

SEAL ROCK WATER DISTRICT
Board of Commissioners
Regular Monthly Board Meeting Agenda
Thursday, August 13, 2026, 4:00 p.m.
Public Meeting In Person and Zoom Video Conference

SRWD will conduct this meeting in person and using Zoom video conferencing due to the restricted capacity for in-person gatherings and our commitment to prioritize the safety of the public and our employees. We strongly encourage the public to participate in this meeting electronically. To access further information, including registration details, please visit the SRWD website at www.srwd.org on the day of the meeting. We invite members of the public to submit written comments regarding agenda items by emailing tkarsen@srwd.org no later than 2:00 p.m. on the day of the meeting. Submitted comments will be shared with the SRWD Board of Commissioners and will become part of the permanent record.

1. Call Regular Meeting to Order:

2. Announcements/Visitor Public Comments:

The public comment period provides the public with an opportunity to address the Commissioners regarding items on the agenda. Please limit comments to (3) minutes.

3. Consent Calendar:

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

- | | |
|--|--------------------------|
| • Invoice List | July 2026 to August 2026 |
| • Board Meeting & Public Hearing Minutes | July 9, 2026 |
| • Financial Report / Approve Invoices | July 2026 to August 2026 |
| • General Manager's Monthly Report | July 2026 to August 2026 |

4. Discussion and Information Items:

- Consider Water Treatment Plant Update.
Presented by: Adam Denlinger, General Manager
- Consider City of Newport Annexation of Island Properties in the City Service Area (CSA).
Presented by: Adam Denlinger, General Manager
- Consider Board Member Compensation – Compliance with ORS 198.190.
Presented by: Adam Denlinger, General Manager

5. Decision Items:

- Consider Approving a Municipal Auditor Engagement Letter with Grimstad & Associates, Certified Public Acct.
Presented by: Renee Card, Office Manager

6. Reports, Comments, and Correspondence:

- The district office will be closed on Monday, September 7th, in honor of the Labor Day Holiday.

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

The SRWD Board may meet in Executive Session, pursuant to ORS 192.660(2)(h); To consult with legal counsel concerning the legal rights and duties of a public body with regard to current litigation or litigation likely to be filed. Representatives of the news media and designated staff shall be allowed to attend the executive session. All other members of the audience are asked to leave the room. Representatives of the news media are specifically directed not to report on any of the deliberations. No final decisions shall be made in the Executive Session.

8. Adjournment: Next Meeting: September 10, 2026, at 4:00 p.m. Regular Board Meeting or established date.

THIS AGENDA MAY BE AMENDED UNTIL 3:00 PM THE DAY BEFORE THE MEETING

SPECIAL ACCOMMODATIONS WILL BE PROVIDED WITH 48 HOUR NOTICE; CALL 541-563-3529.
IF HEARING IMPAIRED, PLEASE DIAL 711 OR CALL TTY#1-800-735-1232
This Institution is an Equal Opportunity Employer and Service Provider

ORIGINAL

Report Criteria:

Detail report.

Invoices with totals above \$0 included.

Paid and unpaid invoices included.

Vendor Name	Invoice Number	Description	Invoice Date	Invoice Amount	GL Period
AMY GREER					
AMY GREER	14	Stipend	08/13/2026	50.00	826
Total 01-5064 Mileage & Meal Reimb-Board:				50.00	
GLEN MORRIS					
GLEN MORRIS	201	Stipend	08/13/2026	50.00	826
Total 01-5064 Mileage & Meal Reimb-Board:				50.00	
KAREN OTTA					
KAREN OTTA	112	Stipend	08/13/2026	50.00	826
Total 01-5064 Mileage & Meal Reimb-Board:				50.00	
ROB MILLS					
ROB MILLS	200	Stipend	08/13/2026	50.00	826
Total 01-5064 Mileage & Meal Reimb-Board:				50.00	
SAUNDRA MIES-GRANTHAM					
SAUNDRA MIES-GRANTHAM	200	Stipend	08/13/2026	50.00	826
Total 01-5064 Mileage & Meal Reimb-Board:				50.00	
Grand Totals:				250.00	

Dated: Aug 5, 2026General 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	Invoice Amount	GL Period
AT&T MOBILITY					
AT&T MOBILITY	07232026	Wireless Field Crew & GM	07/15/2026	125.55	1326
AT&T MOBILITY	07232026	Wireless Field Crew & GM	07/15/2026	125.63	826
Total 01-5272 Cellular Expense:				251.18	
AT&T MOBILITY	07232026	Wireless WTP	07/15/2026	51.00	1326
AT&T MOBILITY	07232026	Wireless WTP	07/15/2026	51.03	826
Total 01-5274 CELLPHONE - WTP:				102.03	
CASCADE COLUMBIA DISTRIBUTION					
CASCADE COLUMBIA DISTRIBU	957592	Calcium Thiosulfate 30% NSF 55 gal drum	06/30/2026	556.38	1326
CASCADE COLUMBIA DISTRIBU	957592	Container Deposit	06/30/2026	150.00	1326
CASCADE COLUMBIA DISTRIBU	957592	Aluminum Chlorohydrate (PAX-XL1900) Tote	06/30/2026	2,374.75	1326
CASCADE COLUMBIA DISTRIBU	957592	Container Deposit	06/30/2026	400.00	1326
CASCADE COLUMBIA DISTRIBU	957592	Fuel Surcharge	06/30/2026	40.74	1326
CASCADE COLUMBIA DISTRIBU	957592	Freight	06/30/2026	284.58	1326
CASCADE COLUMBIA DISTRIBU	957592	Environmental Surcharge	06/30/2026	35.00	1326
Total 01-5605 Op Material/ Supl-WTP:				3,841.45	
CECO, INC.					
CECO, INC.	CP-00646433	Fuel	06/30/2026	91.71	1326
Total 01-5632 Maint./Repair-Gasoline:				91.71	
CENTRAL LINCOLN P.U.D.					
CENTRAL LINCOLN P.U.D.	072226	Utility Services	07/22/2026	783.20	1326
CENTRAL LINCOLN P.U.D.	072226	Utility Services	07/22/2026	685.27	826
Total 01-5610 Utilities:				1,468.47	
CENTRAL LINCOLN P.U.D.	072226	WTP Utility Services	07/22/2026	999.84	1326
CENTRAL LINCOLN P.U.D.	072226	WTP Utility Services	07/22/2026	875.00	826
Total 01-5611 Utilities-WTP:				1,874.84	
CIVIL WEST ENGINEERING SRV, INC					
CIVIL WEST ENGINEERING SRV	252203	Water System Master Plan Update 2026 (Professional Services Rendered Through June 26, 2026)	07/23/2026	11,710.00	1326
Total 13-5710 Master Plan Study/Ammendments:				11,710.00	
OUDEKIRK & HOLLEN					
OUDEKIRK & HOLLEN	36147	Professional Services 3/26/26-6/29/26 GF General Counsel	07/07/2026	2,707.50	1326
Total 01-5201 Attorney - Basic SVCS:				2,707.50	
Grand Totals:				22,047.18	

Vendor Name	Invoice Number	Description	Invoice Date	Invoice Amount	GL Period
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Dated: 08/04/2026

General Manager: A. Nuhn

Dated: _____

Treasurer: _____

Report Criteria:

Detail report.

Invoices with totals above \$0 included.

Paid and unpaid invoices included.

Report Criteria:

Detail report.

Invoices with totals above \$0 included.

Paid and unpaid invoices included.

ORIGINAL

Vendor Name	Invoice Number	Description	Invoice Date	Invoice Amount
AMAZON CAPITAL SERVICES				
AMAZON CAPITAL SERVICES	1XPJ-KT7J-CH	Vusign 36"x24" Magnetic Whiteboard for Wall	07/15/2026	19.99
AMAZON CAPITAL SERVICES	1XPJ-KT7J-CH	Amazon Basics Hanging File Folders, 25 Letter Size Folders	07/15/2026	11.67
Total 01-5290 Office Supplies:				31.66
ANALYTICAL LABORATORY GROUP				
ANALYTICAL LABORATORY GR	184371	Coliform, Presence/Absence by SM 9223 B-18 (ALG) 7/1/26	07/18/2026	525.00
ANALYTICAL LABORATORY GR	184371	Pickup Newport WTP	07/18/2026	23.00
Total 01-5606 Sample/H2O Testing-WTP Distrib:				548.00
BILLIE WILLIAMSON				
BILLIE WILLIAMSON	072126	Refund Overpayment Final Bill	07/21/2026	28.67
Total 01-1310 Accounts Receivable:				28.67
CASCADE COLUMBIA DISTRIBUTION				
CASCADE COLUMBIA DISTRIBU	958059	Sodium Permanganate 20% Drum	07/10/2026	1,036.84
CASCADE COLUMBIA DISTRIBU	958059	Caustic Soda 25% NSF 550# Drum	07/10/2026	519.75
CASCADE COLUMBIA DISTRIBU	958059	Container Deposit	07/10/2026	225.00
CASCADE COLUMBIA DISTRIBU	958059	Fuel Surcharge	07/10/2026	21.79
CASCADE COLUMBIA DISTRIBU	958059	Freight	07/10/2026	159.74
CASCADE COLUMBIA DISTRIBU	958059	Environmental Surcharge	07/10/2026	35.00
Total 01-5605 Op Material/ Supl-WTP:				1,998.12
CECO, INC.				
CECO, INC.	CP-00649404	Fuel	07/16/2026	71.27
Total 01-5632 Maint./Repair-Gasoline:				71.27
CENTURYLINK				
CENTURYLINK	072626	Toledo Pump Station SCADA	07/26/2026	72.95
Total 01-5271 Phone Expense/Internet:				72.95
CHARTER COMMUNICATIONS				
CHARTER COMMUNICATIONS	001293707192	Internet (Office)	07/19/2026	145.00
Total 01-5271 Phone Expense/Internet:				145.00
FERGUSON ENTERPRISES LLC				
FERGUSON ENTERPRISES LLC	1375651	12 std plas mtr bx bdy only	07/02/2026	500.00
FERGUSON ENTERPRISES LLC	1375651	STD t-top grn cover w/ lck	07/02/2026	480.00
Total 01-5630 Maintenance/Repair / Replace.:				980.00
NEWPORT NAPA AUTO PARTS				
NEWPORT NAPA AUTO PARTS	865-233980	New pig abs mat 15x50 (cnt)	07/24/2026	35.99
Total 01-5600 Operating Materials & Supplies:				35.99

Vendor Name	Invoice Number	Description	Invoice Date	Invoice Amount
NEWPORT NAPA AUTO PARTS	865-236132	shop towels	07/24/2026	55.35
Total 01-5600 Operating Materials & Supplies:				55.35
PHILOMATH RENTAL				
PHILOMATH RENTAL	1-582476	Scissor Lift Snorkel 3226E 26ft for Iconipro to use in Shop	07/02/2026	455.92
Total 01-5620 Equipment Rent:				455.92
STAPLES BUSINESS ADVANTAGE				
STAPLES BUSINESS ADVANTA	6068126657	Staples Copy Paper 8 1/2 x 11 Letter Size (10 reams)	07/04/2026	87.98
Total 01-5290 Office Supplies:				87.98
TCB SECURITY SERVICES INC.				
TCB SECURITY SERVICES INC.	250648	Base Monthly Fee for pkgs 1-3	08/01/2026	45.00
TCB SECURITY SERVICES INC.	250648	Level 1 (No included calls)	08/01/2026	21.00
TCB SECURITY SERVICES INC.	250648	Text Messages	08/01/2026	.70
Total 01-5310 Dues / Fees & Assessments:				66.70
TMG SERVICES, INC				
TMG SERVICES, INC	0055434-IN	Solenoid Valve	07/22/2026	161.55
TMG SERVICES, INC	0055434-IN	Shipping & Handling	07/22/2026	29.00
Total 01-5629 Maint/Repair/Repla- WTP:				190.55
TOPEX INC				
TOPEX INC	INV-000046	26035-SRWD Easement Stakeout Survey Services at WTP (Task 1: Easement retracement & field stakeout of the recorded access easement to the WTP)	07/29/2026	2,200.00
TOPEX INC	INV-000046	26035-SRWD Easement Stakeout Surveying Services at WTP (Task 2: UAV aerial photogrammetry survey with GCPs and easement sketch/exhibit incorporating the georeferenced orthomosaic)	07/29/2026	1,600.00
Total 01-5200 Professional Services:				3,800.00
US POSTAL SERVICE - WALDPORT				
US POSTAL SERVICE - WALDP	072126	Bulk Mailing (2 flyers)	07/21/2026	1,003.98
Total 01-5291 Postage Expense:				1,003.98
ZACK JENKS				
ZACK JENKS	071426	Refund Overpayment Final Bill	07/14/2026	53.94
Total 01-1310 Accounts Receivable:				53.94
Grand Totals:				9,626.08

Vendor Name	Invoice Number	Description	Invoice Date	Invoice Amount
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Dated: 8/4/2026

General Manager: A. Nubhi

Dated: _____

Treasurer: _____

Report Criteria:

Detail report.

Invoices with totals above \$0 included

Paid and unpaid invoices included

**SEAL ROCK WATER DISTRICT
MINUTES OF THE
Regular Board Meeting
by Zoom Conference Call and In Person
July 09, 2026**

Introduction to Remote Meeting:

SRWD held this meeting through Zoom video conferencing and in person. Due to limited in-person meeting capacity, the public was encouraged to attend virtually.

Attendance:

Present in person were Commissioner Rob Mills, Board President; Commissioner Glen Morris, Member; Commissioner Amy Greer, Member; and Attorney Jeff Hollen, Legal Counsel.

Present through Zoom video conferencing was Commissioner Sandra Mies-Grantham, Secretary.

Staff present were Adam Denlinger, General Manager; Renee Card, Finance Manager; Trish Karlsen, Bookkeeper; and Brad Wynn, Lead Operator.

Excused Absences: Commissioner Karen Otta, Treasurer

Visitors Present: None

Call Meeting to Order & Announcements:

President Rob Mills called the regular Board meeting to order at 4:00 p.m., Thursday, July 09, 2026, and introduced the commissioners and staff present in the boardroom. Trish Karlsen announced that plans were underway for the summer picnic. The date is tentatively scheduled for some time in August, and she requested any menu suggestions be sent to her.

Public Comments: None

Adoption of Consent Calendar:

Items on the consent calendar include the June 2026/July 2026 Invoices List for approval; June 11, 2026, Regular Board Meeting minutes; the Financial Report; and the General Manager's Monthly Report. Commissioner Morris moved to approve the consent calendar as presented. Commissioner Greer seconded the motion. The motion carried unanimously.

Public Hearing: None

Discussion and Information Items:

Source Water Operational Status:

Adam Denlinger reported that plant conditions remain favorable following the recent installation of the new membrane modules, allowing the facility to operate at an increased production capacity. However, severe technical issues persist within the primary server infrastructure. While designed with two servers for complete redundancy, the secondary backup server fails to provide critical redundancy. Recent server failures have blacked out control room monitors, forcing operators to relocate to the operations bay and resulting in 1.5 days of complete plant downtime per incident. The project engineer suspects hardware failure due to construction dust, and because the system is no longer under warranty, management must quickly address these operational vulnerabilities. The Automation Group recommends downsizing the current overbuilt system for an estimated \$33,000, reducing the current burden of seven costly, annually renewed software licenses.

The upcoming utility billing cycle will feature community outreach inserts, including a drought and conservation flyer from the Mid-Coast Water Conservation Consortium (MCWCC) and a gorse removal guide from the Lincoln Soil and Water Conservation District.

John Garcia Memorial Dedication:

GM Denlinger presented a follow-up regarding the memorial tribute for John Garcia, noting that minor language adjustments had been made to keep the project moving forward. The objective was to gather any final edits from the Board so the draft documents could be sent to the family for review before proceeding. While no formal board action is required at this time, the board discussed the physical placement of the memorial. The District is currently proposing placement of a memorial plaque inside the lobby rather than on the building's exterior.

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Decision Items:
None

- Report, Comments, and Correspondence:**
- SRWD 2025 Water Quality Report / Consumer Confidence Report (CCR): The annual CCR has been successfully finalized and distributed to customers in compliance with scheduled timelines.
 - Management received a preliminary development proposal requesting modifications to existing property easements. The District has deferred taking a formal position on water service availability until the developer submits projected water demand metrics.

Executive Session: None

Adjournment: Commissioner Morris moved for adjournment and Commissioner Greer seconded the motion. President Rob Mills adjourned the meeting at 4:37 p.m.

Other Scheduled Meetings: August 13, 2026, at 4:00 p.m. Regular Board Meeting

Approved by Board President _____ Date: _____

SRWD Monthly Financial Report

Month End: July 2026

Monthly Statistics		Comments			
Total customers	2392	Includes new connects Less Abandoned / Forfeited meter plus 3 SRWD meters (shop X 2 & office) plus 1 Hydrant meter			
New connections	0				
Reinstalls	0				
Abandonments/Forfeitures/Meter Removed	0				
Financial Report	Checking/MM	LGIP/PFMA	Fund Balances	Comments	
General	\$754,051.77	\$20,656.35	\$774,708.12		
Bond	\$649,488.65	\$0.00	\$649,488.65		
Capital Projects	\$45,905.66	\$19,715.55	\$65,621.21		
Revenue Bond	\$0.00	\$1,476.85	\$1,476.85		
Rural Development Reserve	\$0.00	\$137,718.97	\$137,718.97		
Dist. Office/Shop Reserve	\$0.00	\$0.00	\$0.00		
Depreciation/SLARA Reserve	\$0.00	\$297,937.14	\$297,937.14		
SDC (formerly SIP)	\$0.00	\$456,357.07	\$456,357.07	\$1,398,393.74 SDC collections thru 7/31/2026	
Water Source Improvement Rsrv	\$0.00	\$342,495.51	\$342,495.51		
TOTALS	\$1,449,446.08	\$1,276,357.44	\$2,725,803.52		
General Fund Review	Current	FYTD	Budgeted Amount	Comments	
Revenue	\$271,013.72	271,013.72	\$3,948,310.00		
Expenses	\$167,078.08	167,078.08	\$3,948,310.00	Contingency \$200,000; Transfers \$607,410; Total expenses budgeted \$3,140,900.	
Net Gain or (Loss) from Operations	\$103,935.64	\$103,935.64			
Water Sales Revenue Comparison	Month	FYTD	Comments		
Water Sales Current Year	\$257,893.21	\$257,893.21	Leak Adjustments & Billings Adjustments (YTD = July - June)		
Actual+In Lieu of Water Sales Less H2O CR	\$262,893.21	\$262,893.21	Billing Adjustments FYTD \$0		
Water Sales Prior Year	\$253,122.15	\$253,122.15	Leak Adjustments FYTD \$0		
Actual+In Lieu of Water Sales Less H2O CR	\$258,122.12	\$258,122.15	TOTAL ADJUSTMENTS FYTD \$0		
Over or (Under)	\$4,771.06	\$4,771.06	Note: Rate increase effective 6/1/2026		
Gallage Comparison	Current	Prior Year	Cost Comparison	Current	Prior Year
Gallons Purchased/Intertie/WTP Treated	9,405,004	9,916,000	Newport Charges	\$0.00	\$0.00
Gallons Sold (includes accountable loss & intertie)	8,137,434	8,896,412	SRWD Sales	\$257,893.21	\$253,122.15
Variance %	13.48%	10.28%			
Gallons Produced/Treated at WTP	9,405,000		6/11/2026-7/10/2026		
Gallons from Toledo Master Meter	0		Toledo Master Meter Readings read by SRWD field crew		
SRWD Intertie Usage (Purchased)	4		Additional water SRWD used/purchased from Newport Intertie		
Total Water Received/Produced	9,405,004				
City of Newport Intertie Usage (Sold)	0		Gallons sold to City of Newport for water used from the Newport Intertie		
Total Gallons Accounted	8,180,076		Customer consumption, flushing, leaks, CL2 Analyzer, & fire hydrant use		
Total Gallons Unaccounted	1,224,928				
Water Loss Percentage	13.02%				
Approval To Pay Bills	Payroll 7/10/2026 \$36,602.63		Payroll 7/24/2026 \$34,409.46		
Month of:	July	(after meeting)	August		
	GF A/P	\$9,626.08	GF A/P	\$33,932.85	up to 8/7/2026
	CP Fund	\$0.00	CP Fund	\$0.00	
	SDC Fund	\$0.00	SDC Fund	\$0.00	
	Bond/Rev Bond Fund	\$0.00	Bond/Rev Bond Fund	\$0.00	
	SLARA/Depreciation	\$0.00	SLARA/Depreciation	\$0.00	
	CWSRF DEQ Grant	\$0.00	CWSRF DEQ Grant	\$0.00	
	MCWCC	\$0.00	MCWCC	\$0.00	
Monthly Accrual Statistics	Beg. Balance	Accrued	Used/Paid	Balance	
	6/30/2026			7/31/2026	
Office Overtime Hours (2-01)	0.00	5.25	5.25	0.00	
Field Overtime Hours (2-02)	0.00	6.25	6.25	0.00	
Vacation Pay (3-01)	2924.44	91.87	116.00	2900.31	
Sick Pay (4-00)	0.00	80.00	8.00	72.00	
Comp Time (9-01 / 9-02)	140.22	10.51	42.50	108.23	
Management Leave (10-00)	0.00	160.00	0.00	160.00	
F:Office/GM/Board Meetings					



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Seal Rock, Oregon 97376
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www.srwd.org



Seal Rock Water District

General Manager's Report:
Board Meeting – August 13, 2026

This report provides an executive-level update on district operations, source water management, staffing, and ongoing initiatives. Additional details and supporting documentation are available in the full agenda packet.

Water Treatment Plant Membrane Module Failure – July 15, 2026:

On the morning of July 15, 2026, the District experienced a significant equipment failure at the Membrane Water Treatment Plant when one of the ultrafiltration membrane modules suffered a catastrophic structural failure while the treatment plant was operating under normal conditions.

The membrane module housing ruptured unexpectedly, causing a substantial volume of water to be released into the membrane gallery. The resulting discharge exceeded the capacity of the floor drainage system and flooded portions of the treatment building, including the operations room and electrical room. Plant staff responded immediately, safely shut down the affected treatment process, isolated the damaged equipment, and began recovery efforts to minimize additional impacts to the facility.



Fortunately, no employees were working in the immediate vicinity of the membrane skid when the failure occurred, and no injuries resulted. However, the nature of the failure raises significant concerns regarding employee safety. Had an operator been standing adjacent to the membrane skid at the time of the rupture, the force of the failure and sudden release of water could have resulted in injury. Ensuring the safety of District employees remains our highest priority.

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

Adam Denlinger, General Manager

adenlinger@srwd.org

www.srwd.org

This event is particularly concerning because the ultrafiltration membrane system normally operates at pressures of less than 30 pounds per square inch (psi). Under those operating conditions, a catastrophic pressure vessel failure would not ordinarily be expected. As a result, District staff immediately initiated a comprehensive technical investigation with the project engineer, equipment manufacturer, and system integrator to determine the root cause of the failure.

The District has requested that the engineering team conduct a thorough review to determine:

- The root cause of the membrane module housing failure.
- Whether similar failures have occurred at other facilities utilizing the same equipment.
- The operating pressures and system conditions immediately preceding the incident.
- Whether pressure spikes, transient hydraulic events, valve sequencing, water hammer, or control system anomalies contributed to the failure.
- A reconstruction of the sequence of events using SCADA historian data, PLC data, and equipment diagnostics.
- Why the control system did not generate an operator alarm prior to or during the incident.
- Whether alarm setpoints functioned as intended and whether additional alarms or automatic shutdown logic should be implemented.
- What engineering or operational changes are necessary to reduce the likelihood of a similar event occurring in the future.

While the investigation continues, the affected membrane skid has been restored to service with heightened operational oversight and increased monitoring by District operators. Additional inspections of the remaining membrane modules have also been carried out to verify their integrity.

The District is committed to fully understanding the cause of this failure and implementing any corrective actions necessary to ensure the continued safety, reliability, and long-term operation of the Membrane Water Treatment Plant. Staff will continue working closely with the design engineer, equipment manufacturer, and WesTech consultants until the investigation is complete and all recommended corrective measures have been evaluated and implemented.

The Board will be kept informed as additional information becomes available, including the engineering team's findings, conclusions, and any recommended operational or capital improvements resulting from the investigation.

Water Treatment Plant/Distribution Cyber Security Threats:

Staff would like to make the Board and our customers aware of a recent joint Public Service Announcement issued by the Federal Bureau of Investigation (FBI) and the U.S. Environmental Protection Agency (EPA) regarding an increase in cyberattacks targeting Operational Technology (OT) systems used by water and wastewater utilities. The advisory identifies malicious actors targeting internet-facing Programmable Logic Controllers (PLCs), resulting in operational disruptions at utilities in multiple states.

Immediately upon receiving this notification included with this report, District staff initiated a review of our operational technology environment in coordination with our Information Technology (IT) consultant, Carezian, and our Operational Technology (OT) consultant, The Automation Group (TAG). Together, we are

evaluating our systems against the recommendations contained in the federal advisory and confirming that appropriate safeguards are in place.

Our review includes verification that:

- No PLCs or other OT devices are directly exposed to the public internet.
- Remote access to District control systems is appropriately secured through firewalls, VPNs, jump hosts, or other secure access methods.
- Strong password policies and multi-factor authentication are implemented wherever applicable.
- Firewall rules and access control lists appropriately restrict communications to authorized devices and users.
- PLC logic, configurations, and project files are protected against unauthorized modification and can be validated against known-good backups.
- Logging and monitoring capabilities are sufficient to detect suspicious activity.
- The District maintains the ability to safely operate critical facilities manually should a cyber incident impact remote monitoring or control.
- Any legacy or end-of-life OT equipment has been identified for additional protection measures or future replacement planning.

Recent developments have reinforced the importance of maintaining strong cybersecurity protections for the District's operational technology (OT) and SCADA systems. On August 7, 2026, Oregon Public Broadcasting reported that state officials confirmed an Oregon drinking-water provider experienced unauthorized access to its operational technology during a July cyber incident. The affected water system has not been publicly identified. The FBI has reported that recent attacks against water and wastewater systems in multiple states included unauthorized access to internet-connected programmable logic controllers (PLCs), in some cases resulting in the loss of monitoring and control functionality, pressure loss, and flooding. In response to these developments, the District continues to work with its IT and OT consultants, Ken Ezeh of Carszian and Gary Ginks of The Automation Group, to evaluate the District's cybersecurity posture, including remote access, PLC and SCADA security, network protections, system backups, and operational contingencies.

In addition to these technical reviews, District staff and water system operators continue to actively monitor system performance and remain on a heightened state of awareness. We are maintaining increased vigilance for any unusual network activity or operational anomalies and will continue working closely with our IT and OT consultants to reduce and eliminate risks associated with cyber threats.

At this time, the District has experienced no known cybersecurity incidents or operational impacts related to the activity described in the federal advisory. Nevertheless, we take these warnings seriously and will continue to implement cybersecurity best practices to protect the reliability, integrity, and resilience of our water system. I will keep the Board informed of any significant developments or additional recommendations resulting from our ongoing review.

Additional District Activities & Updates:

Staff/Safety Meeting: Continued emphasis on safety culture and best operational practices.

Water Conservation Coordination: Participated in discussions with the Lincoln County Water Conservation Committee.

SDAO Nominating Committee: Participated in review of applications to serve on the SDAO Board.

Newport CSA Island Annexation: Staff met with potential Bond Council regarding Newport Island annexation of properties in the South Beach City Service Area.

Drinking Water Protection Plan: Staff continue to work with Oregon Health Authority and Department of Environmental Quality on the Drinking Water Protection Plan.

Water Master Plan: Staff met with engineers to discuss progress on the development of the WMP.

Mid-Coast Water Planning Partnership: Participated in the monthly regional partnership meeting.

SDAO Legislative Committee Meeting: Participated in the SDAO legislative update.

SDAO Conference Committee Meeting: Participated in the SDAO Conference Committee.

Lincoln County Drought Committee: Participated in the Drought Committee discussion on July 28th with state and local stakeholders in the region.

SDAO Employee Recruitment Panel: Reviewed applications to fill Public Finance Associate position.

Water Treatment Plant: Attended several meetings with engineers to discuss WTP Membrane Module issues and restarting the engineers' monitoring period for the WTP operation.

SRWD continues to actively manage operational challenges, regulatory responsibilities, and infrastructure needs while maintaining our commitment to delivering safe, reliable water service to the community. Staff remain focused on continuous improvement and advancement of district goals.



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Seal Rock, Oregon 97376
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Seal Rock Water District

DATE ACTION REQUESTED: August 13, 2026							
Ordinance		Resolution		Motion		Information	X
Date Prepared: July 23, 2026				Dept.: Administration			
SUBJECT: City of Newport Annexation of Island Properties in the CSA.				Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447			

RECOMMENDED BOARD ACTION:

Consider City of Newport Annexation of Island Properties and Potential Impacts to Seal Rock Water District

• Background

The City of Newport has initiated proceedings to annex several unincorporated "island properties" located within the Seal Rock Water District's certificated service area. These properties have historically been served by the District and continue to receive water service through District-owned infrastructure.

The current annexation proposal differs from previous annexation actions involving the City and the District. In 2007, the District and the City entered into an agreement addressing annexation and water service responsibilities. At that time, several island properties were intentionally excluded from the annexation and remained within the District's service area.

The City's current proposal would annex these remaining island properties and potentially withdraw them from the District. This has raised significant legal, contractual, operational, and financial questions that require careful evaluation before any change in service responsibility occurs.

Historical Review

District staff has conducted an extensive review of historical records, including:

- The 2007 agreement between the City of Newport and Seal Rock Water District.
- Historical boundary and annexation records.
- Oregon Revised Statutes governing annexation and district withdrawal.
- Records relating to the District's water system facilities serving the affected properties.
- Federal Rural Development financing documents.

This review is ongoing to ensure the District fully understands both its historical obligations and its legal rights before taking any formal position.

Federal Rural Development Considerations

The District currently has outstanding financing through the United States Department of Agriculture – Rural Development (USDA-RD).

During discussions with USDA-RD staff regarding the proposed annexation, the Agency advised that although it generally does not become directly involved in disputes between local governmental entities, the matter could affect USDA-RD's security interest because the District's water system was financed using federal loan funds.

USDA-RD has indicated that it is consulting with its National Office regarding the issue.

The Agency also referenced **7 U.S.C. § 1926(b)**, a federal statute intended to protect federally indebted rural water systems from having their service curtailed or limited through municipal annexation or competing utility service during the term of the federal indebtedness.

While USDA-RD has not expressed a legal opinion regarding this annexation, its reference to this statute suggests that federal law may be relevant to the District's legal analysis.

Legal Issues Under Review

Several legal questions remain unresolved, including:

- Whether the proposed annexation is consistent with the terms and intent of the 2007 agreement between the City and the District.
- Whether withdrawal of the island properties from the District complies with applicable Oregon statutes.
- Whether the District's federally financed service area is protected under 7 U.S.C. § 1926(b).
- Whether annexation alone authorizes transfer of water service responsibility.
- The effect, if any, of existing District infrastructure serving the affected properties.
- The potential impact on USDA-Rural Development's collateral securing the District's outstanding federal loan.

District legal counsel is currently reviewing these issues.

Current Status

District staff has:

- Conducted a comprehensive historical review.
- Consulted with USDA-Rural Development.
- Requested additional guidance from USDA-Rural Development's National Office.
- Referred the matter to District legal counsel for review.
- Continued communication with the City while gathering historical information.
- Reached out to Bond Counsel for potential review following USDA-RD outcome.

No recommendation regarding the annexation is being presented at this time.

Staff Recommendation

This item is presented for Board discussion and informational purposes only.

Staff recommend continuing to:

1. Complete the legal review of the proposed annexation.
2. Obtain USDA-Rural Development's guidance regarding potential federal protections.
3. Continue discussions with the City of Newport in an effort to fully understand the historical agreements and legal obligations of both agencies.
4. Engage with Bond Counsel if necessary.
5. Return to the Board with legal findings and recommendations before any formal District action is considered.



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Direct Phone: 503.553.3131
courtney.dausz@foster.com

July 15, 2026

VIA EMAIL

Seal Rock Water District, Oregon
Attn: Adam Denlinger, General Manager
1037 NW Grebe Street
Seal Rock, Oregon 97376

Dear Adam:

We are pleased to have the opportunity to represent the Seal Rock Water District (“the District” or “you”) in the matter described below. This letter and the enclosed Terms of Engagement form our agreement regarding the terms under which you engage Foster Garvey P.C.

Our Engagement

Our initial engagement will be limited to advice regarding general obligation bond tax levy on certain District properties expected to be annexed to the City of Newport. Of course, the scope of our engagement may be expanded by written mutual agreement. This letter and enclosure will govern any additional matter or service we undertake for you, except as otherwise specified in a separate letter or email addressing that matter.

Our Fee Arrangement

Our fees are principally based on hourly rates. My hourly rate for this engagement is \$705. I may also involve other lawyers or staff members as necessary to handle the work efficiently and meet deadlines, and their time may be charged at different rates. We review and adjust our billing rates from time to time, typically on January 1. The enclosed Terms of Engagement provides additional information regarding fees, disbursements, billing and payment, and termination of our representation should payment not be made or other circumstances warrant.

Other Agreements

You agree to pay our invoices on a timely basis. You also agree to provide us with complete and accurate information relevant to our representation of you, to cooperate fully, and to make any necessary decisions in a timely manner. In addition, you agree to notify us promptly of any change of circumstances affecting the representation or our ability to contact you.

From time to time, either at the outset of our representation or as the matter proceeds, we may express opinions or beliefs concerning various courses of action and the results that might be anticipated. You acknowledge that any such statement is an expression of opinion only, based on information available to us at the time, and is not a guarantee.

In some engagements questions may arise regarding our duties under the rules of professional conduct that apply to lawyers. These questions might concern a potential conflict of interest or a dispute between the firm and a client over the handling of a matter. Generally, when such issues arise, we seek the advice of our firm counsel, who has expertise in such matters. We consider such consultations to be attorney-client privileged communications between firm personnel and counsel for the firm. We believe

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it is in our clients' interest, as well as the firm's interest that we obtain expert analysis of our obligations when legal ethics or related issues arise during a representation. Accordingly, you agree that, if we determine in our own discretion that it is necessary or appropriate to consult with our internal or outside counsel during the course of the representation, we have your consent to do so, at our expense, and that our representation of you shall not, thereby, waive any attorney-client privilege that we may have to protect the confidentiality of our communications with firm counsel.

Foster Garvey represents many other companies, individuals and government agencies. During the time we represent you, we may be asked to represent:

- (1) other present or future clients in transactions, litigation or other disputes that are directly adverse to you but are not substantially related to our representation of you;
- (2) parties who are considered directly adverse parties in matters we handle for you, provided that our work for these directly adverse parties would be limited to matters that are not substantially related to our work for you; and/or
- (3) you in future transactions, litigation or other disputes adverse to other firm clients in matters not substantially related to our work for those other firm clients.

Your signature below constitutes your consent to allow Foster Garvey to undertake such future representations without the need to obtain any further or separate approval from you, as long as the representations described in (1) and (2) above: (a) are not substantially related to, and are not concurrently handled by firm lawyers and paralegals who have participated in, work we have done or are doing for you; and (b) subject to the rules of professional conduct, we notify you as promptly as practicable after our undertaking of such representations. Of course, we will not use any proprietary or other confidential nonpublic information concerning you that we acquired as a result of our representation of you in any matter in which we represent another client adverse to you.

Beginning Our Representation

Thank you for entrusting this work to Foster Garvey. If this letter and the enclosed Terms of Engagement meet with your approval, please confirm our engagement by signing and dating below and returning a copy to me so that we may begin work promptly. We look forward to working with you.

Very truly yours,

FOSTER GARVEY P.C.

/s/ Courtney Dausz

Courtney L. Dausz
Principal

Enclosure: Terms of Engagement

AGREED:

SEAL ROCK WATER DISTRICT, OREGON

By: _____

Name: _____

Title: _____

Date: _____

Foster Garvey

Terms of Engagement

Thank you for choosing Foster Garvey P.C. This document explains terms that apply to the representation described in our engagement letter and any subsequent engagements undertaken by mutual agreement, unless we reach a different written understanding. Please ask any questions you may have about these terms before signing the engagement letter.

Working Together

Generally one lawyer will be responsible for, and will oversee, the firm's representation of you, although other lawyers or staff members may assist in providing appropriate, efficient, and timely legal services. Your responsible lawyer will be your principal contact for coordination of your representation. If you have any concerns regarding our relationship or our services, please notify your responsible lawyer or one of the Co-Chairs of the firm's Executive Committee.

Electronic Communications and Services

As we work together, it is likely that both the firm and you will use electronic devices and software services to communicate, analyze, and transfer documents and data. These may include secure enterprise artificial intelligence (AI) platforms (such as Harvey AI); unencrypted email; mobile phones; voice over Internet; electronic data/document vendors; software providers; research tools; and other technology. Although the use of this technology involves some degree of risk that third parties may access confidential communications, we believe and you agree that the benefits of using this technology outweigh the risk of accidental disclosure. We have adopted policies and systems to make our use of AI, electronic communication, and software services reasonably secure. It is equally important that you communicate with us and maintain information related to our representation in a manner that reasonably protects confidential information and privileged communications. You should not store, upload, send, or receive communications with our firm or other confidential information using any computers or other electronic devices, networks, public AI platforms, or Internet sites that are unsecured or are owned, controlled, or may be accessed by third parties. If you anticipate that any matter will involve personally identifiable information protected by data security laws, please notify the responsible lawyer promptly so we can discuss the use of secure file transfer protocols or other precautions.

Conflicts of Interest

We have performed a search of our conflicts database to determine whether representing you might present a potential conflict of interest with another client. We performed the check using your name and any other names you provide to us. Please inform us immediately if you use any other names (such as trade names) that we should enter into our database.

Client Identity

Our client is the entity or person named as our client in the engagement letter and does not include any affiliate, equity holder, employee, member of your family, or any other person or entity unless we are retained directly by them. You confirm that we may represent another client adverse to any of them, or to an entity in which you hold an ownership interest, in matters unrelated to our work for you.

Basis for Fees

We generally charge on an hourly basis for time expended on your behalf, including but not limited to telephone conversations, in-person meetings, strategy development and planning, document preparation and review, research, court appearances, and travel. In setting the hourly rates for a particular engagement, we will consider various factors, including: the novelty or difficulty of the questions involved; the experience, reputation, and ability of those performing the services, the time limitations imposed by the client or the circumstances; the amount at stake; and the likelihood that accepting the engagement would preclude the firm from accepting other client opportunities. We review and adjust our standard billing rates from time to time, typically on January 1. Alternative fee arrangements that are not based entirely on hourly rates will be specified in the engagement letter.

Estimates vs. Fixed Fees

Clients occasionally request advance estimates of fees and costs. An estimate, although based on the lawyer's professional judgment and the information provided by the client, will be affected by factors outside the control of the firm and the client. Unless we reach a clear, written understanding that the fee will be charged at a fixed amount or capped at a fixed amount, any estimate we provide may be revised based upon the facts and circumstances we encounter during your representation.

Advance Fee Deposit

New clients are requested to provide an advance fee deposit as specified in the engagement letter, as are existing clients retaining us for new litigation matters or other matters of significant scale. These funds will be deposited in our client trust account, and any balance will be returned to the client upon termination of representation. In the event payment is not timely made, we reserve the right: to use any part of the deposit to satisfy a delinquent payment; to discontinue representation until the full advance fee deposit is restored; and to increase the amount of the deposit required for continued representation.

Trust Account

The amounts you pay to us in trust will be deposited in our client trust account. As required by the rules of professional conduct governing lawyers, interest earned will be paid to a foundation to support law-related charitable activity. However, when a client's deposit is large enough to earn interest in excess of bank and administrative costs, the firm will place the funds in a segregated account. In that circumstance the interest earned will be added to your deposit and reported by our bank to the Internal Revenue Service as taxable income to you.

Costs Advanced to Third Parties

In the course of serving you, we may make payments to third parties on your behalf. For example, courts and agencies often charge filing or recording fees, and we are required by law to pay witness fees. We may also contract on your behalf with vendors, such as court reporters, electronic discovery platforms, messenger services, independent professionals (foreign agents, investigators, appraisers, and accountants, to name a few examples), and expert witnesses, and we may incur travel expenses. We may elect to advance these costs and include the charges, without mark-up, on our invoices, or we may require you to provide an advance deposit for costs or to pay non-routine expenses directly to the third party.

Other Charges

In addition, our invoices may reflect charges for services provided by our firm, currently including but not limited to the following: high-volume printing, document binding, electronic discovery database costs, and non-routine online research.

Billing and Payment

We generally invoice our clients on a monthly basis. The invoice will typically reflect charges incurred during the prior month but some charges may not be processed and billed until sometime after the expense has been incurred. Payment is due within 30 days following the date of the invoice. Payment of an invoice confirms your agreement to the amount charged. If you disagree with the amount charged on an invoice, you must notify us within 60 days of the date of the invoice by contacting the responsible lawyer or the firm's accounting department.

Insurance Coverage

If you believe you may have insurance coverage for legal fees incurred in this matter, you should notify your broker or carrier immediately. We have no obligation to notify your broker or carrier unless you expressly request us to do so, we agree in writing to undertake that additional task, and you provide copies of all relevant policies and related documents. Although you may have coverage, primary responsibility for payment remains with you.

Late Payment and Past Due Accounts

Amounts past due accrue service charges at the rate of twelve percent per year. If an account becomes more than thirty days past due, the firm may decline to perform additional legal services until the account is brought current or may withdraw from the representation. If the firm incurs costs to collect the amount due, it shall be entitled to its collection costs and a reasonable attorney's fee (for the services of outside counsel and/or internal counsel). Unless otherwise agreed, we may apply payments first to our attorney's fees and costs of collection, second to service charges, and then to invoiced fees, costs advanced and other charges. You agree that, to the fullest extent permitted by law, we have an attorney's lien in your files and/or against the results of our representation to secure payment of your financial obligations and that we may take steps to inform others of any lien rights we may have.

Conclusion of Matter; Retention and Disposition of Documents

Our representation in a matter will be deemed concluded at the time we issue our final invoice for services rendered in that matter or, if an invoice is not characterized as a final invoice, upon the passage of twelve months from the date of the last invoice for the matter. To the extent you have not previously received copies of correspondence or other documents during the course of representation, we will provide such material at your request. We will have no continuing obligation to retain files or documents following the conclusion of the engagement. However, we generally retain the essential portions of our client files pursuant to our firm's document retention policy, which we may revise at our sole discretion. That policy currently provides that we will retain an electronic version of most client files for 10 years following conclusion of the client's matter, depending on the type of matter and other circumstances.

Post-Engagement Matters

You are engaging us to provide legal services in connection with a specific matter. After completion of the matter, changes may occur in applicable laws or regulations that could affect your future rights or liabilities. Unless you re-engage us to provide additional legal advice, the firm has no continuing obligation to advise you regarding such issues, other legal developments, or renewal or other deadlines you may have with respect to the subject matter of the representation. Any re-engagement will be subject to clearing conflicts and to these terms of engagement.

Termination of Representation

Prior to conclusion of our representation, you may terminate our relationship at any time and for any reason by providing written notice. Similarly, we may, with written notice, withdraw from our representation of you if required or permitted by the applicable rules of professional conduct. If the permission of a court or other adjudicator is required for withdrawal, we will promptly request such permission, and you agree not to oppose our request. Upon termination or withdrawal, you will remain obligated to pay promptly all charges for legal services already rendered and, in circumstances where the termination or withdrawal is caused by your conduct, charges resulting from the termination or withdrawal, including time spent working with successor counsel. We will cooperate with successor counsel to assure a smooth transfer of the representation.

Arbitration

If you disagree with the amount of our fee, please contact the responsible lawyer or an alternate representative identified on our website. Typically, we can resolve such disagreements satisfactorily with little inconvenience or formality. In the event a fee dispute is not readily resolved, some state bar associations offer programs for arbitration of fee disputes.

Questions

If you have any questions regarding the terms set forth in this document, please contact the lawyer who sent your engagement letter or your current responsible lawyer, if different. Please note that the rules of professional conduct preclude us from acting as your counsel with respect to these terms, but you are free to consult with independent counsel if you wish. These terms govern not only the representation described in our engagement letter, but also any subsequent engagements undertaken by mutual agreement, unless we reach a different written understanding.

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Seal Rock Water District

DATE ACTION REQUESTED: August 13, 2026							
Ordinance		Resolution		Motion		Information	X
Date Prepared: July 23, 2026				Dept.: Administration			
SUBJECT: Board Member Compensation – Compliance with ORS 198.190.				Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447			

RECOMMENDED BOARD ACTION:

Consider Board Member Compensation – Compliance with ORS 198.190

BACKGROUND

For many years, Seal Rock Water District has compensated Board Members with a stipend of \$50.00 per month for attending regular Board meetings. This practice has been consistently applied and reflects the Board's longstanding practice of recognizing the time and commitment required to fulfill the responsibilities of elected office.

During a recent review of Special Districts Association of Oregon (SDAO) governance guidance, staff identified additional administrative requirements associated with Board Member compensation that have not historically been implemented by the District.

ORS 198.190 authorizes special districts to compensate Board Members up to \$50.00 per day for performing official Board duties. The statute further provides that such compensation does not constitute the holding of a lucrative office. SDAO guidance also notes that Board Member compensation is considered taxable income and must be administered in the same manner as employee payroll for tax reporting purposes.

Specifically, districts providing compensation are expected to:

- Withhold applicable federal and state payroll taxes.
- Report compensation on quarterly payroll tax filings.
- Issue annual Form W-2 wage statements to Board Members.
- Maintain appropriate payroll records documenting compensation.

Although the District has compensated Board Members through monthly stipends, these payroll administration procedures have not previously been incorporated into the District's compensation process.

DISCUSSION

Staff believe it is appropriate to update the District's administrative procedures to ensure full compliance with ORS 198.190 and applicable federal and state payroll reporting requirements. No change is recommended to the amount of Board compensation at this time. Rather, staff recommend modifying the administrative process by which compensation is paid and reported.

Beginning with the next payroll cycle following Board direction, staff will:

- Establish each Board Member within the District's payroll system for stipend payments.
- Process Board compensation through regular payroll.
- Withhold all applicable federal and state payroll taxes.
- Include Board Member compensation on quarterly payroll tax reports.
- Issue annual IRS Form W-2 wage statements to each Board Member.
- Maintain payroll records documenting Board compensation in accordance with applicable record retention requirements.
- Continue reimbursing Board Members for reasonable expenses incurred while performing official District business in accordance with District policy and ORS 198.190.

In addition, staff recommends reviewing the District's existing Board compensation policy to ensure it clearly reflects current practice and statutory requirements, including whether compensation will continue to be paid as a monthly stipend or be administered on a per-day basis for attendance at authorized meetings and other official District business.

FINANCIAL IMPACT

Implementation of these administrative procedures is not expected to materially increase Board compensation costs. The district may incur minor additional payroll processing expenses associated with tax reporting and payroll administration. Employer payroll tax obligations, if applicable, will be incorporated into future operating budgets.

LEGAL CONSIDERATIONS

ORS 198.190 authorizes special districts to compensate Board Members up to \$50.00 per day for performing official duties and requires that such compensation be administered in accordance with applicable payroll and tax reporting laws.

Updating the District's administrative procedures will help ensure compliance with these statutory requirements and accepted accounting and payroll practices.

STAFF RECOMMENDATION

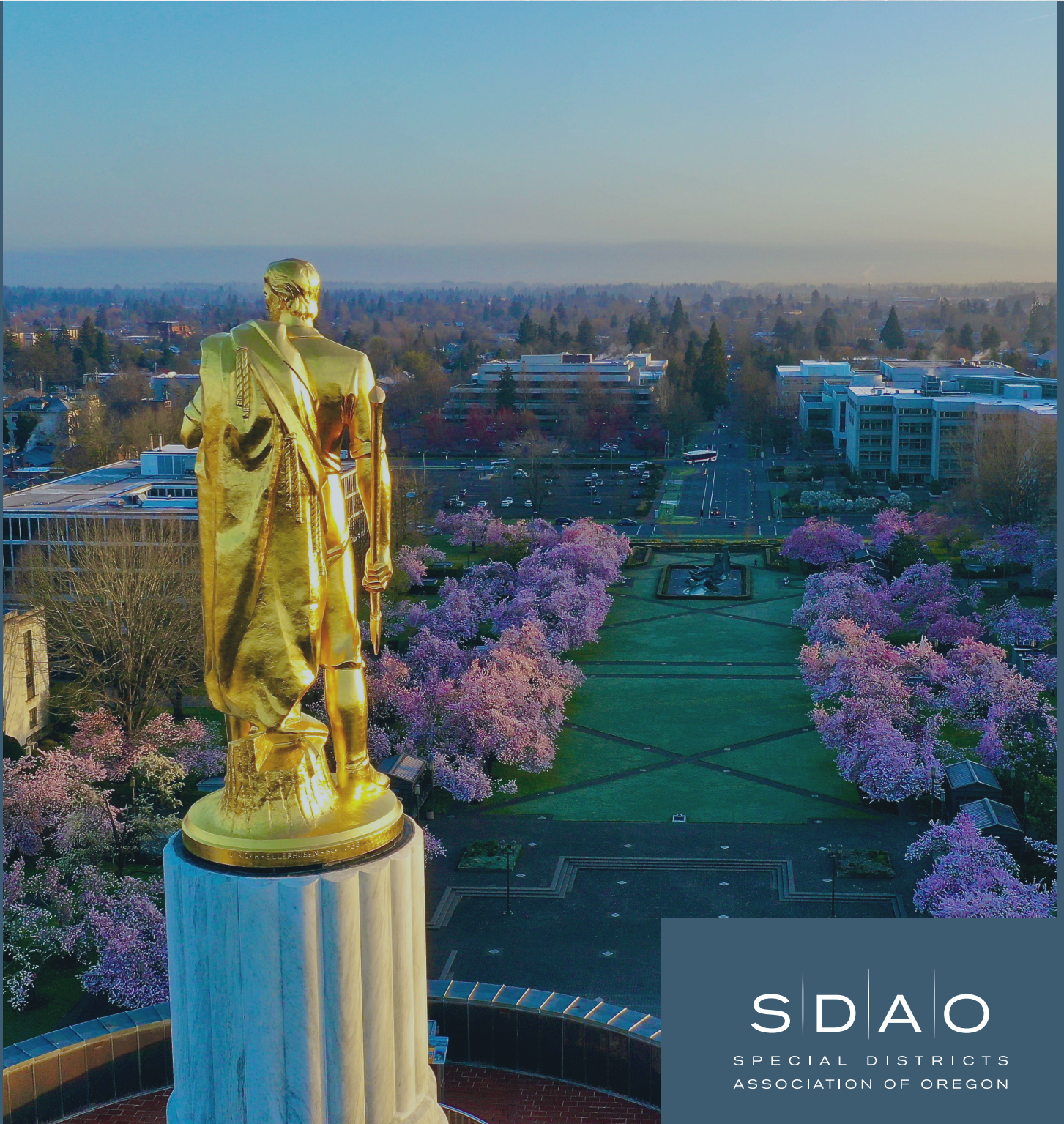
Staff recommends that the Board:

1. Acknowledge the current administrative practices regarding Board Member compensation.
2. Direct staff to administer future Board Member compensation through the District's payroll system in compliance with ORS 198.190 and applicable federal and state payroll reporting requirements.

3. Authorize staff to implement all necessary payroll, tax withholding, reporting, and recordkeeping procedures.
4. Direct staff to return with any recommended revisions to the District's Board Compensation Policy should updates be necessary to reflect current administrative practices.

198.190 Compensation and expenses of governing body members. A member of the governing body of a district may receive an amount not to exceed \$50 for each day or portion thereof as compensation for services performed as a member of the governing body. Such compensation shall not be deemed lucrative. The governing body may provide for reimbursement of a member for actual and reasonable traveling and other expenses necessarily incurred by a member in performing official duties. [1971 c.403 §2; 1983 c.327 §2; 1983 c.740 §53a; 1989 c.517 §1; 1995 c.79 §74]

Special District Board Member **Handbook**



S|D|A|O

SPECIAL DISTRICTS
ASSOCIATION OF OREGON



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An Elected Officials Guide *To Governing A Special District*

Foreword

The Special Districts Association of Oregon (SDAO) was formed in 1979 to give special districts a stronger and united voice at the Oregon Legislature. As with similar associations that support cities, counties, schools, and local government, SDAO provides advocacy with state administrative agencies and other units of government, training, information resources, and other support programs. SDAO has grown its membership to over 900 local government members.

The association is governed by a twelve-member board of directors that exercises general supervision over the affairs of the organization. The Board's governance and formulation of policies are exercised in accordance with the association's bylaws. The annual business meeting of SDAO members, held in conjunction with the February annual conference, gives members an opportunity to elect, for two-year terms, their association's board of directors.

SDAO has become increasingly important as the membership has grown and the operation of special districts has become more complex. It has become an effective lobbying and educational organization that strives to serve the needs of its members.



SDAO

SPECIAL DISTRICTS
ASSOCIATION OF OREGON

Chapter 1: *Learning More About Special Districts*

What are special districts?

Special districts are a form of local government. They are created by their constituents to meet specific service needs for their communities. Most perform a single function such as water delivery, fire protection, wastewater or cemetery maintenance, to name a few. Some, like county service districts, provide multiple services.

What kinds of special districts are out there?

- 9-1-1 Communications
- Airport
- Cemetery Maintenance
- County Service
- Diking
- Domestic Water Supply
- Drainage
- Emergency Communication
- Fire Protection
- Geothermal Heating
- Health
- Heritage
- Highway Lighting
- Irrigation
- Library
- Mass Transit
- Metropolitan Service
- Park and Recreation
- People's Utility
- Ports
- Predator Control
- Radio and Data
- Road Assessment
- Sand Removal
- Sanitary
- Soil and Water Conservation
- Special Road
- Transportation
- Vector Control
- Water Control
- Water Improvement
- Weather Modification
- Weed Control

How are special districts funded?

Special districts are funded either through property tax revenues, fees charged to customers for services, or a combination of the two.

Chapter 2: *What You Should Know as a Special District Board Member*

Power and Authority of Special Districts

Unlike cities, special districts have only the powers that are expressly provided for or necessarily implied in the Oregon Revised Statutes (ORS). These authorities can be found generally in ORS 198, and within the principal act that governs the various types of districts. A listing of the principal statute for each type of district can be found in ORS 198.010 through ORS 198.210.

Each type of special district has its own statute and requirements for board members. Some districts refer to board members as commissioners or directors. Most types of districts require by law that board members are electors, or at least own property within the boundary of the district. The number of board members varies, as does the length of their terms. For specific requirements, districts should refer to the Oregon Revised Statute that governs their type of district.

Implied powers are acts necessary to carry out the expressed powers granted by the statutes. For example, being authorized to provide drinking water implies the authority to purchase chemicals, operate a filtration plant and other actions necessary to carry out the expressed powers of the district. When a district decides to expand its role or responsibilities it should seek legal advice to ensure that actions taken by the district are within the scope of powers authorized by the statutes.

There are several types of power in addition to expressed and implied powers:

- Intramural and Extramural Powers: Powers, which can be exercised within or outside of district boundaries. For example: owning property.
- Governmental and Proprietary Powers: Powers exercised in the district's governmental capacity (e.g. policy making) or powers exercised like a business (e.g. operating a marina or selling water).
- Legislative or Administrative Powers: The power to adopt policy as opposed to the power to implement policy. For example: adopting a budget is legislative; spending the money is administrative.
- Quasi-Judicial Power: The power to adjudicate. Requires a decision based on the law and the evidence presented at a hearing. Requires due process. For example: appeal of termination by an employee.

Delegation of Power

- A district can delegate some types of power. Delegation is governed by the Constitution and statutes.
- Powers can be delegated vertically (e.g. down to a staff person, consultant, or committee) or horizontally (over to another government agency).
- Legislative power cannot be delegated; only administrative or quasi-judicial power can be delegated. Only the board can exercise legislative power.
- Administrative power can be performed either by the board or delegated to staff, consultants, or committees. If funds permit, most administrative power should be delegated to trained or experienced staff or professionals. This is particularly true with complicated administrative duties like hiring, firing, and contracting.



- Board members should use caution in exercising administrative power because of the potential of liability, workers' compensation issues, staff morale issues, and other considerations.
- All delegations of power should be clear and in writing (e.g. a job description, employment contract, personnel manual, resolution, etc.)
- Being a board member on a special district board entails a commitment to being actively involved in setting the direction of the district and, most importantly, serving the best interests of the community and district constituents.

Chapter 3: *The Board as an Organization*

Any board exists as an organizational entity, with its own unique organizational culture, norms, values, and operating style. There are attributes or characteristics that are consistently present in boards that operate in a highly effective way. Effective boards become known as effective because they operate in an organizational environment of trust, honesty and openness. These boards exhibit, as a team, the following characteristics:

- All board members are perceived to be equally legitimate – no matter how different or difficult an individual may be.
- The board strives to maintain a “no secrets, no surprises” operating norm.
- The board recognizes and accepts that conflicts and differences are inevitable, not necessarily “bad,” and must be faced and analyzed.
- The effective board tends to immediately turn to solutions rather than playing the “gotcha” game.
- The effective board treats all community members with dignity and respect, even in the face of criticism and opposition.
- The effective board exhibits creative thinking, knows how to handle failure as well as success, encourages risk taking and creates a climate of support for excellence.
- The effective board assumes collective responsibility for the conduct, behavior and effectiveness of the board.

Commitment and Responsibilities

As a board member for a special district, you have committed to serve the best interests of the community, provide services that are essential to the community and represent the people who placed you in office.

One of the most significant responsibilities as a board member is to understand that the board is a team and you need to work together as such. Understanding the dynamics of your group as well as the individual perspectives and opinions of the other board members that you sit with will help to strengthen the district and provide the grounds for maintaining a clear vision of the future, a unity of purpose and a cohesive board. Additionally, the board typically has the specific responsibilities that coincide with their overall role as board members. Overall, your role as a board member is to make and approve district policies, set the direction of the district, make decisions, establish strategic goals and objectives, and be an advocate for special districts.

District board members have no individual powers separate from the powers of the board, and have no authority to act individually without delegation of authority from the board. If a board member acts without authority from the board, the individual can be exposed to personal and district liability. It is the responsibility and right of board members to participate in board meetings and vote on district issues as part of the board.

District Administration and Staff Direction

Individual board members have no individual authority to direct district staff or administrative activities without delegation of that authority from the board. Generally, the board is the policy making body, while staff, to the extent that funds exist, implements policy and administer the district. If a district has no staff, individual board members can assume administrative functions, but only with the authorization of the board. It is a good idea to make sure any delegation of powers to a board member is in writing, in case a public objection is raised, or in case of a potential lawsuit.

Accountability

Special districts are accountable to the voters and customers who use their services. Every special district must submit annual financial reports to the Secretary of State Audits Division and also must follow state laws pertaining to public meetings, record keeping, ethics, public contracting, budgeting, and elections.

Bonding

A district board shall require a bond or irrevocable letter of credit of any board member or employee of the district who is charged with possession and control of district funds and properties. The board shall fix the amount of the bond and the premium shall be paid from district funds. The letter of credit must be issued by a commercial bank (ORS 198.220). All board members or employees can be bonded for a minimal additional charge to the cost (premium) of bonding only one board member. It is practical and beneficial to take the necessary steps to bond all board members and the district manager.

Compensation & Expenses

ORS 198.190 allows districts to pay board members up to \$50 per day as compensation for serving as a board member. Such compensation does not constitute the holding of a lucrative office. Districts need to withhold the appropriate taxes for any compensation given to a board member and report this compensation on quarterly payroll tax returns. W2s should also be issued at the end of the year. Districts may also reimburse board members for reasonable expenses incurred in performing official duties.

Liability & Exposure

The Oregon Tort Claims Act (ORS 30.260 to 30.300) governs district tort liability and provides for the defense and indemnity of public officials and limits damages. Under the act, damage awards against districts or their officers, employees or agents are limited.

Further, districts and their officers, employees and agents are immune from tort liability for injuries covered by workers' compensation, claims regarding assessment or collection of taxes, and claims based on performance or failure to perform a discretionary function.

A district must provide indemnification for any tort claims, groundless or otherwise, occurring in the performance of duty, with the exception that indemnity is not required for malfeasance or wanton or willful neglect of duty. Unless investigation demonstrates that a claim arose out of the official's or employee's malfeasance or willful or wanton neglect, the district must provide counsel to defend the claim. For this reason, it is critical for the district to immediately notify the district's insurer of any claims.

Special Districts Insurance Services (SDIS) and other insurers provide "pre-loss legal" services designed to assist districts before the claim is filed. If there is a potential claim, districts should contact their insurer and seek assistance, as normally the insurer will defend the district if a claim is filed. If your district is insured with SDIS, contact SDAO at 800-285-5461 for pre-loss legal services.

If sued, do the following:

- Immediately provide the document to the district's counsel, insurance agent and insurer.
- Do not discuss the matter publicly. Executive sessions may be called to discuss pending or threatened litigation with district counsel.
- Preserve attorney-client privilege.
- Gather and preserve all related documents.
- Don't panic.

Office Holding

There are several constitutional and statutory limitations and requirements governing election to public office. Some restrictions apply before election and some during the term of office. The election of board members shall be conducted as provided by the district's organic act and ORS Chapter 255.

Eligibility for Office

Each district will have in its principal act the criteria for eligibility for office in that district. In most districts, board members must be residents and/or electors of the district. In some districts, board members must own property within the district. In addition, board members may be ineligible if they have been convicted of a felony, adjudged mentally incapacitated, convicted of making bribes, threats or unlawful rewards, or advocating the overthrow of the government.

Oath of Office

Each newly elected or appointed board member shall take an oath of office at a board meeting prior to assuming the duties of the position.

Maintenance of Eligibility

Board members must maintain their eligibility throughout their term of office. For example, if residency is an eligibility requirement, a board member who moves out of the district during the term of office will lose his or her position.

Employees as Board Members

The practice of allowing employees to serve as board members is allowed by default. However, ORS 198.115 provides that a district may adopt an ordinance prohibiting employees from serving as board members. Such ordinance must take effect at least one year prior to the next regular district election.

Dual Office Holding

In Oregon, volunteer public officials are encouraged to hold as many unpaid public offices as they wish. For example, a person may be on the school board and the fire district board at the same time. Such dual office holding is not a conflict of interest. The only limitation is that a public official cannot hold two lucrative offices (i.e. the same person could not hold the position of sheriff and district attorney).

Resignation of Office

The holder of a public office may resign the office effective at a future date that is prior to the expiration of the term of the office. A resignation is binding unless withdrawn in writing by the end of the third business day after the resignation is made.

Except where an election is required by law, the appointing authority required by law to fill a vacancy may begin the process to fill the vacancy and may select a successor prior to the effective date of the resignation.

Filling Vacancies on a Board

When a vacancy occurs on a district board between elections, the vacancy shall be filled by appointment by a majority of the remaining board members. If there is not a majority of the board available or if a majority of the board cannot agree on filling the vacancy, the county commissioners will fill the position.

An example would be if a recall election is held and a quorum of the board (e.g. three members out of five) is not available, the vacancies are filled by the board of county commissioners. In yet another example, if four members are present but cannot get a majority of three to vote to fill a position, then the decision would go to the board of county commissioners. A person filling a vacancy will serve until June 30th following the next regular district election at which board members are elected, which is May in odd numbered years. The successor elected at the next regular election serves for the remainder of the unexpired term, if any.

POLITICAL ACTIVITIES

Generally, ORS 260.432 states that a public employee (includes any public official, paid or unpaid, who is not elected) may not, while on the job during working hours, promote or oppose election petitions, candidates or ballot measures. Additionally, no person (including elected officials) may require a public employee (at any time) to do so.

Elected officials may:

- Advocate a political position - they are not considered a “public employee” for the purposes of ORS 260.432 OR ORS 260.432(4)(a).
- Vote with the other elected officials of a governing body (such as a school board, city council, or county commission) to support or oppose a ballot measure, and publicly discuss such a vote – but must not use the public employee staff time to assist in this.
- Perform campaign activity at any time, but must take caution not to involve any public employee’s work time to do so.

Notices

Public employers are required to post a notice that advises employees of the rights and duties they have regarding campaigning. The text of this notice is set forth in ORS 260.432(3).

Campaigning

Public employees have the right to express personal political views. They may wear political buttons or clothing at work as long as it does not violate the district’s policy. The district can prevent campaign buttons and stickers from being affixed to any district equipment or facilities.

The Federal Hatch Act is applicable to any state or local government employee who is funded by federal resources. The Hatch Act is even more restrictive on an employee’s political campaigning rights.

Use of Public Funds to Influence Ballot Measures

Public funds may not be used for campaigning. Public officials who authorize such expenditures are personally liable to taxpayers for their return (ORS 294.100(2)). However, public funds may be used to inform the public regarding measures.

Chapter 4: *Board Meetings*

What is a public meeting?

A meeting is a convening of a quorum of the governing body of a public body for the purpose of deciding or deliberating upon a public issue. Without a quorum, the meeting is not a public meeting and the open meetings law does not apply:

- If less than a quorum of a board meets and discusses a public issue, it is not a public meeting.
- If a quorum of the board meets for a reason other than deliberation or decision on a public issue (e.g. a party, a seminar, a reception, etc.) it is not a public meeting.
- If a quorum meets for a reason other than deliberation or decision on a public issue, but then engages in such discussion, the meeting becomes a public meeting and would be unlawful unless proper notice had been given.

An advisory body, subcommittee, task force, or other official group that has authority to make recommendations to a public body on policy or administration is also required to comply with public meetings law.

A staff meeting is not covered under Public Meetings Law because it does not require a quorum, and because staff simply makes recommendations to the board which is the policy making body. If, however, a staff meeting includes enough board members as to constitute a quorum, then it must be open to the public.

Public Meetings Law is not a “public participation law.” The right of the public to attend meetings does not include the right to participate by giving testimony or comment. However, the public must be allowed to give comment on employment of a public officer or the standards to be used in hiring a chief executive officer.

In Oregon, it takes a majority of the entire membership of the board to adopt a motion, resolution or ordinance or take any other action. A majority of a quorum is insufficient. This means that three affirmative votes on a five-person board are required to pass a motion, even if there is a quorum.

Adopting Rules of Procedure

There are not specific statutory requirements governing the parliamentary procedures of a district. Boards can adopt model rules such as Roberts Rules of Order or draft their own rules of procedure. It is recommended that districts not adopt any model rule in its entirety, as most are designed for boards of legislative bodies much different than a special district board. A district should adopt their own.

Forms of Action

Districts usually take action by the use of ordinances, resolutions, and motions.

- **Ordinances** are generally used to adopt law or policy that applies to the residents of the district. They are subject to the statutory process found in ORS 198.510 to 198.600. The process must be followed strictly or the ordinance may be found to be invalid. Ordinances are subject to the initiative and referendum laws.
- **Resolutions** are used to express policy or opinion of the board or to approve an action such as a contract or major expenditure of funds. A resolution should not be used for adoption of law or policy that applies to the residents of the district. A resolution may be used for the adoption of internal regulations such as personnel rules.

- **Motions** are a way to place a matter before the board for consideration. It is a procedural device rather than a written document. Motions should not be used to adopt or approve a matter that will create policy or have major effect beyond the meeting itself.

PUBLIC NOTICE

- The law requires that public notice be given of the time and place of meetings. This includes regular, special, and emergency meetings and workshops, and also includes meetings of subcommittees and advisory committees established by the governing body.
- Notices must be reasonably calculated to give actual notice to interested persons, including news media that have requested notice.
- The same notice must be given if a meeting is to only include an executive session. Any notice of an executive session must also include the specific statutory provision authorizing the executive session. If a regular, special, or emergency meeting is to be held which will include an executive session, the notice of executive session should be included in the notice along with the statutory authority. (See section on Executive Sessions for statutory authority.)
- Notice must include a list of the principal subjects anticipated to be considered at the meeting. The agenda does not need to go into detail about subjects scheduled for discussion, but should be sufficiently descriptive so that interested persons will have an accurate picture of the anticipated agenda topics.
- The law does not require that every proposed item of business be described in the notice, but rather a reasonable effort to inform the public of the nature of the more important issues to be considered. Additional subjects may be considered at the meeting, even though not included in the notice.
- Paid advertising, such as in a local newspaper, is not required. Posting the meeting notice in a prominent location on the district's website and use of social media are appropriate means of providing public notice.

Regularly Scheduled Meetings

Notices may be issued to:

- Wire Service: Associated Press and United Press International.
- Local Media Representatives: If the meeting involves a local matter then the notice should be sent to local media.
- Mailing Lists: Districts maintaining mailing lists of persons or groups for notice of public meetings should send notice to the persons on the list.
- Interested Persons: If a district is aware of persons interested in receiving notice of a meeting, these persons should be notified.
- Notice Boards: Some smaller communities have a designated area or bulletin board for posting notices. Governing bodies may want to post notices of meetings in such areas.
- District website and/or District social media page.

Special Meetings

Special meetings require at least 24 hours' notice. Such notice should include a press release or telephone call to media, particularly media that has requested prior notice. Special meeting notice should also include telephone, letter, or fax notice to other interested parties.

Emergency Meetings

Emergency meetings may be held on less than 24 hours' notice. An actual emergency must exist, and the minutes must describe the emergency, which justifies less than 24 hours' notice. Notice of an emergency meeting must be "appropriate to the circumstances," which should at least include a reasonable attempt to contact the media and other known interested persons.

- An actual emergency on one item does not permit consideration of other items at the emergency meeting.
- Work schedule conflicts or inconvenience of board members is not a justification for an emergency meeting.

Executive Sessions

Districts may have executive sessions (meetings closed to the public) under specific circumstances that are authorized by the statutes.

Executive sessions may be held for the following purposes:

- Employment of public officers, employees and agents
- Discipline of public officers and employees
- Performance evaluations of public officers and employees
- Labor negotiator consultations
- Labor negotiations
- Real property transactions
- Consideration of exempt public records
- Consultation with legal counsel regarding litigation
- Public Investments

No executive session may be held for the purpose of taking final action or decision, only a preliminary decision can be made. Executive sessions may be called during a regular meeting, special or emergency meeting for which proper notice has been given, or a noticed executive session can be held without being part of another meeting.

The media cannot be excluded from an executive session, except when the purpose is to do labor negotiations. Media representatives in attendance at an executive session must be instructed not to report or disclose matters discussed. If not instructed, the media may disclose the executive session discussion. The presiding officer of the board may prohibit the media from recording an executive session. Compliance of the media to the rules is based primarily on cooperation, not on the imposition of any penalties.

Districts are encouraged to consult with legal counsel before calling an executive session to ensure that the notice, procedures and subject comply with state law. The Oregon Government Ethics Commission may consider complaints against public officials for violation of executive session laws, and may impose penalties on elected officials.

Notice of Ordinances: If an ordinance is to be considered, ORS 198.540 requires that the meeting agenda be published between 4 and 10 days before the meeting and that it be posted in three places 10 days before the meeting.

Meeting Locations

The governing body is responsible to assure that there is adequate room for public attendance. Unexpected overflow crowds need not be accommodated, but reasonable efforts should be made to allow unexpected crowds to attend.

- Meetings must be held within the geographic boundaries of the district, at the district's administrative headquarters, or at any other nearest practical location. Emergency meetings and training sessions are not subject to those alternative requirements.
- Public meetings may be held in private places, such as restaurants or residences, as long as adequate notice of the location is given so that interested persons may attend and accommodations can be made for public attendance.
- Meetings may not be held where discrimination on the basis of race, creed, color, sex, age, national origin, or disability is practiced.
- Public meetings must be held in places accessible to individuals with mobility and other impairments, and a good faith effort to provide needed interpreters for hearing-impaired persons needs to be made. A hearing-impaired person requesting an interpreter must give the governing body at least 48 hours' notice.
- Public meetings must be accessible by remote access to the public when reasonably possible.

Control of Meetings

The presiding officer has the inherent authority to keep order and impose reasonable restrictions necessary for the orderly and efficient conduct of a meeting. Unless the board decides otherwise, the presiding officer may regulate or disallow public input, may limit public input to relevant points, and may establish time limits for such input. Persons who fail to comply with such reasonable regulations or who otherwise disturb the meeting may be asked to leave, and upon failure to do so, may be treated as a trespasser.

- Members of the public cannot be prohibited from unobtrusively recording public meetings.
- Smoking is banned at public meetings at meeting places that are rented, leased, or owned by the district. If appropriate, the presiding officer should remind attendees that smoking is prohibited in public meetings.

Voting

All official actions by governing bodies must be taken by public vote of the governing body, and the results of such vote, including how each board member voted on each issue, must be covered in the minutes. Secret ballots are prohibited. Failure to record a vote is not grounds to reverse that decision without a showing of intentional manipulation of the voting.

Minutes & Record Keeping

Written minutes must be taken of all meetings. Minutes need not be verbatim transcripts, nor are tape recordings required. Minutes, in whatever form, must give a true reflection of matters discussed at the meeting and the views of the participants. Governing bodies must prepare minutes and have them available to the public within a reasonable time after the meeting. Minutes must be made available to the public if requested even if not formally approved by the board and finalized. Such minutes, if provided, may be watermarked or otherwise labeled as "draft" minutes.

Any tape recordings or written minutes of public board meetings or executive sessions shall be retained by the district until such time as their disposal is authorized by rule or specific authorization of the State Archivist pursuant to ORS 192.105. It is required that minutes be retained permanently per the Secretary of State Archive Division retention schedule. Minutes of executive sessions are not public records.

Written minutes must include:

- Members present
- Motions, proposals, resolutions, orders, ordinances, and measures proposed and their disposition
- Results of all votes taken
- The substance of any discussion of any matter
- A reference to any document discussed at the meeting

Chapter 5: *Ethics Laws*

Elected and appointed officials have an obligation to conduct business in an ethical manner and make decisions that are in the best interest of their constituents. As a board member for a special district, it is imperative that you keep the public's interest in mind and avoid any situations where your self-interests are put first. Building the public's confidence and trust by demonstrating your ability to recognize potential ethics problems and then removing yourself from that situation is a key factor to your success as a board member.

The Oregon Ethics Commission (OGE) is charged with regulating the activities of public officials in three primary areas: financial disclosure, prohibition against the use of office for financial gain, and conflicts of interest. Additionally, the OGE enforces public meetings laws under (ORS 192.610 to 192.690).

Prohibition Against the Use of Office for Financial Gain

ORS 244.040 states that "No public official shall use or attempt to use official position or office to obtain financial gain or avoidance of financial detriment that would not otherwise be available but for the public official's holding of the official position or office..." This provision is the basis for violations relating to use of public equipment (such as cell phones and vehicles) and accepting offers for discounted rates from merchants and service providers. The prohibition does not include acceptance of official salary, reimbursement of expenses, honoraria and unsolicited awards for professional achievement.

Conflicts of interest

Oregon Government Ethics Law identifies and defines two types of conflicts of interest: An actual conflict of interest and a potential conflict of interest. A public official is met with a conflict of interest when participating in official action which could or would result in a financial benefit or detriment to the public official, a relative of the public official or a business with which either is associated.

A public official is met with an **actual** conflict of interest when the public official participates in action that **would** affect the financial interest of the official, the official's relative or a business with which the official or a relative of the official is associated. The public official must announce the nature of the conflict and not discuss or take any official action on the issue.

A public official is met with a **potential** conflict of interest when the public official participates in action that **could** affect the financial interest of the official, a relative of that official or a business with which the official or the relative of that official is associated. The public official must announce the nature of the conflict and may discuss and take official action on the issue.

At each session or meeting at which the issue is addressed, the official must make the same public disclosure. However, the official is required to make that announcement only once at each meeting, even if the issue involves a series of votes.

Gifts

When Oregon Government Ethics Law uses the word “gift” it has the meaning in ORS 244.020(6)(a):

“Gift” means something of economic value given to a public official, a candidate, or a relative or member of the household of the public official or candidate. In other words, a “gift” is something of economic value that is offered to:

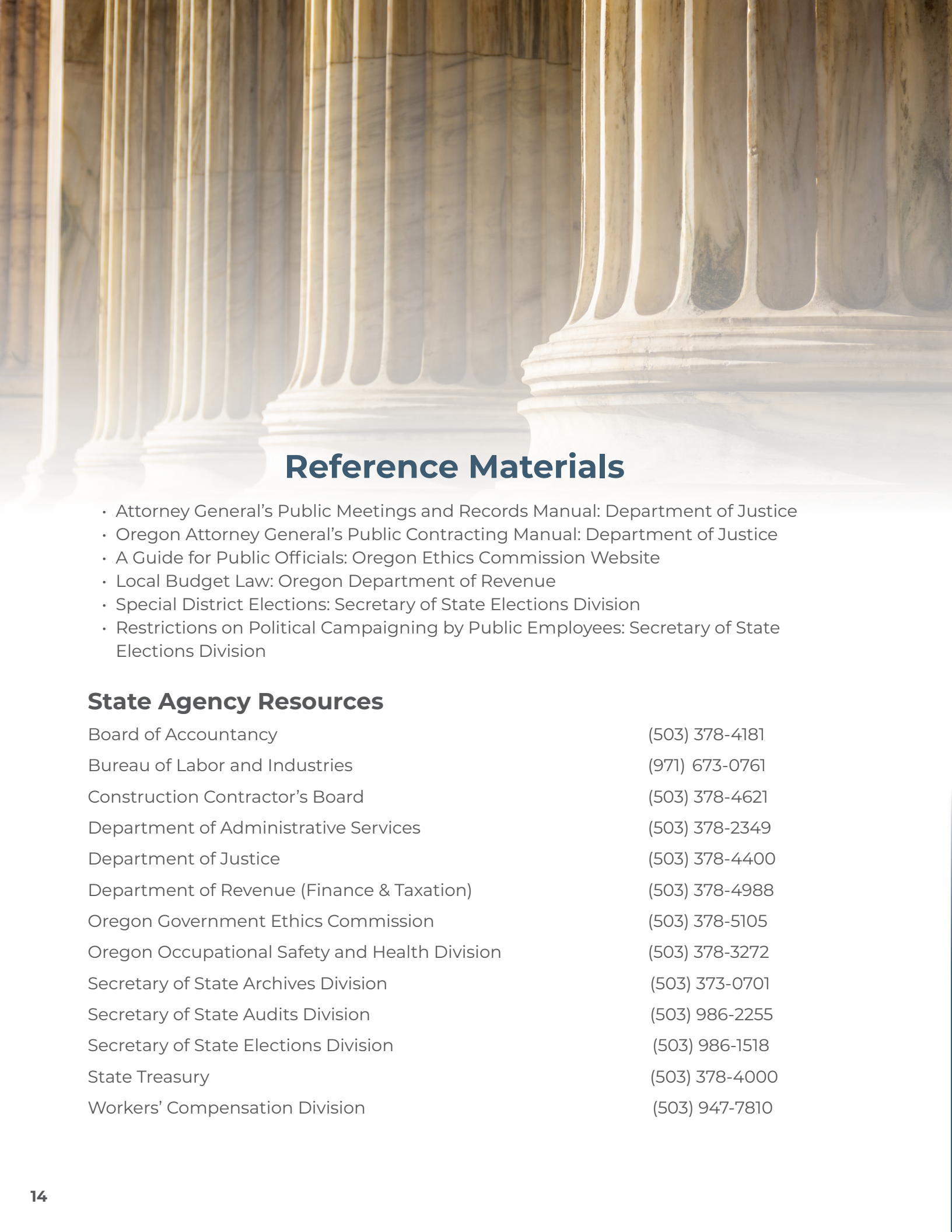
- A public official or candidate or to relatives or members of the household of a public official or candidate without cost or at a discount or as forgiven debt and the same offer is not made or available to the general public who are not public officials or candidates.
- If the source of the offer of a gift to a public official has a legislative or administrative interest in the decisions or votes of the public official, the public official can only accept gifts from that source when the aggregate value of gifts from that source does not exceed \$50 in a calendar year.

For more information on gifts, obtain a copy of “A Guide for Public Officials” from the Oregon Ethics Commission’s website.

Advisory Opinions and Staff Opinions

To assist public officials in avoiding ethics violations, the OGECE lists both staff opinions and advisory opinions on its website. A staff opinion is an informal opinion that addresses only the application of Oregon Ethics Law or Lobbying Regulation Law to the facts stated in the request. Any relevant information, which was not included by the requester of this opinion in the stated facts, could completely change the outcome of this opinion. Other laws or requirements may also apply. The opinion does not exempt a public official from liability under the applicable law for any action or transaction carried out in accordance with the opinion. The opinion is the personal assessment of the executive director of the Oregon Government Ethics Commission.

When in doubt regarding specific activity, you may almost always find an existing opinion related to the topic at hand. If not, you may request an opinion from the OGECE or contact the SDAO Pre-Loss Department.

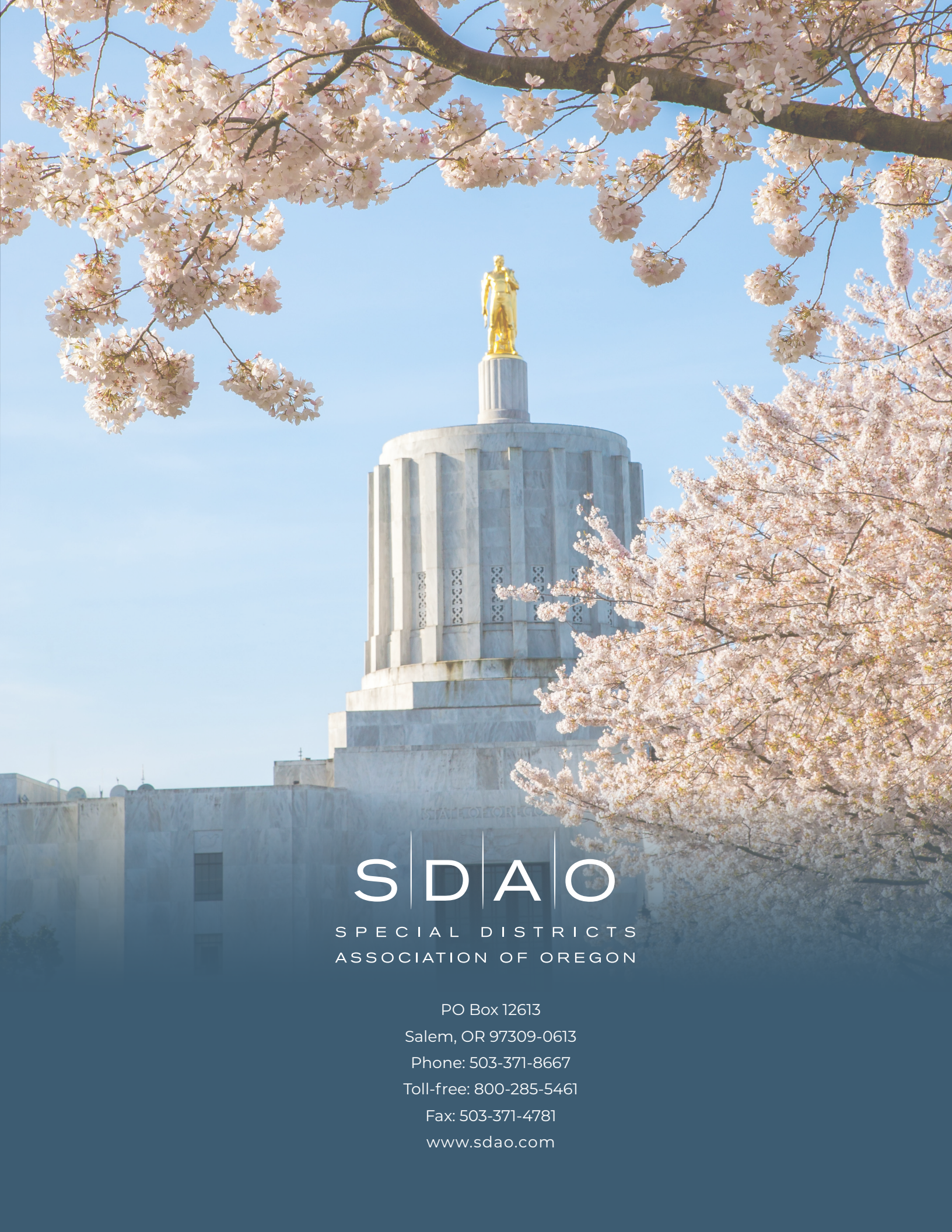


Reference Materials

- Attorney General's Public Meetings and Records Manual: Department of Justice
- Oregon Attorney General's Public Contracting Manual: Department of Justice
- A Guide for Public Officials: Oregon Ethics Commission Website
- Local Budget Law: Oregon Department of Revenue
- Special District Elections: Secretary of State Elections Division
- Restrictions on Political Campaigning by Public Employees: Secretary of State Elections Division

State Agency Resources

Board of Accountancy	(503) 378-4181
Bureau of Labor and Industries	(971) 673-0761
Construction Contractor's Board	(503) 378-4621
Department of Administrative Services	(503) 378-2349
Department of Justice	(503) 378-4400
Department of Revenue (Finance & Taxation)	(503) 378-4988
Oregon Government Ethics Commission	(503) 378-5105
Oregon Occupational Safety and Health Division	(503) 378-3272
Secretary of State Archives Division	(503) 373-0701
Secretary of State Audits Division	(503) 986-2255
Secretary of State Elections Division	(503) 986-1518
State Treasury	(503) 378-4000
Workers' Compensation Division	(503) 947-7810

A photograph of the Oregon State Capitol dome, partially obscured by the branches and pink blossoms of a cherry tree in the foreground. The sky is a clear, bright blue.

S|D|A|O

SPECIAL DISTRICTS
ASSOCIATION OF OREGON

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Seal Rock Water District

DATE ACTION REQUESTED: August 13, 2026							
Ordinance		Resolution		Motion	X	Information	
Date Prepared: July 31, 2026				Dept.: Administration			
SUBJECT: Municipal Auditor Engagement Letter				Contact Person for this Item: Adam Denlinger, General Manager adenlinger@srwd.org. 541-563-4447			

RECOMMENDED BOARD ACTION:

Consider Approving the Municipal Auditor Engagement Letter with Grimstad & Associates, Certified Public Accountants, and authorize the Board Chair to sign the engagement letter on behalf of the District.

Background:

Seal Rock Water District (SRWD) is required by Oregon law to conduct an annual audit of its financial statements in accordance with generally accepted accounting principles (GAAP) and auditing standards (GAAS). The District has historically retained the services of Grimstad CPA for these purposes. Grimstad CPA has submitted an engagement letter dated August 1, 2026, outlining the scope, responsibilities, and terms for conducting the audit for the fiscal year ending June 30, 2026.

Summary of Engagement Terms:

Audit Scope and Objectives:

- Audit of business-type financial statements for the District, including required supplementary information such as the Management's Discussion and Analysis (MD&A).
- Application of limited procedures to required supplementary information (RSI) as per GAAS, though no opinion will be expressed on RSI.
- Opinion will be provided on supplementary budgetary information in relation to the financial statements.

Responsibilities:

- Auditor will evaluate internal controls, assess risk of material misstatement, test compliance with applicable laws, and report findings.
- The District is responsible for the preparation of financial records, maintaining effective internal controls, and compliance with all applicable regulations.

Audit Timeline:

- Fieldwork is scheduled to begin October 15, 2026.
- Final reports are expected no later than December 5, 2026.

Compliance with State Requirements:

- Audit procedures will include tests required under Oregon Administrative Rules (OAR 162-10-000 to 162-10-330).
- An Independent Auditor's Report required by Oregon State Regulations will be issued.

Audit Fee:

- \$12,100, assuming full cooperation and no unexpected circumstances.
- Additional fees may apply if unforeseen complexities arise, subject to advance discussion.

Engagement Administration:

- Signe Grimstad will serve as engagement partner and sign all audit reports.
- SRWD staff will be responsible for preparing necessary documents and assisting in audit procedures.

Recommendation:

Staff recommends that the Board of Commissioners approve the engagement of Grimstad CPA under the terms outlined in the August 1, 2026, engagement letter and authorize the Board Chair to sign the engagement letter on behalf of the District.

Presented By: _____

A. Weninger



FEDERAL BUREAU OF INVESTIGATION

Public Service Announcement



Alert: I-073026-PSA | 30 JULY 2026

Malicious Cyber Actors Targeting Water and Wastewater Sector Internet-Facing Programmable Logic Controllers, Causing Operational Disruptions

INTRODUCTION

The Federal Bureau of Investigation (FBI) and Environmental Protection Agency (EPA) are issuing this Public Service Announcement (PSA) to warn critical infrastructure asset owners and operators that malicious cyber actors (MCAs) are conducting cyber attacks targeting Operational Technology (OT) devices, including Rockwell Automation/Allen-Bradley Programmable Logic Controllers (PLCs), specifically MicroLogix 1100 and 1400 series. Since 27 July 2026, Water and Wastewater Sector (WWS) utility companies in at least seven states have reported incidents to the FBI, and some of that activity degraded water operations. While the FBI has only observed this behavior with the referenced Rockwell PLCs, similar considerations should also be made with other branded PLCs.

After remotely accessing internet-facing devices, the actors changed the IP addresses and passwords, resulting in a loss of monitoring and control functionality. To reduce the risk of compromise, the FBI and EPA recommend **removing PLCs from direct internet exposure** via secure gateway and firewalls, setting up **strong, unique passwords**, and utilizing an **access control list (ACL)** to allow only authorized communication between expected control system devices.

THREAT LANDSCAPE

MCAs are targeting internet-exposed PLCs (Rockwell Automation/Allen-Bradley's MicroLogix 1100 and 1400 series) to remotely tamper with device configurations by changing IP addresses and turning on and setting passwords, resulting in a loss of view, and in some cases function, of connected equipment in targeted facilities. At least one organization reported modified PLC project files after noticing ladder logic discrepancies across several sites. Additionally, across several victims, similarities in network setup provided by third parties may provide MCA the opportunity to multiply successes when vulnerable network and hardware setups exist across customers.

FEDERAL BUREAU OF INVESTIGATION

Operational effects reported to the FBI have included loss of pressure and flooding. Pressure loss in water systems could potentially allow untreated ground water to seep into pipes. Once compromised, the extent of impact to victims' operations depended upon the type of function for which the PLC was configured (monitoring versus controlling equipment), the equipment itself (1100 versus 1400), the function the device supported, and capability to switch to manual operations. The FBI and EPA are engaging with victim organizations and are providing the following recommendations for critical infrastructure asset owners and operators.

Tips to Protect Yourself

The FBI and EPA recommend individuals take the following precautions:

- **Disconnect PLC from the public-facing internet.** Follow the joint guidance [Secure connectivity principles for OT](#) to safely allow remote access. Specifically, “remove inbound port exposure,” so the OT system is never directly exposed to the internet or external networks, and to ensure all access is mediated, monitored, and controlled. Do this through a secure gateway (jump host) that brokers the connection.
 - o Ensure cellular modems, used for remote field connectivity and access, are secured with strong authentication and updated.
 - o Enable logs for connected modems and regularly review for suspicious activity to detect intrusions and improve incident response speed.
 - o To mitigate unauthorized access to OT via cellular modems, organizations should consider implementing isolated architectures, such as private Access Point Name (APN), 5G Public Network Integrated Non-Public Network (PNI-NPN), cellular Software-Defined Wide Area Network (SD-WAN), Zero Trust Network Access (ZTNA), or a site-to-site virtual private network (VPN).
- **Ensure device passwords are complex, unique combinations of letters, numbers, and symbols** that are not easily guessable. Implementing robust password practices remains a critical security measure that can help prevent unauthorized access and strengthen the overall security posture of OT devices.
- **Strictly control network access to PLC devices.** Configure firewall rules or access control list (ACL) security features on PLCs or programmable controllers to allow only authorized communications between expected control system devices. Block access from unauthorized or threat actor-controlled IP addresses, such as those associated with hosting providers
- **Place physical and software key switches into the run position** to block unauthorized changes to logic, configuration, and firmware. Devices should only be in the program or remote position when updating or downloading software online and immediately switched back to the run position when complete. (See Rockwell Automation's [System Security Design Guidelines](#) for manufacturer's instructions.)

FEDERAL BUREAU OF INVESTIGATION

- Prior to switching the device to run mode, review and validate project files, as changing modes will lock in the current project file downloaded to the device.
- **Practice and maintain the ability to operate OT systems manually.** The capability for organizations to revert to manual controls to quickly restore operations is vital in the immediate aftermath of an incident. Business continuity and disaster recovery plans, fail-safe mechanisms, islanding capabilities, software backups, and standby systems should all be routinely tested to ensure safe manual operations in the event of an incident.
- **Review project files running on PLCs for unauthorized changes.** Use vendor provided integrity checking tools and visually compare the running program to known good logic. Ensure reusable logic and input/output configurations are valid.
 - If restoring backups, verify the backup does not contain malicious logic before deployment.
 - Review logs and configurations on all connected devices, including modems, HMIs, and workstations, to assess potential lateral movement by threat actors. If it appears the actors connected to additional devices, reimage these devices to remove any potential malicious changes or access tools.
- **Plan for end-of-life (EOL) replacements** when possible. When a hardware device is EOL, the manufacturer no longer sells the product and is not actively supporting the hardware, which also means they are no longer releasing software updates or security patches for the device. Since EOL devices no longer receive security updates, they are routinely targeted by MCAs.
 - Maintain a rolling 12-month EOL forecast, reviewed quarterly with owners and procurement.
 - Track EOL systems by product, owner, location, and retirement date.
 - Replace or isolate EOL assets; if delays occur, apply compensating controls with firm decommission dates.

REPORT IT

If you or someone you know has sustained similar OT outages, please contact your [local FBI Field Office](#) and file a complaint with the IC3 at www.ic3.gov. Additionally, you can contact CISA via CISA's 24/7 Operations Center at contact@cisa.dhs.gov or 1-844-Say-CISA (1-844-729-2472). Be sure to include as much information as possible:

- Model numbers, serials, and IPs of programmable logic controllers connected to network
- Unusual IPs on networks connected to programmable logic controllers

FEDERAL BUREAU OF INVESTIGATION

EPA's Cybersecurity Technical Assistance:

<https://www.epa.gov/cyberwater/forms/cybersecurity-technical-assistance-program-water-sector>

Rockwell Automation: Contact the Rockwell Automation Product Security Incident Response Team (PSIRT) at PSIRT@rockwellautomation.com for questions regarding this guidance, or to report cyber incidents related to Rockwell Automation products.

For additional information on mitigating threats to OT systems, please see previous Guidance Documents:

- FBI, CISA, EPA, DOE | [Primary Mitigations to Reduce Cyber Threats to Operational Technology](#)
- FBI, CISA, EPA | [Incident Response Guide: Water and Wastewater Sector](#)
- FBI, CISA, EPA | [Top Cyber Actions for Securing Water Systems](#)
- NCSC-UK, FBI, CISA | [Secure connectivity principles for operational technology \(OT\)](#)

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