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

1. Call Regular Meeting to Order:

2. Announcements/Visitor Public Comments:

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

3. Consent Calendar:

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

- | | |
|---------------------------------------|-------------------------|
| • Invoice List | January/February – 2019 |
| • Board Meeting Minutes | January 10, 2019 |
| • Financial Report / Approve Invoices | January/February – 2019 |
| • USDA Project Monitoring Report #40 | February 2019 |
| • General Manager's Monthly Report | January/February – 2019 |

4. Discussion and Information Items:

- Consider Primary Source Water Project Funding Update.
Presented by: Adam Denlinger, General Manager
- Consider June 30, 2018 Final Audit Report.
Presented by: Joy King, Office Manager
- Consider Proposed Corrected Wholesale Water Rate Adjustment.
Presented by: Adam Denlinger, General Manager

5. Decision Items:

None

6. Reports, Comments and Correspondence:

- GM will be attending the OAWU Annual Management & Technical Conference March 4th through the 8th, 2019 in Sunriver.
- District office will be closed February 18th in honor of Presidents Day.

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

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

8. Adjournment: Next Meeting: March 14, 2019 @ 4:00 p.m. Regular Board Meeting or establish date.

ORIGINAL

Report Criteria:

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

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
01-1310						
IN DREAMS TRUST (JEANNE K	012819	Refund Overpayment Final Bill	01/28/2019	232.94	.00	
Total 01-1310:				232.94	.00	
01-5290						
STAPLES BUSINESS ADVANTA	8052966551	Staples 26637 2-Hole Punch, 28	01/19/2019	6.67	.00	
STAPLES BUSINESS ADVANTA	8052966551	Staples Copy Paper 8 1/2 x 11 Let	01/19/2019	80.32	.00	
STAPLES BUSINESS ADVANTA	8052966551	Staples Handle Letter Opener, Ch	01/19/2019	.32	.00	
Total 01-5290:				87.31	.00	
01-5310						
TCB SECURITY SERVICES INC	226726	Answering/Dispatch Services Mon	01/30/2019	40.00	.00	
TCB SECURITY SERVICES INC	226726	Answering/Dispatch Services Lev	01/30/2019	8.80	.00	
Total 01-5310:				48.80	.00	
Grand Totals:				369.05	.00	

Dated: FEB-1-2019

General Manager: A. W. W. W.

Dated: _____

Treasurer: _____

[Handwritten Signature]

Report Criteria:

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

ORIGINAL

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
01-1310						
JOEL HAFFNER	011119	Refund Overpayment	01/11/2019	4.32	.00	
MYRTH LORING	011119	Refund Overpayment	01/11/2019	27.99	.00	
Total 01-1310:				32.31	.00	
01-5060						
OREGON ASSOC. WATER UTILI	25734	41st Annual M&T Conference/Sun	12/27/2018	320.00	.00	
Total 01-5060:				320.00	.00	
01-5063						
ADAM DENLINGER	011419	Mileage Reimb. (SDAO Annual C	01/14/2019	226.20	.00	
ADAM DENLINGER	011919	Mileage Reimb. (Legislative Com	01/19/2019	91.78	.00	
ADAM DENLINGER	011919	Meal Reimb. (Legislative Committ	01/19/2019	35.65	.00	
ADAM DENLINGER	011919	Parking Reimb. (Legislative Com	01/19/2019	15.00	.00	
UMPQUA BANK CARDMEMBER	010219	Parking at State Capitol (Denlinge	01/02/2019	11.25	.00	
UMPQUA BANK CARDMEMBER	010219	Lunch after meeting in Salem (De	01/02/2019	10.00	.00	
Total 01-5063:				389.88	.00	
01-5271						
CHARTER COMMUNICATIONS	007859701091	Internet (Office)	01/09/2019	84.98	.00	
Total 01-5271:				84.98	.00	
01-5290						
STAPLES BUSINESS ADVANTA	8052785102	Verbatim Pinstripe 16GB USB 2.0	01/05/2019	11.95	.00	
STAPLES BUSINESS ADVANTA	8052785102	Staples OneTouch 3-Hole punch,	01/05/2019	24.89	.00	
STAPLES BUSINESS ADVANTA	8052785102	Smead Pressboard Classification	01/05/2019	71.67	.00	
STAPLES BUSINESS ADVANTA	8052785102	Staples 2018 1099-Misc Tax Form	01/05/2019	33.29	.00	
Total 01-5290:				141.80	.00	
01-5291						
UMPQUA BANK CARDMEMBER	010219	USPS Postage	01/02/2019	6.70	.00	
UMPQUA BANK CARDMEMBER	010219	USPS Postage	01/02/2019	6.70	.00	
US POSTAL SERVICE - WALDP	011819	Bulk Mailing	01/18/2019	870.56	.00	
Total 01-5291:				883.96	.00	
01-5360						
UMPQUA BANK CARDMEMBER	010219	Employee Appreciation Luncheon	01/02/2019	290.44	.00	
Total 01-5360:				290.44	.00	
01-5610						
CENTRAL LINCOLN P U D.	012319	Utility Services x 15	01/23/2019	2,732.85	.00	
Total 01-5610:				2,732.85	.00	
01-5634						
STANLEY CONVERGENT SECU	16212098	Replaced equipment/batteries in 2	01/11/2019	262.50	.00	

Vendor Name	Invoice Number	Description	Invoice Date	Net Invoice Amount	Amount Paid	Date Paid
Total 01-5634:				262.50	.00	
Grand Totals:				5,138.72 ✓	.00	

Dated: JAN - 23 - 2019

General Manager: A. Wink

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
January 10, 2019**

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Call Regular Board Meeting: President John Garcia called the regular board meeting to order at 4:02 p.m., Thursday, January 10, 2019.

Present: President John Garcia; Commissioner Glen Morris, Treasurer; Commissioner Sandra Mies-Grantham, Secretary; Commissioner Rob Mills, member and Commissioner Karen Otta, member. Staff: Adam Denlinger, General Manager; Joy King, Office Manager. See sign in sheet for public attendance.

Excused Absences: None

Announcements: None

Public Comments: none

Agenda Calendar: Items on the consent calendar are Invoice Lists for December 2018/January 2019; December 13, 2018 Board Meeting Minutes; December 2018/January 2019 Financial Report/Invoices to approve; USDA Project Monitoring Report No. 39; and General Manager's Report. Commissioner Sandra Mies-Grantham motioned to approve the Consent Calendar. Motion was seconded by commissioner Rob Mills. Motion carried unanimously.

Discussion and Information Items:

Employee Performance Review Procedures: Commissioner Rob Mills reported to the Board that he completed the task assigned to him to review the procedures of how the General Manager and Office Manager conduct the Performance Review of the employees. It is done annually on the anniversary date the employee completed the probationary period. Everything is in good order and review is done in a positive and constructive way.

Other Post Employment Benefits (OPEB): There was a discussion on how those employees who are on top of their scale is being handled. It was recommended to research where the District's wage scale is compared to agencies the size of the District. The wage scale needs to be competitive to keep the employees. BOLI issued new administrative rules providing guidance on a number of issues arising under the Pay Equity Law, which takes effect on January 1, 2019. In revisiting the wage scale the new Oregon Pay Equity Law needs to be taken into consideration.

Oregon State Legislatures passed ORS 243.303 in 2017. It is local government authority to make health care insurance coverage available to retired officers and employees, spouses and children. The governing body of a local government that makes health care insurance coverage available to officers and employees shall make that health care coverage also available for any retired employee, spouse and unmarried children under 18 years old who elects to have health care coverage, within 60 days after the effective date of the retirement. The local government may pay none of the cost making that coverage available. The importance of establishing a policy of how the District should handle this in the future for employees who will retire was discussed. The General Manager will draft a policy regarding OPEB for Board review and approval. The District hasn't paid any health insurance coverage for retired employees.

Government Accounting Standards Board (GASB) issued GASB Statement 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Reporting compliance is June 30, 2018. The District is under SDIS for health insurance coverage. SDIS/SDAO contracted with Milliman Actuarial Valuation to do a valuation of each of their clients to determine the agency's OPEB Liability and Expenditures. The District's valuation amount is \$18,000. Staff discussed this with the auditor and it was determined that the amount is not a liability since the District hasn't paid health care coverage for retired employees and is not looking into paying health care coverage for retired employees in the future. The \$18,000 will not be posted in the financial statements since it is not a liability and the amount is also immaterial.

65 The auditor will mention the District's OPEB compliance in the Notes to the Financial
66 Statements. 6

67 **Project Update:**

68 **Primary Source Water:** The General Manager, Adam Denlinger mentioned that when Phase IV Source Water Project
69 Potential Risk Analysis was put together, project delay caused by the Government Shutdown
70 was not considered. The Federal Government has been shutdown for nearly a week and this
71 has the potential of project delay. The two agencies, USDA and NOAA who were in
72 consultation process are both closed, halting the release of the Biological Opinion needed for
73 USDA to issue a Letter of Condition to the District, obligating funds for Phase IV Project. The
74 Biological Opinion Statutory review period ends January 12, 2019. If the District doesn't
75 receive USDA funding on time, the construction of the Intake which needs to be done before
76 the end water work period might be pushed into the second end water work period. It would
77 take 6 weeks to work on the intake then the rest will be out of water project.
78 Staff continues to work with the engineers to complete the 60% final design and moving into
79 90% final design.

80 **Property Owner's**
81 **Concern:** Mr. David Young is concerned if the electrical at the intake locations will be visible from his
82 home. The engineer put together a drawing of the local residential view and the raw water
83 intake-building and it shows that the intake site is lower in elevation than Mr. Young's house.
84 Also, there are several trees in between the house and the intake site.

85

86 **Phase 3 – PRVs:** Sometime in November, the Board approved to go ahead with the installation of 2 PRVs as
87 part of the Phase 3 Project. A Change Order was completed to move funds from the AMI
88 project to complete the installations of 2 PRVs and was signed by the Contractor, the
89 Engineer and SRWD Staff and submitted to USDA-RD for approval. The Government
90 Shutdown has delayed the approval of the Change Order causing the delay in installing the
91 PRVs.

92 **City of Toledo Project**
93 **Presentation:** The General Manager, Adam Denlinger will do a project presentation at the City of Toledo on
94 January 16, 2019.

95 **Communication**
96 **Outreach:** Project presentation has been done at different homeowners' associations & Mid-coast
97 Planning Partnership. The General Manager was invited by Oregon Water Resources
98 Department to testify in front of different committees at the Capitol of how important funding is
99 for different water issues.

100 **Decision Items:**

101 **Budget Calendar:** Commissioner Glen Morris motioned to approve the FY 2019-2020 Budget Calendar as
102 presented. Motion was seconded by commissioner Karen Otta. Motion carried unanimously.

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104 **Budget Officer:** Commissioner Glen Morris motioned to appoint the General Manager, Adam Denlinger as the
105 Budget Officer for FY 2019-2020 Budget Process. Motion was seconded by commissioner
106 Saundra Mies-Grantham. Motion carried unanimously.

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108 **Reports & Comments:** The office will be closed on January 21, 2019 in observance of Martin Luther King Jr. Day.
109 SDAO Annual Conference is on February 8-10, 2019 at Sunriver.
110 The Thiel Creek Pump Station damaged by a falling tree during a storm has been repaired
111 with an estimated cost of \$5,000.
112 SDAO Legislative Day is January 18, 2019 in Salem.

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114 **Adjournment:** Commissioner Glen Morris motioned to adjourn the meeting. President John Garcia
115 adjourned the meeting at 5:03 p.m.

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117 **Next Board Meeting:** February 14, 2019 at 4:00 p.m. Regular Board Meeting.

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125 **Approved by Secretary** **Date**

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Date: 2/1/19

Monthly Statistics		Comments				
Total customers	2564	Includes new connection Less Abandoned / Forfeited meter plus 3 SRWD meters (shop X 2 & office) plus 1 Hydrant meter				
New connections	1					
Reinstalls	0					
Abandonments / Forfeitures / Meter Removed	0					
Financial Report		Checking/MM	LGIP/PFMA	Fund Balances	Comments	
General	\$266,175.44	\$16,828.10	\$283,003.54			
Bond	\$733,498.94	\$0.00	\$733,498.94			
Capital Projects	\$334,467.02	\$344,041.67	\$678,508.69	\$2,691,821.79 G.O. Bond Proceeds;		
Revenue Bond	\$2,713.42	\$37,909.34	\$40,622.76			
Rural Development Reserve	\$0.00	\$50,543.03	\$50,543.03			
Dist. Office/Shop Reserve	\$2,524.29	\$137,152.23	\$139,676.52			
Depreciation Reserve	\$0.00	\$140,439.34	\$140,439.34			
SDC (formerly SIP)	\$0.00	\$370,471.94	\$370,471.94	\$882,064.50 SDC collections thru 1/31/19		
Water Source Improvement Rsv	\$0.00	\$872,275.82	\$872,275.82			
TOTALS	\$1,339,379.11	\$1,969,661.47	\$3,309,040.58			
General Fund Review		Current	FYTD	Budgeted Amount	Comments	
Revenue	\$140,181.49	1,222,677.12	\$2,533,700.00			
Expenses	\$118,166.55	1,186,376.58	\$2,533,700.00	Contingency \$100,000; Transfers \$640,000. Total expenses budgeted \$1,893,700.		
Net Gain or (Loss) from Operations	\$22,014.94	\$36,300.54				
Water Sales Revenue Comparison		Month	FYTD	Comments		
Projected Water Sales	\$125,755	\$1,047,217	Leak Adjustments & Billings Adjustments (YTD = July - June)			
Actual + In Lieu of Water Sales Less H2O CR	\$139,421	\$1,096,635	Less: Billing Adj YTD -\$102.56; Leak Adj YTD \$1407.33			
Over or (Under)	\$13,666.72	\$49,417.12	TOTAL YTD ADJUSTMENTS \$1,304.77			
Gallage Comparison		Current	Prior Year	Cost Comparison	Current	Prior Year
Gallons Purchased	7,062,000	8,578,000	Toledo Charges	\$23,245.35	\$28,736.30	
Gallons Sold (includes accountable loss)	6,771,551	6,095,987	SRWD Sales	\$134,423.01	\$128,239.88	
Variance %	4.11%	28.93%	Ratio: Sales/Cost	5.78	4.46	
Accountable Water Loss (gallons)	725,000		City of Newport Intertie Usage		0	
Approval To Pay Bills	Payroll 1/4/19 \$20,084.63		Payroll 1/18/19 \$19,757.37			
Month of:	January	(after meetings)	February			
	GF A/P	\$5,507.77	GF A/P	\$62,097.18	up to 2/7/19	
	CPF A/P	\$0.00	CPF A/P	\$0.00		
	City of Toledo	\$0.00	City of Toledo	\$0.00		
	Bond Fund	\$0.00	Bond / Rev Bond Fund	\$0.00		
	Depreciation Rsv	\$0.00	Depreciation Rsv	\$0.00		
	AMI Project-Phase 3	\$0.00	AMI Project-Phase 3	\$0.00		
	Master Plan - Phase 3	\$0.00	Master Plan - Phase 3	\$0.00		
	MP - Phase 4 (IFA)	\$0.00	MP - Phase 4 (IFA)	\$192,066.85		
	Prelim. MP- Phase 4	\$0.00	Prelim. MP- Phase 4	\$0.00		
	Water Source Impr.	\$0.00	Water Source Impr.	\$0.00		
Monthly Accrual Statistics		Beg. Balance	Accrued	Used/Paid	Balance	
		12/31/2018			1/31/2019	
Office Overtime Hours (2-01)	0.00	0.00	0.00	0.00		
Field Overtime Hours (2-02)	0.00	2.50	2.50	0.00		
PTO (3-01)	1916.04	121.86	130.75	1907.15		
Comp Time (9-01 / 9-02)	124.75	24.76	39.50	110.01		

Project Monitoring Report With Exhibit A and Invoices Date: 01/01/19-01/31/19	Type of Request <u>Final</u> <u>x</u> Partial	Report Number 40
Borrower: SEAL ROCK WATER DISTRICT		Address: P. O. Box 190 Seal Rock, Oregon 97376

BUDGET ITEMS <small>All entries under column b must be justified with an attachment. All entries under column e must be documented with attached invoice.</small>	STATUS OF BUDGET						
	PROGRAMS		FUNCTIONS		ACTIVITIES		
	(a) Budgeted Amounts	(b) Budget Change	(c) Revised Budget	(d) Previous Total	(e) This Period	(d)+(e) TOTAL	
a. Administrative Expense- Preliminary		\$5,153	\$5,153	\$5,153		\$5,153	\$0
b. Preliminary Engineering- ER/PER		\$498,108	\$498,108	\$498,108		\$498,108	\$0
c. Geotechnical Studies				\$0		\$0	\$0
d. Land, Structures, Right-of-way				\$0		\$0	\$0
e. Civil West Engineering				\$0		\$0	\$0
1) Basic Engineering Svcs	\$563,763	(\$519,763)	\$44,000	\$44,000		\$44,000	(\$0)
2) Additional Services/Inspection	\$402,688	(\$62,099)	\$340,589	\$340,589		\$340,589	\$0
f. Other Engineering				\$0		\$0	\$0
1) AMI Engineering Services -Civil West		\$197,662	\$197,662	\$167,400		\$167,400	\$30,262
2) Additional Services				\$0		\$0	\$0
g. Interest & fees (interim financing)	\$210,000	(\$152,807)	\$57,193	\$57,193		\$57,193	\$0
h. Legal/Administration	\$201,344	(\$155,153)	\$46,191	\$41,908		\$41,908	\$4,283
i. Contingencies	\$595,375	(\$554,034)	\$41,341	\$0		\$0	\$41,341
j. Equipment	\$395,000	(\$385,270)	\$9,730	\$9,730		\$9,730	\$0
k. Demolition/Removal	\$365,000	(\$365,000)		\$0		\$0	\$0
l. Site Work	\$369,600	(\$369,600)		\$0		\$0	\$0
m. Construction Cost :	\$2,897,275	\$365,518		\$0		\$0	\$0
1) Sched: 1		(\$32,322)	\$960,871	\$960,871		\$960,871	\$0
2) Sched: 2		(\$26,111)	\$2,243,489	\$2,243,489		\$2,243,489	\$0
3) Other: B Creek-Electrical Work PUD		\$3,113	\$3,113	\$3,113		\$3,113	\$0
4) Other:SCADA-The Automation Group		\$29,112	\$29,112	\$29,112		\$29,112	\$0
5) AMI Project		\$1,363,901	\$1,363,901	\$1,363,901		\$1,363,901	(\$0)
6) AMI Project- Other Equipment		\$25,000	\$25,000	\$8,325	\$11,892	\$20,217	\$4,783
7) Schedule 2 - PRVs Project		\$134,592	\$134,592	\$0		\$0	\$134,592
n. TOTAL PROJECT COST	\$6,000,045	\$0	\$6,000,045	\$5,772,892	\$11,892	\$5,784,784	\$215,261
o. Funding Allocation							
1) Program Income= INTEREST			\$0	\$0		\$0	
2) Rural Development Loan	\$3,451,000		\$3,451,000	\$3,451,000		\$3,451,000	
3) Rural Development Grant	\$2,549,045		\$2,549,045	\$2,321,892	\$11,892	\$2,333,784	\$215,261
4) Other: DISTRICT CONTRIBUTION			\$0	\$0		\$0	
5) Other:Interim Financing Loan	\$3,451,000		\$3,451,000	\$3,451,000		\$3,451,000	\$0
p. Total Project Funding (=line l)	\$6,000,045		\$6,000,045	\$5,772,892	\$11,892	\$5,784,784	\$215,261
q. Percentage of Completion				96.21%		96.41%	

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

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

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

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



January 28, 2019

VIA EMAIL ONLY: adenlinger@srwd.org

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

RE: Notice of User Rate Correction for calendar year 2019

Dear Adam:

Per my email late Thursday January 24, 2019, the City of Toledo will be making a correction to the recently adopted Seal Rock Water District (SRWD) user rate for 2019.

Upon my recent review of our water usage reports of the last four fiscal years, I found that some of the monthly and annual system wide consumption data previously used to calculate the ratio of actual water use by SRWD and all other users was incorrect. As such, the percentage of SRWD use for the 2018 & 2019 calculations methodologies were understated resulting in recommended user rates lower than they should have been.

With this corrected water usage information I have recalculated the appropriate user rates for 2018 & 2019 as follows: (I am including the updated reports themselves for your review as attachments to this document)

Year	Adopted Rate/1,000 Gallons	Appropriate Rate/1,000 Gallons
2017	\$3.35	\$3.35
2018	\$3.40	\$3.55
2019	\$3.24	\$3.89*

*The \$3.89 user rate assumes a cost share for items that could be construed as "Minor Capital" in the total amount of \$31,702. Otherwise the rate will need to be \$4.04 per 1,000 gallons.

Although it is not my intention to recommend recovery of lost revenue for calendar year 2018 as the rate should have been \$0.15/1000 gallons larger than it was approved for, it is worth noting this oversight resulted in a cost savings to SRWD customers in the amount of \$15,387.90 based upon actual water metered January – December 2018.

Based upon this updated and corrected information, it is my intention to provide a formal Request for Council Action to the Toledo City Council recommending they consider adopting a resolution setting the Seal Rock Water District water rate at \$3.89 per 1,000 gallons effective March 2019.



This request will be placed on the agenda for the first regularly scheduled City Council meeting of February 6, 2019. As always, Seal Rock Water District is more than welcome to provide comment on the proposed rate either in writing or in person to the City Council.

Sincerely,

Michael J Adams

Michael J. Adams
Public Works Director

Attachments: Exhibit "A" – Corrected User Data for 2018 Rate
Exhibit "B" – Corrected User Data for 2019 Rate
Consumption by Service Rate Monthly Reports FY 2018 – Corrected Usage
Corrected Monthly Comparison - Spreadsheet

CC: Craig Martin, City Manager

EXHIBIT "A"

APPROPRIATE
2018 RATE AS CORRECTED

11

SRWD Rate Calculation - Actual Expenses thru 6/30/2017

Water sold - Toledo Customers		116,208,127	51.2223%	
Water sold - Seal Rock Customers		110,662,000	48.7777%	
Total Water Sold		226,870,127		
Source, Transmission & Plant				
Personnel Cost WTP		\$ 181,773.27		
012-120-500050 Full time	\$	105,274.83		
012-120-500050 Call time	\$	15,728.19		
012-120-501500 Overtime	\$	23,058.70		
012-120-501500 Soc Security	\$	10,916.55		
012-120-504700 Health Ins	\$	12,806.70		
012-120-504900 Workers' Comp	\$	3,878.01		
012-120-505000 Retirement	\$	10,110.29		
Materials & Services WTP		\$ 156,842.08		
012-120-600100 Office Supplies	\$	325.09		
012-120-600210 Electricity	\$	58,285.75		
012-120-600220 Communication Services	\$	5,662.33		
012-120-600250 Alarms	\$	2,001.61		
012-120-600250 Equipment Repair	\$	2,872.57		
012-120-600300 Vehicle Repair	\$	158.55		
012-120-600400 Facility Needs	\$	556.00		
012-120-600400 Systems Repair	\$	7,754.18		
012-120-600600 Travel & Training	\$	1,562.07		
012-120-600700 Memberships	\$	874.44		
012-120-601500 Gas, Oil & Tires	\$	964.68		
012-120-601500 Insurance	\$	18,349.66		
012-120-601700 Supplies	\$	38,277.02		
012-120-608100 Contract Services	\$	19,198.13		
General Fund support of WTP (see calculation on page 2)		\$ 129,426.00		
Public Works Fund support of WTP 012-120-630500		\$ 92,526.17		
Public Works Reserve for WTP 012-120-631000		\$ 7,140.00		
100 % to be split with Seal Rock			\$ 567,707.52	
Seal Rock share by percentage above			\$ 276,914.60	\$ 2.50

Distribution				
Materials & Services excluding billing		\$ 61,760.17		
012-125-600210 Electricity	\$ 6,770.50			
012-125-600300 Systems Repair	\$ 28,673.62			
012-125-608000 Supplies	\$ 14,625.93			
012-125-608100 Contract Services	\$ 11,690.12			
General Fund support of Distribution (see calculation on page 2)		\$ 66,674.00		
Public Works Fund support of Distribution (see calculation on page 2)		\$ 160,974.67		
Public Works Reserve for Distribution 012-125-631000		\$ 12,490.00	\$ 301,898.84	
66% to be split with Seal Rock			\$ 199,253.23	
Seal Rock share			\$ 97,191.12	\$ 0.88
Water Reserve - minor capital projects 2012-2013 projects not billed to Seal Rock			\$ -	\$ -
Carrying cost @ 3.25% for 18 months		\$ 18,237.65	\$ 18,237.65	\$ 0.16
				\$ 3.55

APPROVED 2018 RATE - INACCURATE % USAGE

SRWD Rate Calculation - Actual Expenses thru 6/30/2017				
Water sold - Toledo Customers			125,834,127	53.2077%
Water sold - Seal Rock Customers			110,662,000	46.7923%
Total Water Sold			236,496,127	
Source, Transmission & Plant				
Personnel Cost WTP			\$ 181,773.27	
012-120-500050	Full time	\$ 105,274.83		
012-120-500050	Call time	\$ 15,728.19		
012-120-501500	Overtime	\$ 23,058.70		
012-120-501500	Soc Security	\$ 10,916.55		
012-120-504700	Health Ins	\$ 12,806.70		
012-120-504900	Workers' Comp	\$ 3,878.01		
012-120-505000	Retirement	\$ 10,110.29		
Materials & Services WTP			\$ 156,842.08	
012-120-600100	Office Supplies	\$ 325.09		
012-120-600210	Electricity	\$ 58,285.75		
012-120-600220	Communication Services	\$ 5,662.33		
012-120-600250	Alarms	\$ 2,001.61		
012-120-600250	Equipment Repair	\$ 2,872.57		
012-120-600300	Vehicle Repair	\$ 158.55		
012-120-600400	Facility Needs	\$ 556.00		
012-120-600400	Systems Repair	\$ 7,754.18		
012-120-600600	Travel & Training	\$ 1,562.07		
012-120-600700	Memberships	\$ 874.44		
012-120-601500	Gas, Oil & Tires	\$ 964.68		
012-120-601500	Insurance	\$ 18,349.66		
012-120-601700	Supplies	\$ 38,277.02		
012-120-608100	Contract Services	\$ 19,198.13		
General Fund support of WTP (see calculation on page 2)			\$ 129,426.00	
Public Works Fund support of WTP 012-120-630500			\$ 92,526.17	
Public Works Reserve for WTP 012-120-631000			\$ 7,140.00	
100 % to be split with Seal Rock			\$ 567,707.52	
Seal Rock share by percentage above			\$ 265,643.46	\$ 2.40

Distribution				
Materials & Services excluding billing		\$ 61,760.17		
012-125-600210 Electricity	\$ 6,770.50			
012-125-600300 Systems Repair	\$ 28,673.62			
012-125-608000 Supplies	\$ 14,625.93			
012-125-608100 Contract Services	\$ 11,690.12			
General Fund support of Distribution (see calculation on page 2)		\$ 66,674.00		
Public Works Fund support of Distribution (see calculation on page 2)		\$ 160,974.67		
Public Works Reserve for Distribution 012-125-631000		\$ 12,490.00		
			\$ 301,898.84	
66% to be split with Seal Rock			\$ 199,253.23	
Seal Rock share			\$ 93,235.19	\$ 0.84
Water Reserve - minor capital projects 2012-2013 projects not billed to Seal Rock			\$ -	\$ -
Carrying cost @ 3.25% for 18 months		\$ 17,495.33	\$ 17,495.33	\$ 0.16
				\$ 3.40

Costs for Billing and Meter Reading			
Transfer to Gen Fund from Water (Plant & Dist)	\$ 255,500.00	012-125-630300	
Less billing costs not attributable to Seal Rock:			
Bill clerk	\$ 43,000.00		
Office space @ \$575/mo	\$ 6,900.00		
Attorney time - billing issues	\$ 1,275.00		
City Manager - billing issues	\$ 2,200.00		
Human Resources	\$ 550.00		
Payroll costs	\$ 2,150.00		
General & Office supplies	\$ 1,225.00		
Insurance/Unemployment costs, etc	\$ 2,100.00		
Total	\$ 59,400.00		
Eligible for SRWD rate calculation	\$ 196,100.00	66% plant	\$ 129,426
		34% Distribution	\$ 66,674
			\$ 196,100
Transfer to Public Works for Distribution	\$ 188,420.67	012-125-630500	
Less meter reading costs not attributable to SRWD:			
Meter Reader (1/2 of R Rasmussen)	\$ 24,000.00		
Vehicle expenses (200 mi/mo @ \$.54/mi)	\$ 1,296.00		
City shops (power, phone, etc	\$ 2,150.00		
Total	\$ 27,446.00		
Eligible for SRWD rate calculation	\$ 160,974.67		

Exhibit "B"

APPROPRIATE 2019 RATE AS COLLECTED

16

SRWD Rate Calculation - Actual Expenses thru 6/30/2018			
Water sold - Toledo Customers		116,253,283	51.3429%
Water sold - Seal Rock Customers		110,172,000	48.6571%
Total Water Sold		226,425,283	
Source, Transmission & Plant			
Personnel Cost WTP		\$ 165,275.83	
012-120-500050 Full time	\$ 106,831.18		
012-120-500050 Call time	\$ 9,583.44		
012-120-501500 Overtime	\$ 14,161.09		
012-120-501500 Soc Security	\$ 9,667.00		
012-120-504700 Health Ins	\$ 9,891.63		
012-120-504900 Workers' Comp	\$ 3,487.29		
012-120-505000 Retirement	\$ 11,654.20		
Materials & Services WTP		\$ 172,327.76	
012-120-600100 Office Supplies	\$ 370.44		
012-120-600210 Electricity	\$ 64,734.42		
012-120-600220 Communication Services	\$ 6,074.30		
012-120-600250 Alarms	\$ 1,960.77		
012-120-600250 Equipment Repair	\$ 7,887.94		
012-120-600300 Vehicle Repair	\$ -		
012-120-600400 Facility Needs	\$ 2,452.66	(Capital = \$31,702)	
012-120-600400 Systems Repair	\$ 4,285.95		
012-120-600600 Travel & Training	\$ 2,418.44		
012-120-600700 Memberships	\$ 910.46		
012-120-601500 Gas, Oil & Tires	\$ 1,978.51		
012-120-601500 Insurance	\$ 18,851.31		
012-120-601700 Supplies	\$ 38,925.16		
012-120-608100 Contract Services	\$ 21,477.40		
General Fund support of WTP (see calculation on page 2)		\$ 126,291.00	
Public Works Fund support of WTP 012-120-630500		\$ 123,606.07	
Public Works Reserve for WTP 012-120-631000		\$ 8,880.00	
100 % to be split with Seal Rock			\$ 596,380.66
Seal Rock share by percentage above			\$ 290,181.60
			\$ 2.63

Distribution				
Materials & Services excluding billing		\$ 66,749.08		
012-125-600210 Electricity	\$ 7,995.77			
012-125-600300 Systems Repair	\$ 22,302.26	012-125-600420?		
012-125-608000 Supplies	\$ 17,634.77			
012-125-608100 Contract Services	\$ 18,816.28			
General Fund support of Distribution (see calculation on page 2)		\$ 65,059.00		
Public Works Fund support of Distribution (see calculation on page 2)		\$ 224,265.91		
Public Works Reserve for Distribution 012-125-631000		\$ 12,500.00		
			\$ 368,573.99	
66% to be split with Seal Rock			\$ 243,258.83	
Seal Rock share			\$ 118,362.72	\$ 1.07
Water Reserve - minor capital projects 2012-2013 projects not billed to Seal Rock			\$ -	\$ -
Carrying cost @ 3.25% for 18 months		\$ 19,916.54	\$ 19,916.54	\$ 0.18
				\$ 3.89

Approved 2019 RATE - INACCURATE % USAGE

SRWD Rate Calculation - Actual Expenses thru 6/30/2018				
Water sold - Toledo Customers			171,702,852	60.9146%
Water sold - Seal Rock Customers			110,172,000	39.0854%
Total Water Sold			281,874,852	
Source, Transmission & Plant				
Personnel Cost WTP			\$ 165,275.83	
012-120-500050 Full time	\$	106,831.18		
012-120-500050 Call time	\$	9,583.44		
012-120-501500 Overtime	\$	14,161.09		
012-120-501500 Soc Security	\$	9,667.00		
012-120-504700 Health Ins	\$	9,891.63		
012-120-504900 Workers' Comp	\$	3,487.29		
012-120-505000 Retirement	\$	11,654.20		
Materials & Services WTP			\$ 204,029.76	
012-120-600100 Office Supplies	\$	370.44		
012-120-600210 Electricity	\$	64,734.42		
012-120-600220 Communication Services	\$	6,074.30		
012-120-600250 Alarms	\$	1,960.77		
012-120-600250 Equipment Repair	\$	7,887.94		
012-120-600300 Vehicle Repair	\$	-		
012-120-600400 Facility Needs	\$	34,154.66		
012-120-600400 Systems Repair	\$	4,285.95		
012-120-600600 Travel & Training	\$	2,418.44		
012-120-600700 Memberships	\$	910.46		
012-120-601500 Gas, Oil & Tires	\$	1,978.51		
012-120-601500 Insurance	\$	18,851.31		
012-120-601700 Supplies	\$	38,925.16		
012-120-608100 Contract Services	\$	21,477.40		
General Fund support of WTP (see calculation on page 2)			\$ 126,291.00	
Public Works Fund support of WTP 012-120-630500			\$ 123,606.07	
Public Works Reserve for WTP 012-120-631000			\$ 8,880.00	
100 % to be split with Seal Rock				\$ 628,082.66
Seal Rock share by percentage above				\$ 245,488.81
				\$ 2.23

Distribution				
Materials & Services excluding billing		\$ 66,749.08		
012-125-600210 Electricity	\$ 7,995.77			
012-125-600300 Systems Repair	\$ 22,302.26	012-125-600420?		
012-125-608000 Supplies	\$ 17,634.77			
012-125-608100 Contract Services	\$ 18,816.28			
General Fund support of Distribution (see calculation on page 2)		\$ 65,059.00		
Public Works Fund support of Distribution (see calculation on page 2)		\$ 224,265.91		
Public Works Reserve for Distribution 012-125-631000		\$ 12,500.00		
66% to be split with Seal Rock			\$ 368,573.99	
Seal Rock share			\$ 243,258.83	
Water Reserve - minor capital projects 2012-2013 projects not billed to Seal Rock			\$ 95,078.76	\$ 0.86
Carrying cost @ 3.25% for 18 months		\$ 16,602.67	\$ 16,602.67	\$ 0.15
				\$ 3.24

Costs for Billing and Meter Reading				
Transfer to Gen Fund from Water (Plant & Dist)		\$ 250,750.00		012-120-630300 + 012-125-630300
Less billing costs not attributable to Seal Rock:				
Bill clerk	\$ 43,000.00			
Office space @ \$75/mo	\$ 6,900.00			
Attorney time - billing issues	\$ 1,275.00			
City Manager - billing issues	\$ 2,200.00			
Human Resources	\$ 550.00			
Payroll costs	\$ 2,150.00			
General & Office supplies	\$ 1,225.00			
Insurance/Unemployment costs, etc	\$ 2,100.00			
Total	\$ 59,400.00	\$ 191,350.00	66% plant	\$ 126,291
Eligible for SRWD rate calculation			34% Distribution	\$ 65,059
				\$ 191,350
Transfer to Public Works for Distribution				
Less meter reading costs not attributable to SRWD:		\$ 251,711.91		012-125-630500
Meter Reader (1/2 of R Rasmussen)				
Vehicle expenses (200 mi/mo @ \$.54/mi)	\$ 24,000.00			
City shops (power, phone, etc	\$ 1,296.00			
Total	\$ 2,150.00			
Eligible for SRWD rate calculation		\$ 27,446.00		
		\$ 224,265.91		

From: [Adam Denlinger](#)
To: [Rod Cross](#); [Joshua Smith](#); [City Manager](#); [Paul B. Osterlund](#); [Public Works Director](#)
Cc: [Saundra Mies-Grantham](#); [Rob Mills](#); [Joy King](#); [Jeff Hollen](#)
Bcc: [Adam Denlinger](#)
Subject: Fwd: 2019 User Rate Adjustment preliminary settlement discussion
Date: Thursday, January 31, 2019 7:03:54 PM
Attachments: [Doodle Poll results 013119.pdf](#)
[Doodle Poll results 013119.pdf](#)
Importance: High

Greetings everyone,

Thank you for your patience... Coordinating this meeting has been challenging. Representing the District in this discussion will be SRWD Board Commissioner - Rob Mills, SRWD Board Secretary - Saundra Mies-Grantham, Office Manager - Joy King, Legal Counsel - Jeff Hollen, and GM Adam Denlinger. As you can see by the results of the attached online calendar poll, Tuesday February 5th from 9:00 to 10:00 am seems to be the best date/time for the highest number of participants. We have yet to receive the availability of the CM and CA regarding their attendance for this discussion. For their convenience we are including the [link](#) to the calendar again for their participation.

If the date provided will not work for the city, perhaps the city can poll Toledo participants and provide some dates/times for consideration by the District and we will do our best to accommodate Toledo's schedule.

In an effort to facilitate a productive meeting the District is considering draft settlement language in preparation for review by the group. In addition an agenda for this meeting is being developed and will be shared with the group once we receive confirmation for this meeting from Toledo.

Thank you again for your patience and participation, we look forward to meeting with you soon.

Regards

Adam

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

On Jan 30, 2019, at 9:51 AM, Adam Denlinger <ADenlinger@srwd.org> wrote:

Thank you everyone for responding to the online calendar.

Please let me clarify the District's purpose for convening this meeting is to enter into preliminary settlement discussions that include what is of the highest and best interest for the City and the District.

The District believes in open and transparent government, as well as a strong commitment to building better communication. As such, the SRWD Board of Commissioners received a full briefing on this matter earlier in the week along with a complete packet of materials identical to what was circulated to this group. The District would not consider having this important conversation without representation from our governing body. As soon as we receive confirmation from SRWD Board Members available to attend this discussion, we will forward a complete attendee list and agenda to help guide the meeting.

The District would like to further clarify for the benefit of the group, the District is not taking a position of dispute regarding the information provided by the City, at this time. It is the desire to of the District to exercise options of settlement consistent with the previous year's

rate adjustment, before entering into a dispute resolution process. I would like to echo the powerful statement previously made by the Toledo City Mayor "It is vital that we work together to solve this issue. Our entities' long-term relationship needs to be built on a foundation of transparency". The overarching goal for the District is to build a better relationship with the city through open and honest dialog that serves the best interest of the City and the District. Further, the District has invested over \$2.5M in major and minor capital improvements to the Toledo system in the last 7-years and desires to protect and preserve this investment for future use. Because time is of the essence with respect to all dates and time periods set forth in the agreement, having principle decision makers in the room from both agencies will allow us to have a more productive meeting towards settling this issue consistent with conditions of the December 2012 water purchase agreement.

Again, I appreciate everyone's time and attention to accommodate this important meeting, looking at the online calendar information, right now the best time to schedule this event to accommodate the most participants is February 5th from 9 to 10am. Once we receive the availability of the City Manager and the City Attorney we can forward an invitation to all participants.

Thank you again for accommodating this discussion, and please feel free to contact me if you have any questions or suggestions that would benefit this discussion or improve this process.

I look forward to meeting with you all soon

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District

[PO Box 190](#) | [1037 NW Grebe Street](#) | [Seal Rock OR. 97376](#)

O: [541.563.3529](#) | F: [541.563.4246](#) | M: [541.270.0183](#)

adenlinger@srwd.org | www.srwd.org | www.midcoastwaterpartners.com

<image002.png>

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message in error, please advise the sender immediately by reply email and expunge this message.

From: City Manager <manager@cityoftoledo.org>
Sent: Tuesday, January 29, 2019 9:00 AM
To: Adam Denlinger <ADenlinger@srwd.org>; Rod Cross <Rod.Cross@cityoftoledo.org>
Cc: Joshua Smith <Joshua.Smith@cityoftoledo.org>; Public Works Director <pwdirector@cityoftoledo.org>; Joy King <JKing@srwd.org>; Paul B Osterlund <Paul@osterlundlaw.com>; Jeff Hollen <jeffh@ouderkirkhollen.com>
Subject: RE: 2019 User Rate Adjustment preliminary settlement discussion

Adam,

Thank you for the prompt response to our most recent attempts to clarify the rate calculations for the sale of water to SRWD per the 2012 Water purchase agreement. Since the District is insistent on including the Toledo Mayor and Council President in the, I request that two elected representatives from the SRWD Board be present as well. As you know, having good communications across all levels of our respective organizations is in the best interest of both parties. Please advise who will be representing the District in this capacity so we can schedule this important meeting to resolve your identified dispute over the annual rate for purchase of water from the City of Toledo.
the dispute conference.

Craig Martin
City Manager
City of Toledo

From: Adam Denlinger (<mailto:ADenlinger@srwd.org>)
Sent: Monday, January 28, 2019 9:53 PM
To: Rod Cross <Rod.Cross@cityoftoledo.org>
Cc: Joshua Smith <Joshua.Smith@cityoftoledo.org>; City Manager <manager@cityoftoledo.org>; Public Works Director <pwdirector@cityoftoledo.org>; Joy King <JKing@srwd.org>; Paul B Osterlund <Paul@osterlundlaw.com>; Jeff Hollen <jeffh@ouderkirkhollen.com>
Subject: Re: 2019 User Rate Adjustment preliminary settlement discussion

I sincerely support your comments Mayor Cross, and thank you for responding to the online calendar so quickly.

Including the CM and PWD in this discussion is vital, and both are invited to provide there availability in the online calendar as well. Time is of the essence, so as soon as I hear from the rest of the Toledo representatives I will send out an invitation for the meeting.

Thanks again

Adam

Adam Denlinger, General Manager, Seal Rock Water District

[PO Box 190 | 1037 NW Grebe Street | Seal Rock OR, 97376](#)
O: [541.563.3529](tel:541.563.3529) | F: 541.563.4246 | M: [541.270.0183](tel:541.270.0183)

Sent from my iPhone

On Jan 28, 2019, at 9:15 PM, Rod Cross <Rod.Cross@cityoftoledo.org> wrote:

Adam,

I believe the CM and CA need to be a part of any discussions or negotiations. It is vital that we work together to solve this issue. Our entities' long-term relationship needs to be built on a foundation of transparency.

Sincerely,

Rod Cross

Mayor of Toledo

From: Adam Denlinger <ADenlinger@srwd.org>
Sent: Monday, January 28, 2019 3:48 PM
To: Rod Cross; Joshua Smith; City Manager; Public Works Director; Joy King; Paul B Osterlund; Jeff Hollen
Subject: RE: 2019 User Rate Adjustment preliminary settlement discussion

Greetings everyone,

As a result of proposed action by the City of Toledo, SRWD is suggesting that we meet to begin preliminary settlement conversations with the Toledo Mayor and Toledo Council President.

Please follow the online scheduling calendar [link](#) to indicate the dates/times that will best accommodate your schedule.

District representatives would be happy to make the trip to Toledo for this conversation, or if Toledo prefers we can host this meeting at the District office. Once we have heard from enough participants we will send out the official invitation for this meeting.

Thanks for your participation, If you have any questions or would like to discuss further, please feel free to contact me.

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District
[PO Box 190 | 1037 NW Grebe Street | Seal Rock OR, 97376](#)
O: [541.563.3529](tel:541.563.3529) | F: 541.563.4246 | M: [541.270.0183](tel:541.270.0183)
adenlinger@srwd.org | www.srwd.org | www.midcoastwaterpartners.com
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From: Adam Denlinger
Sent: Monday, January 28, 2019 11:58 AM
To: 'Public Works Director' <pwdirector@cityoftoledo.org>; 'Craig Martin (manager@cityoftoledo.org)' <manager@cityoftoledo.org>
Cc: Paul B Osterlund <Paul@osterlundlaw.com>; Jeff Hollen <jeffh@ouderkirkhollen.com>; Joy King <JKing@srwd.org>; rod.cross@cityoftoledo.org; Joshua Smith <Joshua.Smith@cityoftoledo.org>
Subject: FW: 2019 User Rate Adjustment necessary
Importance: High

Greetings Michael,

Thanks for your email, and providing the updated information from your internal review process. We will review the information and provide any feedback in preparation for future Council meetings.

As you may recall by the attached email correspondence from November 28, 2018 the District made an attempt to bring this to the attention of city staff, to include comments addressing this issue at the December 5, 2018 City Council Meeting, before the new rate was adopted.

The information provided includes 4-years of usage data in an attempt to readjust the rate to the district. I would like to call your attention to the settlement agreement (attached) dated February 8, 2018 which provides an agreed upon rate set by the city and the district for that time period. Considering water use data prior to that which was agreed upon in the settlement agreement is prohibited.

Further, the Water Purchase Agreement between the City of Toledo and Seal

Rock Water District, effective December 21, 2012, sets forth the procedure for water rate adjustments, Section 6.1.3 requires the City to evaluate the annual costs of delivering water to the District based on audited statements of these costs. The rate increase under this provision for 2019 was approved by Council on December 5, 2018 and is effective only if adjusted on January 1 of each year. It is now too late to attempt to update the rate, as Section 13.7 provides that time is of the essence with respect to all dates and time periods set forth in this agreement, and that provision strictly prohibits the City from attempting to adjust the rate after the stated time periods have expired. The City therefore is not entitled to adjust the rate after January 1, 2019.

While the District maintains that we have no obligation to perform the City's duties, the District is not without a remedy for the failure of the City to provide information in a manner consistent with contract provisions. Therefore, subject to the conditions of Section- 6.1.3 any rate adjustment considered by the City beyond January 1st, the District will not concede to, outside of settlement discussions.

As the District has offered in good faith in the past, we are happy to coordinate with the City to review new information in an effort to assist the City in better understanding the methodology for calculating the rate annually. In an effort to settle the legal issues raised by the proposed actions in your email the District is proposing that we immediately enter into preliminary settlement discussions. However, due to the number of incidents where late reporting of information has occurred, and rate adjustment information has been incorrect, the District is requesting to schedule preliminary settlement discussions with the Toledo City Mayor and City Council President. In an effort to provide a remedy that considers mutual benefit for both parties the District is prepared to enter preliminary settlement discussions for the purpose of discussing proposed adjustment to the wholesale rate, and amendments to the exiting water purchase agreement beginning the week of January 28th, 2019.

You may continue to pursue this item at the February 6, 2019 regular City Council Meeting if you wish. However, please understand the District is prepared to contest any proposed rate adjustment that has not been included in settlement discussions.

Thank you again for your email, as always I invite you to contact me if you have any questions or would like to discuss further.

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District
PO Box 190 | 1037 NW Grebe Street | Seal Rock OR. 97376
 O: 541.563.3529 | F: 541.563.4246 | M: 541.270.0183
adenlinger@srwd.org | www.srwd.org | www.midcoastwaterpartners.com
 <image001.png>

Seal Rock Water District strives to be a high performance organization that provides exceptional customer service, promoting healthy lifestyles, enriching Seal Rocks unique

character at responsible rates.

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From: Public Works Director <pwdirector@cityoftoledo.org>
Sent: Monday, January 28, 2019 10:26 AM
To: Adam Denlinger <ADenlinger@srwd.org>
Cc: City Manager <manager@cityoftoledo.org>
Subject: RE: 2019 User Rate Adjustment necessary

January 28, 2019

Hello Adam:

Per my communication below, I have completed my internal review of our water system user data for the past few years and have concluded that a rate adjustment is necessary for the remainder of calendar year 2019. Accordingly, please find attached our formal notification of a user rate change to become effective March 2019 as well as supporting documentation. Please feel free to contact me with any questions you may have regarding this information.

Respectfully,

Michael J. Adams
Public Works Director
< >
(541) 336-2247 x2070
pwdirector@cityoftoledo.org

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From: Public Works Director

Sent: Thursday, January 24, 2019 5:15 PM
To: 'Adam Denlinger'
Cc: Craig Martin - City of Toledo
Subject: 2019 User Rate Adjustment necessary

January 24, 2019

Good afternoon Adam:

As you are aware, a local citizen raised questions at the January 16, 2019 City Council meeting regarding the total amount of water consumption data utilized to calculate the user rate charge for SRWD. Given this citizen is a former employee of the City with specific historical knowledge about the intricacies of the water agreement between our two agencies, I recently reached out to her and requested additional insight as to what the concerns were as it related to the calculations.

As a result of this conversation, it has been determined that although the methodology & reports used to calculate the 2019 user rate is correct, the system wide water consumption data reports used for the calculations were created prior to completion of separate internal processes that needed to take place to account for consumption misreads prior to this report being created; as such, the total system wide consumption calculations used to calculate the current rate that became effective January 1, 2019 appears to be in excess of true usage data that should have been used in the calculations. Simply stated, the ratio of actual water use by SRWD and all other users was not correct.

I am currently in the process of reviewing monthly consumption reports for each month of the last two fiscal years in order to ensure we can accurately determine the total system-wide consumption during this most recent time period. Unfortunately however, upon preliminary review of the corrected usage data, it does appear that consideration of a potential rate adjustment increase to SRWD for the remainder of 2019 will be necessary.

It is my intention to complete my internal review of the usage data in the next couple days and identify an updated user rate in time to provide the details to you and place it on the agenda for Council consideration at the Wednesday February 6, 2019 Council meeting.

As always, should you have any questions please contact me at your convenience. I expect I will have an update to you early next week if not sooner.

Michael J. Adams

Public Works Director
<image003.png>
City of Toledo, Oregon 97391
(541) 336-2247 x2070
pwdirector@cityoftoledo.org

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Monthly Consumption Data Used Originally - Before Adjustments

FY2016	Toledo		FY2017		Toledo		FY2018		Toledo		FY2019		Toledo	
	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total
July 2015	12,604,647	53.0%	14,913,000	53.0%	10,386,904	53.0%	21,719,904	53.0%	12,960,715	53.0%	11,976,000	53.0%	24,936,715	53.0%
August	11,052,189	52.6%	23,924,189	52.6%	12,184,551	52.6%	25,860,551	52.6%	34,397,714	52.6%	14,947,000	52.6%	48,744,714	52.6%
September	10,054,531	53.0%	22,441,531	53.0%	10,310,958	53.0%	21,490,958	53.0%	10,295,090	53.0%	9,690,000	53.0%	19,685,090	53.0%
October	8,664,270	53.0%	18,822,270	53.0%	10,780,710	53.0%	19,351,710	53.0%	10,577,345	53.0%	10,477,000	53.0%	21,054,345	53.0%
November	7,113,873	53.0%	15,359,873	53.0%	8,787,205	53.0%	15,792,205	53.0%	30,119,002	53.0%	9,040,000	53.0%	39,169,002	53.0%
December	9,332,835	57.0%	21,788,835	57.0%	9,192,249	57.0%	17,286,249	57.0%	8,359,226	57.0%	7,744,000	57.0%	16,003,226	57.0%
January 2016	7,610,137	57.0%	18,099,137	57.0%	10,149,503	57.0%	19,041,503	57.0%	10,511,198	57.0%	8,578,000	57.0%	19,089,198	57.0%
February	7,201,105	57.0%	15,774,105	57.0%	18,333,577	57.0%	26,696,577	57.0%	17,796,055	57.0%	5,775,000	57.0%	23,571,055	57.0%
March	8,408,730	57.0%	17,692,730	57.0%	9,276,920	57.0%	18,076,920	57.0%	9,868,157	57.0%	8,878,000	57.0%	18,746,157	57.0%
April	8,039,281	57.0%	17,117,281	57.0%	8,162,661	57.0%	16,459,661	57.0%	8,074,860	57.0%	7,580,000	57.0%	15,654,860	57.0%
May	8,575,133	48.0%	16,976,133	48.0%	9,668,176	48.0%	18,713,176	48.0%	8,976,861	48.0%	8,002,000	48.0%	16,978,861	48.0%
June	10,543,561	52.0%	22,186,561	52.0%	8,600,713	52.0%	18,519,713	52.0%	9,766,629	52.0%	9,080,000	52.0%	18,846,629	52.0%
	109,200,292	54.0%	237,496,292	54.0%	125,834,127	54.0%	236,496,127	54.0%	171,702,852	54.0%	110,172,000	54.0%	281,874,852	54.0%

Monthly Consumption Data - Corrected for Actual Usage

FY2016	Toledo		FY2017		Toledo		FY2018		Toledo		FY2019		Toledo	
	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total	Seal Rock	SR % T Total
July 2015	12,604,647	53.0%	14,913,000	53.0%	10,386,904	53.0%	21,719,904	53.0%	12,960,715	53.0%	11,976,000	53.0%	24,936,715	53.0%
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October	8,664,270	53.0%	18,822,270	53.0%	10,780,710	53.0%	19,351,710	53.0%	10,577,345	53.0%	10,477,000	53.0%	21,054,345	53.0%
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Printed 1/25/19

From: [Adam Denlinger](#)
To: [Adam Denlinger](#)
Bcc: ["Glen & MaryLou"; "karenjacobs"; Glen Morris; John Garcia; "Karen Otta"; Rob Mills; "Saundra Mies-Grantham"; Saundra Mies-Grantham](#)
Subject: RE: 2019 User Rate Adjustment necessary
Date: Wednesday, January 30, 2019 8:23:00 AM
Attachments: [image003.png](#)
[image004.png](#)

Greetings commissioners,

Following up to my previous email regarding a potential water rate adjustment from the city of Toledo...the District is coordinating with the city of Toledo to schedule preliminary settlement discussions for some time early next week. Before we schedule this meeting I would like to ensure that a Board Member or two are available to attend with us as the Toledo Mayor and Council President has been invited by the District to attend this meeting.

I will be reaching out to some of you today to see who's in the area and might be available to participate in this discussion with us.

Thanks in advance for your consideration, feel free to contact me if you have any questions.

Regards,

Adam

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

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enriching Seal Rocks unique character at responsible rates.

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From: Adam Denlinger

Sent: Monday, January 28, 2019 4:14 PM

To: Adam Denlinger <ADenlinger@srwd.org>; Joy King <JKing@srwd.org>

Subject: FW: 2019 User Rate Adjustment necessary

Importance: High

Greetings Commissioners,

Hope you are all doing well,

I am providing a list of attached materials, along with a lengthy string of emails below between the District and the City of Toledo. The information being provided for your review includes proposed action by the City of Toledo to adjust the rate to the District after discovering that the recently adopted wholesale rate to the District was miscalculated by the City of Toledo back in December 2018.

I have been in discussion with the District's legal counsel and generally agree that contractually the City is not entitled to adjust the rate after January 1st annually. Commissioners may recall that last year the District entered into a Settlement Agreement due to the City's late response to adjusting the rate. There is opportunity that benefits the District

by entering into a settlement agreement that considers adjusting the rate for 2019. One item to consider in a proposed settlement agreement includes language which will obligate the city to provide the District with continued source water beyond the October 2020 termination period, at an agreed upon rate.

A progress report on this item will be included in the February 14th, Regular Board Meeting. Please contact me if you have any questions or would like more information regarding this item.

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District

[PO Box 190](#) | [1037 NW Grebe Street](#) | [Seal Rock OR, 97376](#)

O: [541.563.3529](#) | F: 541.563.4246 | M: [541.270.0183](#)

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From: Adam Denlinger
Sent: Monday, January 28, 2019 11:58 AM
To: 'Public Works Director' <pwdirector@cityoftoledo.org>; 'Craig Martin (manager@cityoftoledo.org)' <manager@cityoftoledo.org>
Cc: Paul B Osterlund <Paul@osterlundlaw.com>; Jeff Hollen <jeffh@ouderkirkhollen.com>; Joy King <JKing@srwd.org>; rod.cross@cityoftoledo.org; Joshua Smith <Joshua.Smith@cityoftoledo.org>
Subject: FW: 2019 User Rate Adjustment necessary
Importance: High

Greetings Michael,

Thanks for your email, and providing the updated information from your internal review process. We will review the information and provide any feedback in preparation for future Council meetings.

As you may recall by the attached email correspondence from November 28, 2018 the District made an attempt to bring this to the attention of city staff, to include comments addressing this issue at the December 5, 2018 City Council Meeting, before the new rate was adopted.

The information provided includes 4-years of usage data in an attempt to readjust the rate to the district. I would like to call your attention to the settlement agreement (attached) dated February 8, 2018 which provides an agreed upon rate set by the city and the district for that time period. Considering water use data prior to that which was agreed upon in the settlement agreement is prohibited.

Further, the Water Purchase Agreement between the City of Toledo and Seal Rock Water District, effective December 21, 2012, sets forth the procedure for water rate adjustments, Section 6.1.3 requires the City to evaluate the annual costs of delivering water to the District based on audited statements of these costs. The rate increase under this provision for 2019 was approved by Council on December 5, 2018 and is effective only if adjusted on January 1 of each year. It is now too late to attempt to update the rate, as Section 13.7 provides that time is of the essence with respect to all dates and time periods set forth in this agreement, and that provision strictly prohibits the City from attempting to adjust the rate after the stated

time periods have expired. The City therefore is not entitled to adjust the rate after January 1, 2019.

While the District maintains that we have no obligation to perform the City's duties, the District is not without a remedy for the failure of the City to provide information in a manner consistent with contract provisions. Therefore, subject to the conditions of Section- 6.1.3 any rate adjustment considered by the City beyond January 1st, the District will not concede to, outside of settlement discussions.

As the District has offered in good faith in the past, we are happy to coordinate with the City to review new information in an effort to assist the City in better understanding the methodology for calculating the rate annually. In an effort to settle the legal issues raised by the proposed actions in your email the District is proposing that we immediately enter into preliminary settlement discussions. However, due to the number of incidents where late reporting of information has occurred, and rate adjustment information has been incorrect, the District is requesting to schedule preliminary settlement discussions with the Toledo City Mayor and City Council President. In an effort to provide a remedy that considers mutual benefit for both parties the District is prepared to enter preliminary settlement discussions for the purpose of discussing proposed adjustment to the wholesale rate, and amendments to the exiting water purchase agreement beginning the week of January 28th, 2019.

You may continue to pursue this item at the February 6, 2019 regular City Council Meeting if you wish. However, please understand the District is prepared to contest any proposed rate adjustment that has not been included in settlement discussions.

Thank you again for your email, as always I invite you to contact me if you have any questions or would like to discuss further.

Regards,

Adam

Adam Denlinger, General Manager, Seal Rock Water District

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From: Public Works Director <pwdirector@cityoftoledo.org>

Sent: Monday, January 28, 2019 10:26 AM

To: Adam Denlinger <ADenlinger@srwd.org>

Cc: City Manager <manager@cityoftoledo.org>

Subject: RE: 2019 User Rate Adjustment necessary

January 28, 2019

Hello Adam:

Per my communication below, I have completed my internal review of our water system user data for the past few years and have concluded that a rate adjustment is necessary for the remainder of calendar year 2019. Accordingly, please find attached our formal notification of a user rate change to become effective March 2019 as well as supporting documentation. Please feel free to contact

me with any questions you may have regarding this information.

Respectfully,

Michael J. Adams

Public Works Director



(541) 336-2247 x2070

pwdirector@cityoftoledo.org

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From: Public Works Director

Sent: Thursday, January 24, 2019 5:15 PM

To: 'Adam Denlinger'

Cc: Craig Martin - City of Toledo

Subject: 2019 User Rate Adjustment necessary

January 24, 2019

Good afternoon Adam:

As you are aware, a local citizen raised questions at the January 16, 2019 City Council meeting regarding the total amount of water consumption data utilized to calculate the user rate charge for SRWD. Given this citizen is a former employee of the City with specific historical knowledge about the intricacies of the water agreement between our two agencies, I recently reached out to her and requested additional insight as to what the concerns were as it related to the calculations.

As a result of this conversation, it has been determined that although the methodology & reports used to calculate the 2019 user rate is correct, the system wide water consumption data reports used for the calculations were created prior to completion of separate internal processes that needed to take place to account for consumption misreads prior to this report being created; as such, the total system wide consumption calculations used to calculate the current rate that became effective January 1, 2019 appears to be in excess of true usage data that should have been used in the calculations. Simply stated, the ratio of actual water use by SRWD and all other users was not correct.

I am currently in the process of reviewing monthly consumption reports for each month of the last

two fiscal years in order to ensure we can accurately determine the total system-wide consumption during this most recent time period. Unfortunately however, upon preliminary review of the corrected usage data, it does appear that consideration of a potential rate adjustment increase to SRWD for the remainder of 2019 will be necessary.

It is my intention to complete my internal review of the usage data in the next couple days and identify an updated user rate in time to provide the details to you and place it on the agenda for Council consideration at the Wednesday February 6, 2019 Council meeting.

As always, should you have any questions please contact me at your convenience. I expect I will have an update to you early next week if not sooner.

Michael J. Adams

Public Works Director



City of Toledo, Oregon 97391

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