

**SEAL ROCK WATER DISTRICT
MINUTES OF THE
Budget Committee Meeting by Zoom Conference Call and In Person
April 18, 2024**

Introduction to Remote Meeting:

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

Call the Budget Committee Meeting to Order:

President Rob Mills called the Budget Committee Meeting to order at 6:04 p.m., Thursday, April 18, 2024.

Present:

President Rob Mills confirmed that all commissioners present can hear each other by doing a roll call. Attending by Zoom Video Conferencing were Commissioner Karen Otta and Larry Silverthorn. Present-in Person were President Rob Mills; Commissioner Glen Morris; Commissioner Paul Highfill; Budget Committee Member Cheryl Oldenburg; Budget Committee Member Ronald Anderson; and Budget Committee Member John Garcia. Staff: Adam Denlinger, General Manager; Joy King-Cortes, Office Manager, and Trish Karlsen, Bookkeeper. No public attended in person nor by video conferencing or conference call.

Excused Absences: Commissioner Sandra Mies-Grantham

Elect Presiding Officer: It was the consensus of the Budget Committee to nominate Karen Otta as the Presiding Officer.

Read Budget Message for FY 2024-25 Budget: (See Attached)

The Presiding Officer, Karen Otta asked the Budget Officer, Adam Denlinger to read the Budget Message. Some of the highlights of the Budget Message are:

- The Beaver Creek Source Water Project has reached substantial completion, final completion has yet to be achieved. Remaining project funds include United States Department of Agriculture, Rural Development (USDA-RD) grant funds that are currently restricted due to arbitration. Arbitration is scheduled to reconvene in September of 2024, the outcome of which remains uncertain.
- 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 \$1,039,100 as the ad valorem property taxes to be certified for collection to pay Bond indebtedness.
- The philosophy of the district has been to maintain a program of small annual increases to lessen the need for large one-time increases. Therefore, the proposed 2024-25 budget anticipates a rate increase of as much as 3.5%.
- A 3.2% COLA increase is expected for this fiscal year. Last year's Health Insurance is projected to increase by 9.69% beginning July 1, 2024. The PERS employer contribution rate remains static at 21.70% and the OPSRP rate remains static at 18.65% from July 1, 2023, until June 30, 2025. 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 2024-25.

Line 2 – Net working capital is \$753,000.

Line 4 – Interest \$28,100 includes \$27,600 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. And General Fund interest income of \$500.

Line 7 – Water Sales \$2,594,500 includes a \$32,500 principal payment from the contract with the City of Newport and \$2,561,500 in water sales which includes an average of 3.5% rate increase.

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

Line 9 – Miscellaneous Income \$38,000 includes \$10,000 for Transfer/Turn Charges; \$8,000 for Delinquent Charges; \$1,000 for Damage Repair; \$2,000 for Developer Review Deposit; and \$17,000 for miscellaneous income.

Line 14 – Grants of \$53,000 include \$3,000 for an SDAO Safety Grant, and \$50,000 funding through the Department of Environmental Quality (DEQ) Clean Water Revolving Fund, to develop a Drinking Water Protection Plan.

Line 30 – Taxes Necessary to balance \$100,000. The District's permanent rate limit for General Taxes is \$.1259/\$1,000 and the estimated value of the district taxing district is \$847,000. The estimated amount to be received is \$106,637, but because of the experience of the county rate of collection, which is about 94%, due to discounts and late payments, \$100,000 is budgeted for taxes to be received.

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Page 2 is the budgeted amount for Administrative & Office Expenditures:
Line 3 – Salaries - Office \$389,000 is for 4 administrative employees and this amount includes a 3.2% COLA increase and beginning July 1.
Line 5 – Employee Benefits \$553,100. This includes employee health insurance and contribution to employee retirement (PERS/OPSRP) for 11 employees. Health Insurance will increase 9.69%.
Line 12 – Professional Services \$192,400. This includes technical support for the AMI system including the customer portal, RNI, and Sensus Analytics. Our technical support from Orcotech has gone up to include cybersecurity and software licensing. Professional services also include legal, engineering, and audit services, Caselle billing/payroll/accounting software support, SCADA support, and website support.
Line 13 – Insurance and Bonds \$76,700. This includes an 18% increase in insurance costs from last year. SDAO underwriter is forecasting that insurance and bonds will increase between 15-20%.
Line 19 – Dues, Fees & Assessments \$48,000. This amount includes the charges for credit card fees and online payment fees through Xpress Bill Pay. This also includes AWWA, OAWU, SDAO, and GFOA membership fees. It also includes OHA water distribution and water treatment certification renewal fees.

Page 3 is the budgeted amount for Field Expenditures:
Line 3 – Salaries - Field \$463,000. This includes salaries for 5 field crew for Water Distribution and 2 Water Treatment Plant operators, with a 3.2% COLA beginning July 1.
Line 11 – Emergency Water Purchases \$200,000. This budget is in preparation when there is disruption in producing drinking water in the WTP due to equipment and computer malfunctions, power outages during stormy weather, and salinity in the raw water intake when a certain weather condition occurs which is a combination of king tide, wind, and rain. When the WTP can not meet the demand the district will purchase water from the City of Newport.
Line 12 – System Maintenance \$254,350. This includes the maintenance of the Water Treatment Plant, the water distribution system, vehicle/equipment, and building maintenance.
Line 13 – Utilities \$75,000. This includes \$35,000 for the WTP and intake location utilities and \$40,000 for all other locations that use electricity like the office and shop building and pump stations.
Line 14 – Operating Materials/Conserv. \$140,800. Of this budgeted amount, \$100,000 is for chemicals and other supplies for the WTP; \$30,000 for sampling/testing and reporting requirements; and \$10,800 is for the distribution system supplies.
Line 18 – Consultants - WTP \$204,000. This includes \$66,000 to comply with the temperature and flow monitoring of the Beaver Creek Source Water required by OWRD pertaining to the district's water rights permit on Beaver Creek; \$5,000 for Sysco/VM software support; and \$6,000 for Westech Filtration Membrane support; \$12,000 for WTP SCADA; \$115,000 for Engineering/Legal/Special Witness for arbitration.

Page 4, line 5 to line 7 are required transfers from the General Fund to various funds:
Line 5 – R.D. Requirement Reserve Fund \$10,990. This is a requirement by USDA for the 2020 Revenue Bond. The annual payment is \$109,900. USDA requires us to have that amount in our reserve fund. The contribution to this reserve fund is 10% of the \$109,900, which is \$10,990. This would be our fourth year to make that contribution.
Line 6 – Revenue Bond Payment Fund \$382,490. This is for annual loan payments of four revenue bonds, the 2012 Revenue Bond; the 2020 Revenue Bond; the 2022 IFA Revenue Bond, and anticipated Revenue Bond Loan for arbitration.
Line 7 – Depreciation Reserve/SLARA \$112,570. This is a USDA requirement for the 2016 and 2021 G.O. Bonds to set aside \$112,570 annually for replacements of short-lived assets with 5-15 years of life listed by the engineer in the PER.
Line 9 – Water Source Improvement Reserve Fund \$62,000. This is the transfer from the general fund to build up this account to be used for maintaining and enhancing of water sources and improving SRWD distribution system.

Page 5 is a recap of all expenditures from pages 2 – 4.
Joy King-Cortes announced that this completes the General Fund budget review.
The Presiding Officer, Karen Otta asked if anyone had wanted any further discussion or had any questions on the General Fund budget. There was no further discussion or questions. Karen Otta asked for a motion to approve the General Fund budget pages 1-5 for the fiscal year 2024-25. John Garcia motioned to approve the General Fund budget for the Fiscal Year 2024-25. Glen Morris seconded the motion. The motion passed 8 - 0.

Page 6, Debt Service Fund is the budget to pay for 2011, 2012, 2013, 2016, and 2021 General Obligation Bonds payable from property taxes.
Line 8 Taxes Necessary To Balance \$987,100 is the amount needed from property tax collection to pay the GO Bond loans.
Lines 12 – 16 are principal payments for 2011, 2012, 2013, 2016, and 2021 GO Bond loans.
Lines 18 – 22 are interest payments for 2011, 2012, 2013, 2016, and 2021 GO Bond loans.
Lines 24 – 28 Unappropriated Fund Balance for the Following Year are payments for GO Bond loans due before property taxes are collected. This is for loans due before the full collection of property taxes. Property Taxes are due on November 15 and the loan payments are due in October and December. To make sure that there are enough available collected taxes to make the loan payments we budget for it a year ahead as an unappropriated balance. It is for the loan payments due in October and December 2025. It is budgeted for collection in FY 24-25 but budgeted as unappropriated which means it can not be spent in FY 24-25. It becomes the beginning cash balance in FY 2025-26 available to pay for the loans due in October and December 2025. Presiding Officer, Karen Otta asked for a motion to approve the Debt Service

126 Fund Budget, page 6. Glen Morris motioned to approve the Debt Service Fund Budget. Rob Mills seconded the motion.
127 The motion passed 8 - 0.

128 **Page 7, Revenue Bond Reserve Fund** is the budget to meet the obligation for the 2012 & 2020 USDA Revenue Bond
129 loans, 2022 IFA Notes Payable; and Anticipated Revenue Bond Loan for arbitration. Resources for this fund are from
130 revenue from water sales as a transfer from the General Fund.

131 Line 4 – \$382,490 is the transfer amount from the General Fund needed to meet the annual revenue debt obligations.
132 Lines 11 – 13 are principal payments for 2012 & 2020 Revenue Bond loans, 2022 Notes Payable, and Anticipated
133 Revenue Bond loan for arbitration. The 2016 IFA Notes Payable has been paid in full.

134 Lines 15 – 18 are interest payments for 2012 & 2020 Revenue Bond loans and 2022 Notes Payable; and Anticipated
135 Revenue Bond loan for arbitration.

136 There was no question on page 7. Presiding Officer, Karen Otta asked for a motion to approve the Revenue Bond
137 Reserve Fund Budget, page 7. John Garcia motioned to approve the Revenue Bond Reserve Fund Budget. Paul Highfill
138 seconded the motion. The motion passed 8 - 0.

139 **Page 8, Capital Projects Fund** is the budget to fund the Beaver Creek Source Water Project and other capital
140 improvement projects. Funding comes from loans and grants from USDA, Business Oregon IFA, and other Federal
141 Agencies. The Beaver Creek Source Water Project has reached substantial completion but final completion has yet to be
142 achieved. Remaining project funds include United States Department of Agriculture, Rural Development (USDA-RD) grant
143 funds that are currently restricted due to arbitration.

144 Line 2 – Working Capital, \$50,000 is the District's own fund that can be used to fund minor improvements. The balance
145 has been low since FY 22-23 due to the district funding the additional cost of engineering while the construction contract
146 is under arbitration.

147 Line 7 – Interim Loan/USDA & IFA Grant & Loan \$820,000. The project is in substantial completion but the contractors
148 haven't signed the document. The construction contract is under arbitration and there is still about \$820,000 USDA grant
149 for final payment and retainage. The District's position is that we are entitled to the retention to cover liquidated damages
150 that will be decided by an arbitrator.

151 Line 8 – Loan Proceeds/Settlement \$2,000,000. The outcome of the arbitration remains uncertain. If the district does not
152 prevail, the remaining grant funds along with project funding may not be sufficient to satisfy an award. The district may
153 need to seek other funding in the form of loans or revenue bonds to cover the cost of the award. If the district prevails then
154 a settlement is also budgeted on the same line labeled as Settlement.

155 Lines 16 – 18, 23, and 25 include the amount to complete the Beaver Creek Water Source Project and other capital
156 improvements.

157 Presiding Officer, Karen Otta asked for a motion to approve the Capital Projects Fund Budget, page 8. Rob Mills motioned
158 to approve the Capital Projects Fund Budget. Paul Highfill seconded the motion. The motion passed 8 - 0.

159 **Page 9, RD Requirement Reserve Fund** is a requirement of the 2012 & 2020 USDA Revenue Bond loans. The District
160 has 10 years to contribute to this fund from the General Fund until the amount for the 2012 RB reaches the equivalent of
161 an annual loan payment which is \$74,340 and \$109,990 for the 2020 RB. The District has completed its requirement of
162 one annual loan payment equivalent of \$74,340 for the 2012 Revenue Bond.

163 Line 5 – Transfer from other funds of \$10,990 is for the 2020 Revenue Bond loan requirement. The one annual loan
164 payment is \$109,900. The annual required contribution to the reserve fund is \$10,990 for 10 years until the amount
165 reaches the one annual loan payment which is \$109,990. The district will make its 3rd year contribution of \$10,990 for the
166 2020 RB loan requirement. Presiding Officer, Karen Otta asked for a motion to approve the RD Requirement Reserve
167 Fund Budget, page 9. Glen Morris motioned to approve the RD Requirement Reserve Fund Budget. John Garcia
168 seconded the motion. The motion passed 8 - 0.

169 **Page 10, SLARA/Depreciation Reserve Fund** is a 2016 and 2021 USDA G.O. Bond loan requirement to set aside
170 \$112,570 annually to replace assets such as field and office equipment, vehicles, and other assets that have a life of 5 to
171 15 years. These short-lived assets are listed in the Preliminary Engineering Report prepared by Jacobs Engineering and
172 approved by USDA. Before USDA required us to have a SLARA reserve fund we already had a depreciation reserve fund
173 for our rolling stock for our vehicles. The required contribution to SLARA is for the life of the loan which is 25 years. The
174 money that has accumulated can be used for the maintenance and replacement of short-lived assets. USDA will inspect
175 the finances to see that we put the money in the fund but they will not audit as to what we purchase as long as those
176 assets are in the list made by the engineer, which includes the new WTP project. The filtration membrane and other WTP
177 components can be replaced from this fund. Presiding Officer, Karen Otta asked for a motion to approve the
178 SLARA/Depreciation Reserve Fund Budget, page 10. Glen Morris motioned to approve the SLARA/Depreciation Reserve
179 Fund Budget. John Garcia seconded the motion. The motion passed 8 - 0.

180 **Page 11, System Development Charges Reserve Fund (SDCs).** This fund holds the SDC collections and can only be
181 spent for projects approved by law that govern SDC collections such as SDC Methodology Update, Master Plan
182 Study/Update, and Water Management & Conservation Plan.

183 Line 2 – Working Capital \$580,000 is the amount of SDC Collection in the Reserve at the beginning of FY 24-25.

184 Line 7 – System Development Charges \$55,100 is the estimated SDC collection for 15 new service connections.

185 Line 16 – Master Plan Study/Update \$250,000. Most of the projects in the 2010 Master Plan have been completed. Now
186 that the WTP has been completed and several water mains in various locations have been replaced, the 2010 Master
187 Plan needs to be updated to identify where the aging service lines need to be replaced. The estimated cost to update the
188 master plan is \$250,000. There were no questions on page 11. Presiding Officer, Karen Otta asked for a motion to

189 approve the System Development Charges Reserve Fund, page 11. Rob Mills motioned to approve the System
190 Development Charges Reserve. Paul Highfill seconded the motion. The motion passed 8 - 0.

191 **Page 12, Water Source & Distribution System Improvement Reserve Fund.** The contribution to this reserve is from
192 the General Fund. The District has not contributed to this reserve for 3 years. When the District applied for loans and
193 grants from USDA, it was the recommendation of the USDA area loan specialist not to build up this reserve to qualify for
194 the grant and sub-grant. It has been 5 years since the district contributed to this fund. It was discussed now that USDA
195 funding has been completed, it is necessary to build up this account for maintaining and enhancing the water source and
196 improving the SRWD distribution system in the future. For FY 2024-25 staff budgeted \$62,000 as a transfer from the GF
197 to this fund. There were no other questions on page 12. Presiding Officer, Karen Otta asked for a motion to approve the
198 Water Source & Distribution System Improvement Reserve Fund, page 12. Glen Morris motioned to approve the Water
199 Source & Distribution System Improvement Reserve Fund. Rob Mills seconded the motion. The motion passed 8 - 0.
200 **Page 13, SRWD Land and Buildings Reserve Fund.** The Budget Committee approved to dissolve the SRWD Land and
201 Buildings Reserve Fund on April 20, 2023.

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203 John Garcia motioned to approve the FY 2024-25 Budget as presented. Ron Anderson seconded the motion. The motion
204 passed 8 – 0.

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206 Karen Otta motioned to approve the Permanent Rate Limit for General Fund Operation as .1259 per \$1,000 of the total
207 assessed value of the District, and the Exempt Bond amount of \$1,039,100 as the ad Valorem property taxes to be
208 certified for collection, as of July 1, 2024. The motion was seconded by John Garcia. The motion passed 8 - 0.

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210 The Budget Officer, Adam Denlinger explained that the next step of the budget process is a Budget Hearing on May 9,
211 during the Regular Board Meeting. Then on June 13, 2024, the Board will adopt the FY 2024-25 Budget. The citizen
212 members of the budget committee are invited to attend these meetings if they would like to attend. He expressed
213 appreciation and thanked the budget committee members for their participation in this budget committee meeting.

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215 **Adjournment:** The Budget Committee Meeting was adjourned at 7:40 p.m.

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217 **Next Board Meeting:** May 9, 2024, at 4:00 p.m. Budget Hearing, Rate Hearing, and Regular Board Meeting.

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228 Approved by Board President

_____ Date: