

**SEAL ROCK WATER DISTRICT
MINUTES OF THE
Budget Committee Meeting by Zoom Conference Call and In Person
April 21, 2022**

Introduction to Remote Meeting:

Denlinger, General Manager, explained that this board meeting is being conducted remotely and in person. Due to limited capacity for in person meetings, the public is invited to attend this meeting electronically. He further explained that the Board President will call each name to confirm those who are present by zoom conference. After each person hears their name, they need to reply.

Call the Budget Committee Meeting to Order:

President Rob Mills called the Budget Committee Meeting to order at 6:00 p.m., Thursday, April 21, 2022.

Present:

President Rob Mills confirmed that all commissioners present can hear each other by doing a roll call. Present by Zoom Video Conferencing was Commissioner Karen Otta; Budget Committee Member Barbara Flewellyn. Present In Person were President Rob Mills; Commissioner Glen Morris; Commissioner Paul Highfill; Budget Committee Member Barry Compton; Budget Committee Member Cheryl Paben. Staff: Adam Denlinger, General Manager; Joy King-Cortes, Office Manager. No public attended in person nor by conference call.

Excused Absences: Commissioner Sandra Mies-Grantham. Budget Committee Member Tom Ryan.

Elect Presiding Officer: Barry Compton motioned to nominate Karen Otta as the Presiding Officer. Rob Mills seconded the motion. There was no other nomination. All 9 members of the Budget Committee voted YES.

Read Budget Message for FY 2022-23 Budget: (See Attached)

The GM and Budget Officer read the Budget Message. Some of the highlights of the Budget Message are:

- Operation and maintenance expenses (O&M) necessary to cover the cost of operating the District's newly constructed water treatment facility will be offset by the annual purchase cost of wholesale water. While there is some uncertainty with respect to operational expenses tied to things like the cost of power, fuel, and chemicals. It is projected that the District will meet these expenses without an increase in the rate by utilizing those funds typically used for the purchase of wholesale water. While the District has relied on recent O&M projections provided by the engineer, it's important to understand the true cost of O&M will not be known until we have sufficient data and experience operating the treatment system.
- The tax levy in the General Fund represents the District's permanent rate that can be used for operations which is \$.1259 per \$1,000 of the assessed value of the District. The Exempt Bond amount is \$1,444,920 as the ad valorem property taxes to be certified for collection to pay Bond indebtedness.
- A 5.9% COLA increase is expected for this fiscal year. Last year's Health Insurance Premium increased by 7% and is projected to increase again this year by 5% beginning July 1, 2022. Beginning July 1, 2021, the PERS employer contribution rate increased to 21.64% and the OPSRP rate increased to 17.59%, it is expected that these rates will remain static until June 30, 2023. The District does not pay the employees' required 6% contribution.

Amend/Approve Budget Document:

The Presiding Officer, Karen Otta led the discussion and asked Joy King-Cortes, Office Manager, to discuss the highlights of the budget for each fund. Questions were asked after each page & after discussion, the budget was approved by fund.

General Fund, (pages 1-5) is used to describe the financial management and daily operations of the District.

Page 1 is a list of budgeted revenues in the General Fund for FY 2022-23.

Line 2, Net working capital is \$322,000.

Line 4 – Interest includes \$30,500 from the 2011 contract with the City of Newport for the transfer of the South Beach service area in the amount of \$1.8 million including principal and interest payable in 30 years.

Line 7 – Water Sales \$2,179,600. It includes a \$29,600 principal payment from the contract with the City of Newport and \$2,150,000 in water sales.

Line 8 – Service Connections \$22,500 includes 15 new services at \$1,500 each.

Line 9 – Miscellaneous Income \$35,000 includes \$10,000 for Transfer/Turn on Charges; \$7,000 for Delinquent Charges; \$2000 for Damage Repair; \$1000 for Developer Review Deposit; and \$15,000 for miscellaneous expenses.

Line 12 – Sale of Equipment \$35,000. We are expecting to receive \$35,000 for the sale of our old Kenworth dump truck.

Line 13 – Prior Year Refund \$2,500 is a refund from the prior year from Pioneer Telephone.

Line 14 – Grant of \$3,000 is for an SDAO Safety Grant for cameras for the office building. We are anticipating applying for grants that the district qualifies for when it becomes available. Line 21 – Transfer from Water Source Reserve \$109,850.

The District needs \$109,850 to balance the budget. To balance the budget, we would need to either transfer this amount

63 or increase rates. Because we don't know yet how our water treatment plant will perform & how much the expense will be
64 it was decided to transfer this amount.

65 Line 30 – Taxes Necessary to balance \$92,000. The District's permanent rate limit for General Taxes is \$.1259/\$1,000.
66 The estimated amount to be received is \$98,000 but because of the experience the county has, which is about 94% of
67 collection, due to discounts and late payments, \$92,000 is budgeted for taxes to be received.

68 Commissioner Morris suggested that instead of going line by line through the budget document to instead go to the areas
69 where there is a significant change. And at the bottom of the page, if anyone wants to ask a question, they can.

70 **Page 2** is the budgeted amount for Administrative & Office Expenditures:

71 Line 3 – Salaries - Office \$324,000. This amount includes a 5.9% COLA increase plus a 1 or 2 step increase for qualifying
72 employees on their anniversary.

73 Line 5 – Employee Benefits \$433,000. Employee benefits have increased due to health insurance will be increasing by
74 5%. Employee benefits include health insurance costs and PERS retirement contribution for all 10 employees.

75 Line 6 – Employer Payroll Tax Expense \$74,500. This amount has increased due to the increase in wages.

76 Line 12 – Professional Services \$140,100. Professional services have increased partly because our Caselle software has
77 gone up 5% and also our technical support from Orcotech has gone up. Professional services include legal, engineering,
78 and audit services, Caselle billing/payroll/accounting software support, IT support, AMI software, SCADA support, website
79 support, and Sensus customer portal support.

80 Line 17 – Printing, Copying & Advertising \$10,000. We budgeted more now that we are nearing the completion of our
81 water treatment plant to send out flyers/brochures to our customers to notify them of the completion of the project.
82 And also, we have talked about sending out more invitations to our customers to sign up for our customer portal. Right
83 now the percentage of customers signed up for the customer portal is 28%. The average for the country is 10%, so we
84 are doing great and our Utility Billing people are very encouraged and they want to do more.

85 Line 19 – Dues, Fees & Assessments \$36,000. Has gone up about \$5,000, this is mainly due to an increase in our
86 AWWA membership and other memberships. This amount also includes the charges for credit card fees (these fees are
87 paid by the District so that our customers can use their credit cards to pay their bills).

88 **Page 3**

89 Line 3 – Salaries - Field \$433,000. Salaries for the field have increased, this includes the 5.9% COLA increase and a 1.5
90 FTE Water Treatment Operators (one full-time and one half-time operator).

91 Line 5 & 6 – Mileage & Meal Reimbursement – Field/WTP \$3,000 and Training & Lodging – Field/WTP/CDL/Safety
92 \$12,200. These both have gone up mainly for the Water Treatment Plant Operators for their training and lodging.

93 Line 11 – Toledo Water Purchase \$50,000. This amount has gone down due to the completion of our Water Treatment
94 Plant where we will no longer purchase water from Toledo. We budgeted \$50,000 in order to purchase water in case of
95 an emergency from the City of Toledo or from the City of Newport.

96 Line 12 – System Maintenance \$141,500. This includes the maintenance for the Water Treatment Plant. We budgeted
97 \$14,000 for the Water Treatment Plant and that includes the maintenance of the road.

98 Line 13 – Utilities \$256,780. Costs for utilities have already gone up. For the Water Treatment Plant, the engineer
99 estimated \$220,780 for the year. Adam Denlinger explained that our engineers, Jacobs Engineering, performed an
100 analysis of the demand for each electrical component and motor in the treatment plant and intake site and estimated this
101 figure for the cost of utilities for the Water Treatment Plant. He stated that this cost does reflect 15-20% higher than what
102 we will actually need. And that we are committed thought to doing a quarterly and mid-year check in to gauge what the
103 true cost of operating the Water Treatment Plant would be. He also pointed out the intense amount of power that the
104 Water Treatment Plant is dependent on to push water through the membranes, it takes a lot of energy. But one of the
105 ways we can reduce the amount of power would be to clean the membranes more frequently, this is called clean in place.

106 Line 14 – O. Materials/Cons. \$79,500. Of this budgeted amount, \$70,500 is for chemicals for the Water Treatment Plant.

107 Line 18 – Consultants – WTP \$70,000. This is a new line item. During the project, the water temperature and flow
108 monitoring of Beaver Creek is being paid by our funding agency, IFA. Once the project is completed we will continue to
109 monitor the temperature and flow both below and above the intake on Beaver Creek as a requirement of Oregon Water
110 Resources for our water withdrawal permit. We must monitor for 5 years, we have already completed the monitoring for 3
111 years and have 2 years left to monitor. \$19,000 is budgeted for water temperature monitoring & \$38,000 for flow
112 monitoring. There is also a requirement for the District to have a tracer study, required by Oregon Health Authority for
113 \$8,000. Also, \$5,000 is budgeted for membrane support.

114 **Page 4**, line 5 to line 7 are required transfers from the General Fund to:

115 Line 5 – R.D. Requirement Reserve Fund \$10,990. This is a requirement by USDA for the 2020 Revenue Bond. This
116 annual payment is \$109,900. USDA requires us to have that amount in our reserve fund. The contribution to this reserve
117 fund is 10% of the \$109,900, which is \$10,990. This would be our second year to make that contribution.

118 Line 6 – Revenue Bond Payment Fund \$304,790. This is for annual loan payments of four revenue bonds, the 2012
119 Revenue Bond; the 2020 Revenue Bond; and the 2016 & 2022 IFA Revenue Bonds. The revenue bond payments have
120 gone up because of the new 2022 Revenue Bond from IFA that will close as soon as we finish the Beaver Creek project.
121 Our first payment will be in December of this year with an estimated payment of \$105,000.

122 Line 7 – Depreciation Reserve/SLARA \$112,570. This is a USDA requirement for the 2016 G.O. Bond to set aside
123 \$84,000 annually for replacements of short-lived assets with 5-15 years of life listed by the engineer in the PER. This
124 annual requirement increased to \$112,570 when the district closed its \$6,549,000 G.O. Bond loan with USDA.

125 Line 14 – Operating Contingencies \$100,000. The Presiding Officer, Karen Otta asked if this amount would be used to
126 cover the cost of chemicals due to inflation. Joy King-Cortes said yes, but we are hoping that the budgeted amount for
127 chemicals will be enough.

128 **Page 5** is a recap of all expenditures from pages 2 – 4.
129 Joy King-Cortes announced that this completes the General Fund budget review.
130 The Presiding Officer, Karen Otta asked if anyone had wanted any further discussion or had any questions on the General
131 Fund budget. There was no further discussion or questions. Karen Otta asked for a motion to approve the General Fund
132 budget pages 1-5 for the fiscal year 2022-23. Rob Mills motioned to approve the General Fund budget for the fiscal year
133 2022-23. Paul Highfill seconded the motion. Motion passed unanimously.

134 **Page 6, Debt Service Fund** is the budget to pay for the 2011, 2012, 2013, 2016, and 2021 General Obligation Bonds
135 payable from property taxes. The newest GO Bond on Line 12 (2021 GO Bond), the principal payment of \$211,080 and
136 the interest payment of \$114,610 are over \$300,000 in new GO Bonds. This is the loan that we borrowed from USDA for
137 \$6,549,000. The other GO Bond payments are the regular payments we have been paying since 2011.
138 Line 8 Taxes Necessary To Balance is the amount needed from property tax collection to pay the GO Bond loans. This
139 amount has increased due to the new loans that we need to pay.
140 Lines 12 – 16 are principal payments for 2011, 2012, 2013, 2016, and 2021 GO Bond loans.
141 Lines 18 – 22 are interest payments for 2011, 2012, 2013, 2016, and 2021 GO Bond loans.
142 Lines 24 – 28 Unappropriated Fund Balance for the Following year are payments for GO Bond loans due before property
143 taxes are collected. There were no questions on page 6. Presiding Officer, Karen Otta asked for a motion to approve the
144 Debt Service Fund Budget, page 6. Glen Morris motioned to approve the Debt Service Fund Budget. Rob Mills seconded
145 the motion. Motion passed unanimously.

146 **Page 7, Revenue Bond Reserve Fund** page 7 is the budget to meet the obligation for the 2012 & 2020 USDA Revenue
147 Bond loans, and the 2016 & 2022 IFA Revenue Bond loans. Resources for this fund are from revenue from water sales as
148 a transfer from the General Fund.
149 Line 4 – \$304,790 is the transfer amount from the General Fund needed to meet the annual revenue debt obligations.
150 Lines 11 – 13 are principal payments for 2012, 2016, 2020, and 2022 Revenue Bond loans.
151 Line 15 – 18 are interest payments for 2012, 2016, 2020, and 2022 Revenue Bond loans.
152 Line 11 – The 2022 IFA Revenue Bond loan is a new loan that hasn't closed yet. The interest rate is 1% for 30 years.
153 Karen Otta asked how much time to pay we still have on the other loans. Joy King-Cortes said the 2012 RB loan is for 30
154 years. The 2016 RB loan is for 7 years and will be paid off in 2024. This was a loan for \$126,285 with an interest rate of
155 1%. IFA also gave us a \$20,000 grant. Both were used for the preliminary expenses for this current project. The 2020
156 RB loan is for 30 years with an interest rate of 1.75%.
157 There were no other questions on page 7. Presiding Officer, Karen Otta asked for a motion to approve the Revenue Bond
158 Reserve Fund Budget. Glen Morris motioned to approve the Revenue Bond Reserve Fund Budget. Barry Compton
159 seconded the motion. Motion passed unanimously.

160 **Page 8, Capital Projects Fund** page 8 is the budget to fund the Beaver Creek Source Water Project. Funding comes
161 from loans and grants from USDA and Business Oregon IFA.
162 Line 1 – Working Capital, \$250,000 is the District's own fund that can be used to fund minor improvements.
163 Line 7 – Interim Loan/USDA & IFA Grant & Loan \$700,000. The contractors haven't finished the project and we still have
164 retainage. There will be an arbitration with the contractor, so we decided to budget \$700,000.
165 Cheryl Paben asked how much we are arbitrating for. Adam Denlinger said, the parties are engaged in disputes as to
166 whether the Engineer issued decisions on change proposals, whether claims were timely submitted and whether an
167 appeal of any denial of a claim was timely made. The District's position is that we are entitled to the retention to cover
168 liquidated damages that will be decided by an arbitrator.
169 Karen Otta asked if line 23, SRWD Major Improvements \$250,000 is for new major improvements, or is this left over from
170 the project? Adam Denlinger answered we have some internal projects, planning for future improvements. The District
171 Water Master Plan is quite old, most of the projects in the Water Master Plan have been completed, which includes the
172 Source Water Project. In the event, we have something fail in the system and we need to fund our capital improvements,
173 we might reach out to USDA & the ECWAG program or if it qualifies, FEMA grant funding. But not having the funding
174 there, it would be difficult to accept that without a supplemental budget. There were no other questions on page 8.
175 Presiding Officer, Karen Otta asked for a motion to approve the Capital Projects Fund Budget page 8. Glen Morris
176 motioned to approve the Capital Projects Fund Budget. Rob Mills seconded. Motion passed unanimously.

177 **Page 9, RD Requirement Reserve Fund** is a requirement of the 2012 & 2020 USDA Revenue Bond loans. The District
178 has 10 years to contribute to this fund from the General Fund until the amount reaches the equivalent of a 1-year loan
179 payment which is \$184,240. The District has reached the 1-year loan equivalent of \$74,340 for the 2012 Revenue Bond.
180 Line 5 – Transfer from other funds \$10,990 is for the 2020 Revenue Bond loan requirement. This is our second year of
181 contributing to this amount. When we complete the contribution the money will remain in this fund until it is time to pay the
182 loan, then USDA will require us to use the amount in this fund to pay them. Barbara Flewellyn asked if this fund is
183 collecting interest. Joy King-Cortes said, yes, it is, the interest earned is on line 4. She also stated that USDA will allow
184 the District to borrow from the reserve and pay it back. Barbara asked if we could put this money in another account if the
185 interest rates go up. Glen Morris commented that these monies are invested with the Local Government Investment Pool
186 (LGIP) and by law whatever their rates are is the rate that we get. . There were no other questions on page 9. Presiding

187 Officer, Karen Otta asked for a motion to approve the RD Requirement Reserve Fund Budget page 9. Rob Mills motioned
188 to approve the RD Requirement Reserve Fund Budget. Paul Highfill seconded. Motion passed unanimously.

189 **Page 10, SLARA/Depreciation Reserve Fund** is a 2016 and 2021 USDA G.O. Bond loan requirement to set aside
190 \$112,570 annually to replace assets such as field and office equipment, vehicle, and other assets that have a life of 5 to
191 15 years. These short-lived assets are listed in the Preliminary Engineering Report prepared by Jacobs Engineering and
192 approved by USDA. Before USDA required us to have a SLARA reserve fund we already had a depreciation reserve fund
193 for our rolling stock for our vehicles. When USDA asked us to have a SLARA reserve fund we asked if we could merge
194 our depreciation reserve with the SLARA reserve and they said yes, we could. We must continue to contribute to this
195 fund for the life of the loan which is 25 years. The money that has accumulated we can use it for our operation,
196 maintenance and buying of vehicles. USDA looks that we put the money in the fund but they will not audit us as to what
197 we purchase as long as those assets are in the list made by the engineer, which includes the new project. We can replace
198 the membrane and we can purchase the Water Treatment Plant vehicle from this fund. There were no questions on page
199 10. Presiding Officer, Karen Otta asked for a motion to approve the SLARA/Depreciation Reserve Fund Budget page 10.
200 Paul Highfill motioned to approve the SLARA/Depreciation Reserve Fund Budget. Glen Morris seconded. Motion passed
201 unanimously.

202 Joy King-Cortes stated that this fund will need to be extended. A resolution will be presented to the Board at the regular
203 meeting for approval to extend the fund.

204 **Page 11, System Development Charges Reserve Fund (SDCs).** This fund holds the SDC collections and can only be
205 spent for projects approved by law that governs SDC collections such as SDC Methodology Update and Master Plan
206 Study/Update.

207 Line 2 – Working Capital \$660,000 is the amount of SDC Collection in the Reserve at the beginning of FY 2022-23.
208 Line 7 – System Development Charges \$44,500 is the estimated SDC collection for 12 new service connections at
209 \$3,670.50 each. New construction has dropped off a bit, this is why we are only estimating 12 new services. There were
210 no questions on page 11. Presiding Officer, Karen Otta asked for a motion to approve the System Development Charges
211 Reserve Fund, page 11. Glen Morris motioned to approve the System Development Charges Reserve. Barry Compton
212 seconded. Motion passed unanimously. Joy King-Cortes stated that this fund will need to be extended. A resolution will
213 be presented to the Board at the regular meeting for approval to extend the fund.

214 **Page 12, Water Source & Distribution System Improvement Reserve Fund.** The contribution to this reserve is from
215 the General Fund. The District has not contributed to this reserve for 3 years. We will start to contribute to this reserve
216 again once we have experience with our Water Treatment Plant and we then can see how much the cost is to run it then
217 we should be able to contribute to this reserve again. When the District applied for loans and grants from USDA, it was
218 the recommendation of the area loan specialist not to build up this reserve to qualify for the grant and sub-grant.
219 Line 23 is a transfer to the General Fund to balance the budget. There were no other questions on page 12. Presiding
220 Officer, Karen Otta asked for a motion to approve the Water Source & Distribution System Improvement Reserve Fund,
221 page 12. Glen Morris motioned to approve the Water Source & Distribution System Improvement Reserve Fund. Paul
222 Highfill seconded. Motion passed unanimously. Joy King-Cortes stated that this fund will need to be extended. A
223 resolution will be presented to the Board at the regular meeting for approval to extend the fund.

224 **Page 13, SRWD Land and Buildings Reserve Fund.** This reserve was set up in 2003 to save money to purchase the
225 land to build the office and shop facilities. The contribution came from General Fund. Adam Denlinger explained that we
226 haven't dissolved this fund so that we would have a dedicated source of funding for improvements for the office and shop
227 buildings. Most recently these funds were used for lighting for the office and shop. Glen Morris commented regarding
228 considering dissolving this fund next year, that way we could have more funds in our General Fund so that we will not
229 need to raise rates as we do not know yet how much it will cost to operate the Water Treatment Plant. He believes that it
230 is in the best interest of our ratepayers that we manage money prudently. Paul Highfill brought out that the siding on the
231 office and shop buildings will need replacing at some point (15-20 years life expectancy). Glen Morris stated that we
232 could use the Depreciation Fund for new siding. Also, we could dissolve this fund and then put it in the General Fund and
233 then transfer some of the funds to the Depreciation Fund for this purpose. There were no other questions on page 13.
234 Presiding Officer, Karen Otta asked for a motion to approve the SRWD Land and Buildings Reserve Fund, page 13. Glen
235 Morris motioned to approve the SRWD Land and Buildings Reserve Fund. Barry Compton seconded. Motion passed
236 unanimously.

237
238 Glen Morris motioned to approve the Permanent Rate Limit for General Fund Operation as .1259 per \$1,000 of the total
239 assessed value of the District, and the Exempt Bond amount of \$1,444,920 as the ad Valorem property taxes to be
240 certified for collection, as of July 1, 2022. Motion was seconded by Rob Mills. Motion passed unanimously.

242 **Adjournment:** Karen Otta motioned to adjourn the meeting. Rob Mills seconded the motion. Budget Committee Meeting
243 adjourned at 7:40 p.m.

245 **Next Board Meeting:** May 12, 2022, at 4:00 p.m. Budget Hearing and Regular Board Meeting.

248 Approved by Board President

Date:

249