

**SEAL ROCK WATER DISTRICT  
MINUTES OF THE BUDGET COMMITTEE MEETING  
April 18, 2019**

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6 Call Budget  
7 Committee

8 Meeting: President John Garcia called the Budget Committee meeting to order at 6:00 p.m., Thursday,  
9 April 18, 2019.

10  
11 Present: President John Garcia; Commissioner Rob Mills; Commissioner Sandra Mies-Grantham;  
12 Commissioner Karen Otta; Jay Senn; Tom Ryan; Deanna Gravel; and Barry Compton.  
13 Staff: Adam Denlinger, General Manager; Joy King, Office Manager. See sign in sheet for  
14 public attendance.

15  
16 Excused Absences: Commissioner Glen Morris, and Barbara Flyewellyn

17  
18 Elect Presiding  
19 Officer: President Garcia nominated Jay Senn as the presiding officer for Budget Committee Meeting  
20 per ORS 294.336(9). Commissioner Karen Otta seconded the nomination. Motion passed by  
21 8-0.

22 Read Budget  
23 Message: Adam Denlinger, Budget Officer read the Budget Message for FY 2019-20. See attached  
24 Budget Message.

25 Amend/Approve  
26 Budget Document: Jay Senn presided over the budget review and discussion one page at a time. It was the  
27 consensus of the budget committee to approve the budget by fund. Adam Denlinger as the  
28 Budget Officer (BO) asked Joy King to discuss and explain the budget line items for each  
29 fund.  
30 Under the General Fund:  
31 PAGE 1, line 4, Interest of \$34,200 includes \$200 as estimated interest from bank deposits  
32 and \$34,000 is interest from the notes payable from the City of Newport. The  
33 Intergovernmental Agreement between the City and the District includes an annual payment  
34 of \$60,000 for loss in revenue when part of the District's service area was transferred to the  
35 City of Newport.  
36 Line 7, Water Sales of \$1,790,000 includes \$26,000 as principal payment from the notes  
37 receivable from the City of Newport. The water sales don't include a rate increase to our  
38 customers.  
39 Line 13, \$2,500 Prior Year Refund is prior years dividend from Pioneer Telephone.  
40 Line 30, Taxes necessary to balance of \$80,700 is from the District's Permanent Rate Limit  
41 which is \$.1259 per \$1,000 of property assessed value.

42 Questions and Discussions:

43 Tom Tyan asked what is the rate methodology used to calculate for water rate increases. The  
44 BO explained that rate setting is specific to each agency. Like SRWD and the City of Toledo,  
45 the 2012 contract considers the cost of maintenance, O&M cost and system improvements  
46 cost of the system used to deliver water to the District and the percentage of water usage.  
47 Jay Senn asked what is the tax rate of the District. Joy King explained that the District's  
48 permanent rate limit for general tax is \$.1259 per \$1,000 of the assessed property value. The  
49 amount to levy is determined by how much is needed to pay for the annual G.O. Bond loan  
50 due. The estimated rate per \$1,000 of the assessed value is \$1.11 but it has to be noted that  
51 it is only an estimate since the future properties assessed values are unknown until the  
52 county assessor releases that information.

53  
54 PAGE 2, line 3 – Office Salaries \$281,500. The District has a 15 step wage scale and the  
55 budgeted office salaries for 4 employees are based on the wage scale and the anniversary  
56 dates of the employees. There are 2 employees who are at the top of their wage scale.  
57 Line 5, – Employees Benefit \$271,400. This includes employees retirement benefit and  
58 health insurance benefit. PERS Tier 1 and Tier 2 rate will increase from 17.21% to 21.62%  
59 and OPSRP rate will increase from 10.79% to 15.39% beginning July 1. Health insurance  
60 premium is estimated to increase by 12%.

61 Line 8 and line 9 – Board and Office Mileage/Meal Reimbursement and Lodging are slightly  
62 higher due to the need for employees training of the new AMI system.

63 Line 12, Professional Services. This includes services of auditor, engineer, lawyer,  
64 consultants, IT and software support. The annual support of the new AMI system with its  
65 software for the customer portal, RNI, and Sensus Analytics is \$25,800.

66 Line 14, Office Supplies and Postage – Postage has gone up from \$.50 to \$.55 for the first  
67 ounce beginning January 27, 2019. This also includes mailing of conservation flyers twice a  
68 year as customer outreach. As part of the District water rights renewal, Oregon Water  
69 Resource Department (OWRD) required the District to have a Water Conservation Master  
70 Plan (WCMP) which was completed in 2014 and has to be updated every 5 years. Recently  
71 the District updated the WCMP with the help of GSI Inc. consultants. The District was made  
72 aware that we have to be proactive in implementing a conservation program to include  
73 customer outreach to educate the customers on how to conserve water, by holding  
74 educational meetings, sending flyers, posting information on the website, and providing  
75 conservation kits to customers.

76 Line 17, Printing, Copying & Advertising – the increase is for printing of conservation  
77 materials and AMI flyers.

78 Line 19, Dues, Fees & Assessments – US Bank increased the annual fees for managing two  
79 G.O. Bonds that were publicly offered. The District sends the annual payments to US Bank  
80 where bondholders redeem and cash out the G.O. Bond certificate. Customers are signing up  
81 to pay online through Xpress Bill pay and several customers also are paying their bills with  
82 their credit cards that go through Chase PaymentTech. The increase in online payments and  
83 credit card usage drive up the processing cost.

84 Line 25, Office Equipment/Computer Hardware – Three computers are over 5 years old and  
85 need to be replaced with a newer model to keep up with the needs of the software the District  
86 uses.

87 Questions and Discussions:

88 Commissioner Karen Otta asked what is PERS and OPSRP. It was discussed that PERS or  
89 Public Employees Retirement System is the retirement program that the District's employees  
90 participate in. The employees contribute 6% of their wages while the employer contributes  
91 different rates for the employees depending on their hired dates. Tier 1 are those employees  
92 who were hired under a PERS-covered position before January 1, 1996, Tier 2 are those  
93 employees who were hired between January 1, 1996, and August 28, 2003, and OPSRP or  
94 Oregon Public Service Retirement Plan are those employees hired after Jan. 1, 2004.

95 Jay Senn asked if there's a way to share some of the benefits of the AMI software and other  
96 software the District uses with other agencies to help spread the support costs. Adam  
97 Denlinger, GM explained that in the beginning planning stage of the AMI project he visited  
98 PUD to see if the District can piggyback with their existing system but each agency has its  
99 own unique radio frequency. Caselle, the billing and accounting software and Sensus  
100 customer portal, RNI and Sensus analytics, and Xpress Bill Pay online payment are  
101 proprietary software and support are exclusively offered by each company. The benefits of an  
102 AMI system will offset its annual support costs. Several of the agencies on the coast use the  
103 same Caselle billing software and XBP online payment and the companies are able to hold a  
104 local training saving the District in travel and training cost.

105  
106 Page 3, line 3, Field Salaries – The District has a 15 step wage scale and the budgeted field  
107 salaries are based on the wage scale and the anniversary dates of the employees. There are  
108 5 field employees and 2 are at the top of their wage scale.

109 Line 11, Toledo Water Purchases – The District and the City of Toledo are in ongoing  
110 Settlement Agreement and the rate for FY 2019-20 is undetermined. The budget for water for  
111 the first 6 months is estimated at \$3.89 per 1,000 gallons and the last 6 months is \$4.18 per  
112 1,000 gallons.

113 Line 12, SRWD System Maintenance includes \$8,000 for cleaning the Driftwood and Lost  
114 Creek Reservoirs.

115 Line 14, Operating Materials/Conservation includes \$2,500 to purchase conservation kits and  
116 other materials for community water conservation awareness as required by OWRD to  
117 comply with the District's Water Conservation Master Plan.

118 Line 15, Replacement Meters/AMI System – The budgeted amount is lower than the prior  
119 years since the District just completed the AMI System project where all the meters were  
120 replaced. The amount budgeted is for replacing smart points that may go bad.

121 Line 26, Building Upgrades – This is for fixing and maintaining the pump stations.  
122 Questions and Discussions:  
123 Commissioner Karen Otta asked what are the smart points? Jay Senn asked if the District  
124 has noticed if the price of steel has gone up? Tom Ryan asked how long does the battery that  
125 powers the smart points for communication last? The budget officer, Adam Denlinger  
126 explained that smart points are the meter heads that communicate to the towers sending  
127 signals like meter readings. The District uses Federal funding for the project and USDA  
128 requires that the District only use American steel. The engineer had to revise the project  
129 estimate because the price of steel has gone up by 2.5% since the tariff on steel was  
130 imposed by the Federal Government. The battery that powers a smart point is estimated to  
131 last for 10 years depending on its location from the tower and how often it communicates to  
132 transmit information to the tower.  
133 Page 4, Line 5 – R.D. Requirement Reserve Fund – This reserve fund is a USDA  
134 requirement of the District's 2012 Revenue Bond. The requirement is to accumulate an  
135 amount equal to one annual payment of the loan which is \$74,332. The annual contribution is  
136 10% of the annual payment which is \$7,430.  
137 Line 6, Revenue Bond Payments – This is the amount for annual payments of USDA 2012  
138 Revenue Bond, IFA Notes Payable, and Cashmere Valley Bank Line of Credit payment.  
139 Line 7, Depreciation/SLARRA – This is for USDA requirement of the 2016 G.O. Bond to set  
140 aside \$84,000 for replacement of assets with 5 to 15 years life span. Also, the District  
141 contributes \$50,000 for vehicle rolling stock.  
142 Line 9, Water Source Reserve Fund – No transfer is budgeted for this fund. The District is  
143 applying for loan and grant and USDA is scrutinizing the finances of the District, if the District  
144 qualifies for more grant.  
145 Page 5, is a summary of expenditures from pages 2 – 4.  
146 Questions and Discussions:  
147 Deanna Gravel asked if the District has purchased any vehicle since the District started  
148 contributing to the rolling stock fund. She hasn't seen any budget line item to purchase a  
149 vehicle. Adam Denlinger, Budget Officer explained that the budget to purchase a vehicle is  
150 on page 10, under SLARRA/Depreciation Fund. The last vehicle purchased was in 2016. The  
151 District purchased a Ford 350 and traded in the 2007 Ford 250.  
152 President John Garcia motioned to approve the proposed General Fund Budget pages 1-5  
153 for \$2,479,200. Motion was seconded by Barry Compton. Motion carried 8 – 0.  
154  
155 Page 6, Debt Service Fund - This fund is used to pay the 2011, 2012, 2013, and 2016  
156 General Obligation Bonds payable from the property taxes within the District's taxing  
157 boundary.  
158 Line 8, \$727,280 is the amount needed from property taxes. The amount to levy to get the  
159 necessary amount of \$727,280 is \$773,700 based on the county collection history.  
160 Line 12-15 are principal amounts and line 17-20 are interest amounts due in FY 2019-20.  
161 Line 22-25 are unappropriated balance for loan due in Oct and Dec in FY 2020-21 before  
162 taxes are collected.  
163 Line 27, Tax Credit Reserve – This is the balance of the advance payment of the City of  
164 Newport for its share of the 2013 Refunding GO Bond formerly known as the 2007 GO Bond.  
165 President John Garcia motioned to approve Page 6, Debt Service Fund. Motion was  
166 seconded by Barry Compton. Motion carried 8 – 0.  
167  
168 Page 7, Revenue Bond Reserve Fund. This fund is used to pay for 2012 USDA Revenue  
169 Bond, IFA Revenue Bond, and Cashmere Valley Bank Line of Credit.  
170 Line 4, Transfer from General Fund \$137,140 is the amount needed to pay for loan principals  
171 and Interests.  
172 Line 11-12 are the principal amounts due in FY 19-20.  
173 Line 14-16 are the interest amounts due in FY 19-20.  
174 President John Garcia motioned to approve Page 7, Revenue Bond Reserve Fund. Motion  
175 was seconded by Barry Compton. Motion carried 8 – 0.  
176  
177 Page 8, Capital Projects Fund. This fund is used for projects construction.  
178 Line 7, Interim Loan, USDA/IFA Grants and Loans – This includes \$1,030,000 IFA grant,  
179 \$3,000,000 USDA Grant, and \$10,168,500 interim loan.

180 Line 8, Loan Proceeds – The \$1,425,000 is the remaining IFA loan proceeds for FY 19-20.  
181 The total loan amount from IFA is \$2,451,000 and part of it has been and will be spent in the  
182 current year.

183 Line 16, Engineering/Geotech – The \$748,000 is the remaining budget for engineering of  
184 Phase 4. Over \$1M has been spent for PER/ER and Pre/final design in the current fiscal  
185 year.

186 Line 17, Lega/Admin/Financing – This includes \$80,000 for bond counsel service, \$25,000 for  
187 Financing and Admin and \$60,000 for legal services.

188 Line 20, Interim loan interest – This is an estimated interest expense for the interim loan for  
189 2 years at 2.58% interest rate.

190 Line 21, Interim Loan/LOC Payment – The amount of \$1,666,500 includes \$1,616,500 Line of  
191 Credit to pay off and \$50,000 estimated interest.

192 Line 22, Land/Easements – The District legal counsel is negotiating with the property owners  
193 to obtain the necessary easements for the Source Water Beaver Creek project and the  
194 budget of \$145,000 is what is set aside to obtain the needed easements.

195 Line 24, AMI/PRV Project – The last phase of the Phase 3 project is the installation of 2  
196 PRVs. The contractor is still waiting for the PRVs that have been ordered. The \$20,000  
197 budget is to complete the PRV installations if it's not completed this fiscal year 2018-19.

198 Line 25, Consultants \$100,000. As a condition of the District's water rights, OWRD is  
199 requiring additional monitoring and gathering of data pertaining to water flow and water  
200 temperature of Beaver Creek. The District signed a contract with GSI consultants who have  
201 the expertise and equipment needed to monitor and gather the information required by  
202 OWRD. The estimated cost for the tasks is \$68,000. Other areas where consultants might be  
203 needed would be for conservation planning and finding/obtaining grants.

204 President John Garcia motioned to approve Page 8, Capital Projects Fund budget. Tom Ryan  
205 seconded the motion. Motion carried 8 – 0.

206

207 Page 9, R.D. Requirement Reserve – This fund was required by USDA-RD 2012 Revenue  
208 Bond. The District needs to set aside the amount equal to one annual payment of the  
209 Revenue Bond which is \$74,333. The District has 10 years to build up the amount in the fund  
210 with an annual contribution of \$7,430 from the General Fund.

211 Line 5, is the annual transfer from the General Fund.

212 Line 15, Emergency System Repair/Bond Payment is budgeted in the event the money is  
213 needed. In the past, USDA permitted the District to borrow the accumulated fund contribution  
214 to pay for the District's share of City of Toledo's capital improvements.

215 Motioned by Commissioner Sandra Mies-Grantham to approve Page 8, R.D. Requirement  
216 Reserve. Motion was seconded by Commissioner Karen Otta. Motion carried 8 – 0.

217

218 Page 10, SLARRA/ Depreciation Reserve Fund. USDA-RD requirement for the 2016 GO  
219 Bond is for the District to set aside \$84,000 annually to replace assets with 5 to 15 years life  
220 span in a Short-lived Assets Replacement Reserve Account (SLARRA). The District already  
221 has an existing Depreciation Reserve to replace depreciated assets to include a rolling stock  
222 of its service vehicles in which the District sets aside \$50,000 annually.

223 Line 5, Transfer from General Fund is the \$84,000 annual requirement for SLARRA and  
224 \$50,000 for the District's rolling stock.

225 Line 16, Vehicle Replacement Program/Heavy Equipment \$100,000. The District needs to  
226 replace its 1996 JCB backhoe that is difficult to maintain since parts are no longer available in  
227 the market. The budgeted amount for the backhoe is \$60,000. The District will also replace  
228 the 2006 F250 truck for \$40,000.

229 Motioned by Commissioner Karen Otta to approve Page 10, SLARRA/Depreciation Reserve  
230 budget. Motion was seconded by President John Garcia. Motion carried 8 – 0.

231

232 Page 11, System Development Charges (SDC) Fund.

233 Line 7, The budgeted amount for SDC collection is \$58,728 for 16 meters at \$3,670.50 per  
234 new service connection.

235 Lines 15 – 17, are specific projects that SDC collections can be used for. Oregon Revised  
236 Statute governing SDC gives specific guidelines what SDC collections can be used for.

237 Discussions and Questions:

238 Tom Ryan asked if the fire department can install the fire hydrants? The budget officer, Adam  
239 Denlinger explained that the Master Plan 2010 includes replacements of fire hydrants

240 according to specifications and the District engineers considered the input of the Fire  
241 Department personnel. The District also has a Design Standard that outlines the  
242 requirements for fire hydrant installations.  
243 Motioned by Commissioner Karen Otta to approve Page 11, System Development Charges  
244 Fund budget. Motion was seconded by Tom Ryan. Motion carried 8 – 0.  
245  
246 Page 12, Water Source & Distribution System Reserve (WSDSR). Line 5, staff is  
247 recommending not to budget for transfer from the General Fund. The District is applying for  
248 USDA loan and grant to fund the Phase IV Beaver Creek Source Water Project. USDA  
249 federal level is looking at the District’s finances for grant qualification and staff doesn’t want to  
250 jeopardize its qualification for a favorable grant. Findings of No Significant Impact (FONSI)  
251 will be published in the local paper on May 26, if there is no comment received on the  
252 Biological Opinion by May 24.  
253 This reserve fund could be used for maintaining and enhancing of water sources and  
254 improving the SRWD Distribution System.  
255 Motioned by Barry Compton to approve Page 12, Water Source & Distribution System  
256 Reserve Fund budget. Motion was seconded by Commissioner Karen Otta. Motion  
257 carried 8 – 0.  
258  
259 Page 13, SRWD Land & Buildings Reserve Fund. This fund was set up to hold a reserve for  
260 buying the land for the office and shop facilities by transferring funds from the General Fund.  
261 The District has not made any transfer to this fund since the operation facilities have been  
262 completed. Staff is recommending to start building up this reserve for future use, like  
263 increasing the size of the conference room for different community functions besides the use  
264 by the District.  
265 Motioned by Tom Ryan to approve Page 13, SRWD Land & Buildings Reserve Fund budget.  
266 Motion was seconded by Commissioner Karen Otta. Motion carried 8 – 0.  
267 Motion to  
268 Approve: President John Garcia motioned to approve the Permanent Rate Limit for General Fund as  
269 \$.1259 per 1,000 of the assessed value of the District, and the Exempt Bond amount of  
270 \$773,700 as the ad valorem property taxes to be certified for collection as of July 1, 2019.  
271 Motion was seconded by Commissioner Karen Otta. Motion carried 8 – 0.  
272  
273 Adjournment: Commissioner Sandra Mies-Grantham motioned to adjourn the meeting. President John  
274 Garcia adjourned the meeting at 7:58 p.m.  
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276 Next Board Meeting: May 9, 2019, at 4:00 p.m. Regular Board Meeting and Budget Hearing.  
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284 Approved by Secretary Date  
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