Year 1 in this scope and budget.

### **Task 1: Streamflow Monitoring Station Planning and Coordination with State Agencies**

GSI will prepare a brief plan for installation of a streamflow monitoring station at the bridge located just upstream of the planned location for the City’s intake. The plan and proposed equipment for the streamflow monitoring station will be reviewed with OWRD (District 1 Watermaster) ahead of installation to identify and address any OWRD concerns before

installation of the monitoring station. Additionally, a brief health and safety plan will be prepared for monitoring station installation. The estimated fee for GSI labor for Task 1 is \$2,475 (17 labor hours).

**Assumptions:**

- The streamflow monitoring station will consist of two pressure transducers (with integrated data loggers) to measure and record the stage (water depth) of Beaver Creek and barometric pressure changes, respectively, and a staff plate for manual measurement of the stage of Beaver Creek.
- To the extent possible, the streamflow monitoring station will utilize the hardware installed as part of the existing temperature monitoring station at this location.

### **Task 2: Streamflow Monitoring Station Installation**

GSI will purchase the necessary equipment and will install the streamflow monitoring station. To ensure compliance with permit requirements for seasonal monitoring, we recommend installing the equipment and periodically checking the data several weeks before May 15 to ensure the equipment is operating correctly. The estimated fee for GSI labor and expenses for Task 2 is \$6,184 (36 labor hours and \$1,744 in expenses).

**Assumptions:**

- One visit to install the streamflow monitoring station and to collect a streamflow measurement to ensure the equipment is operating correctly; GSI's time is based on a 16 hour field day for a (2) person field team, including travel time.
- Equipment cost is based on one Onset HOBO U20-001-001 30-foot pressure transducer (water level), one Onset HOBO U20-001-004 pressure transducer (barometric), and USGS Style C staff gage plate (0 to 20 feet).
- One visit to the streamflow monitoring station will be completed prior to the start of the required monitoring period to collect a streamflow measurement to ensure the equipment is operating correctly.

### **Task 3: Data Collection (Year 1)**

During the monitoring period (May 15 to October 15) of Year 1, GSI will conduct eight regularly scheduled field visits to the streamflow monitoring station to measure the streamflow of Beaver Creek. The eight visits to measure streamflow will occur approximately every 3 weeks, with the objective of measuring various rates of streamflow during the required monitoring period. (To the extent possible, GSI staff will combine trips to coincide with temperature monitoring field work). Water level data collected by the pressure transducer (installed at the streamflow monitoring station) will be downloaded by GSI during each visit. The overall objective of this task is to collect the data needed to develop a rating curve relating the stage (water depth) of Beaver Creek to streamflow. The estimated fee for GSI labor and expenses for Task 3 is \$27,748 (162 labor hours and \$7,832 in expenses).

**Assumptions:**

- A total of eight visits to the streamflow monitoring station; GSI's time is based on a 10-hour field day for a GSI staff from Portland and a 7-hour field day for a GSI staff from Corvallis for each visit, including travel time.
- One additional site visit at the end of the monitoring period to retrieve the pressure transducers for storage during the winter; GSI's time is based on a 7-hour field day for a single person, including travel.

- One additional site visit and an equipment repair allowance of \$200 is assumed for maintenance of the streamflow monitoring station, if required; GSI's time is based on an 8-hour field day for (2) GSI staff, including travel.

#### **Task 4: Data Processing and Reporting (Year 1)**

GSI will review and process the streamflow data collected during the field visits and the data files retrieved from the pressure transducers. The compiled data will be used to develop a rating curve relating the stage (water level) of Beaver Creek to streamflow, which will then be used to estimate the flow of Beaver Creek based on the stage (water level) of the creek (determined based on the data from the pressure transducers). After the end of the required monitoring period, GSI will prepare a brief summary of the processed data for the District and GSI will submit the collected data and any required documentation to OWRD by December 31, 2019. The estimated fee for GSI labor and expenses for Task 4 is \$10,826 (98 labor hours).

#### **Continuing Streamflow Monitoring during Year 2 through Year 5**

Streamflow monitoring is required for five years. This task includes the following for the subsequent 4 years of monitoring (Year 2 through Year 5):

- Inspecting the streamflow monitoring station, making any needed repairs, and installing the pressure transducers prior to the start of the required monitoring period (May 15 of each year).
- Conduct four to six field visits to the streamflow monitoring station to measure the streamflow of Beaver Creek during the required monitoring period (May 15 through October 15) of each year
- Review and process the streamflow data collected during the field visits and the data files retrieved from the pressure transducers.
- Remove the pressure transducers after the end of the required monitoring period (October 15 of each year) to protect the equipment from weather and high water flow conditions.
- Prepare a brief summary of the processed data for the District and submit the collected data to OWRD by December 31 of each year.
- Water Temperature Pro transducers have a 6-year battery. Near the end of the battery life, transducers will require a \$95 factory replacement.

#### **Budget**

Our proposed scope of work will be completed on a time and materials basis. The total estimated fee for Year 1 streamflow monitoring in Beaver Creek is \$47,233. Table 1, presented below, shows a breakdown of the budget by task.

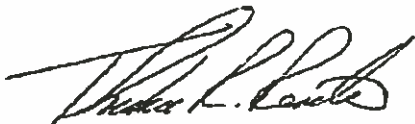
60

**Table 1. Project Budget**


Description	Labor Hours	Labor Cost	Direct Expenses	Total
<b>Task 1 - Streamflow Monitoring Station Planning and Coordination with State Agencies</b>	17	\$2,475	\$0	\$2,475
<b>Task 2 - Streamflow Monitoring Station Installation</b>	36	\$4,440	\$1,744	\$6,184
<b>Task 3 - Data Collection (Year 1)</b>	162	\$19,916	\$7,832	\$27,748
<b>Task 4 - Data Processing and Reporting (Year 1)</b>	98	\$10,826	\$0	\$10,826
<b>Project Totals</b>	<b>313</b>	<b>\$37,657</b>	<b>\$9,576</b>	<b>\$47,233</b>

Please give me a call if you have any questions regarding this scope and budget. We greatly appreciate the opportunity to work with the District on this project. If this meets the District's needs please review and sign the attached Professional Services Agreement as your notice to proceed.

Sincerely,  
GSI Water Solutions, Inc.



Theodore Ressler, RG, CWRE  
Hydrogeologist and Water Rights Consultant



Adam Sussman  
Principal Water Resources Consultant

Enclosure

GSI Water Solutions, Inc.  
55 SW Yamhill, Suite 400  
Portland, Oregon 97204

## PROFESSIONAL SERVICES AGREEMENT

Client:

Seal Rock Water District  
Attention: Adam Denlinger  
P.O. Box 190  
1037 NW Grebe Street  
Seal Rock, OR 97376

### **Name of Project: Water Rights Consulting (Streamflow Monitoring Support, Year 1)**

Seal Rock Water District (CLIENT) authorizes Groundwater Solutions, Inc, dba GSI Water Solutions, Inc. (GSI) to perform the following water rights consulting services.

### **Scope of Services**

- The attached proposal letter dated March 5, 2019 to Adam Denlinger presents the scope of work for this project.

### **Compensation**

- The scope of work outlined in the proposal letter dated March 5, 2019 will be completed on a time and materials basis, billed as provided herein. GSI has provided you with a good faith estimate that the work should not exceed \$47,233. GSI reserves the right to adjust this amount in the event of encountering unforeseen issues relating to the project, which may arise during the time of the contract. In the event GSI must adjust price, it will contact the client at its earliest convenience to discuss adjustment of the total cost of the project. The total cost will then be subject to mutual Agreement of the parties.

### **Schedule**

- GSI will proceed with the work in a professional and expeditious manner, unless delayed by the unforeseen unavailability of necessary labor, restricted access t the work site, discovery in handling of toxic materials, delays in communications with the client, insufficient or unworkable drawings or specifications, changes in the work, or any other causes beyond GSI's control. While GSI shall, at all times, conscientiously proceed with the work, the estimated time to complete this project as outlined in the letter dated March 5, 2019, is only for the benefit of the client's general planning. The actual completion time is subject to

● Page 2

factors listed above. GSI will not be responsible for any financing costs or other consequential damages or costs incurred by the client due to delays in the completion of the project.

**Terms:**

Services covered by this Agreement will be performed in accordance with the attached provisions and schedules. This Agreement supersedes all prior Agreements and understandings and may only be changed by written amendment executed by both parties.

**GSI WATER SOLUTIONS, INC.**

**Seal Rock Water District**

Signature:

Signature:

Name (printed):

Name (printed):

Title:

Title:

Date:

Date:



**Provisions**

***Authorization to Proceed***

Execution of this Agreement by the CLIENT will be authorization for Groundwater Solutions, Inc. (GSI) to proceed with the services, unless otherwise provided for in this Agreement.

***Compensation Rates***

Compensation for services provided under this agreement will be on a time and materials basis in accordance with the rates contained in the Attached fee schedule. The hourly labor rates shown in Attachment are subject to annual adjustments effective each anniversary of the contract signing date.

***Subcontracts and Direct Expenses***

When services are performed on a cost reimbursement basis, a markup of 10 percent will be applied to subcontracts and outside services and a markup of 10 percent will be applied to Direct Expenses. For purposes of this Agreement, Direct Expenses are defined to include those necessary costs and charges incurred for the project including, but not limited to the direct costs of transportation, meals, lodging, mail, shipping, equipment, supplies, laboratory test and analysis, printing and reproduction services, and certain field equipment.

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Any cost opinions or project economic evaluations provided by GSI will be on a basis of experience and judgment, but, since GSI has no control over market conditions or bidding procedures, GSI cannot warrant that bids,

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- (c) Commercial general liability insurance covering claims for injuries to members of the public or damage to property of others arising out of any covered negligent act or omission of GSI or of any of its employees, agents, or subcontractors, with \$2,000,000 per occurrence and \$2,000,000 in the aggregate.
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Insurance coverage in (b) and (c) above will name CLIENT and OWNER as additional insureds. Such insurance will be the primary coverage to GSI and CLIENT.

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***Governing Law***

This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon and venue of any action shall be in Multnomah County, Oregon.



## 2019 GSI Fee Schedule

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Editor/Documents	\$110 - \$125
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