

SEAL ROCK WATER DISTRICT
MINUTES OF THE
Budget Committee Meeting by Zoom Conference Call Only
May 21, 2020

Introduction to Remote Meeting:

Adam Denlinger, General Manager, explained that this Budget Committee Meeting is being conducted remotely using Zoom Video Conferencing in order to mitigate the transmission of the novel coronavirus and reduced risk of COVID-19 illness in accordance with Governor Brown's Executive Order 20-12 to suspend all public gatherings. Those present in the office building were sitting at their own desk which is at least 6 feet apart to promote the social distancing guidelines currently in place at the federal and state level.

Call Regular Meeting to Order:

President Rob Mills called the Budget Committee Meeting to order at 6:01 p.m., Thursday, May 21, 2020.

Present:

President Rob Mills confirmed that all commissioners present can hear each other by doing a roll call. Present by Zoom Video Conferencing were President Rob Mills; Commissioner Karen Otta; Commissioner Glen Morris; Barbara Flewellyn; James Senn; Tom Ryan. Staff: Adam Denlinger, General Manager; Joy King, Office Manager. Present by phone were Commissioner Deanna Gravelle and Barry Compton. No public attended in person nor by conference call.

Excused Absences: Commissioner Sandra Mies-Grantham

Elect Presiding Officer:

Barry Compton nominated James Senn to be the Presiding Officer. There was no other nomination. All 8 Budget Committee members voted yes for James Senn to be the Presiding Officer.

Read Budget Message for FY 2020-21 Budget: (See Attached)

Adam Denlinger, GM announced he will only read the highlights of the Budget Message. Upon the recommendation of Commissioner Morris, a salary for a treatment plant operator in preparation for the completion of the water treatment plant was added. Due to the current economic issue as a result of the coronavirus pandemic, the District will not increase the water rates and will use some of its reserves to cover the budget shortfall.

The original loan and grant approved by USDA through a Letter of Condition dated July 2, 2019 to fund the Beaver Creek Source Water Project included \$6,549,000 G.O. Bond Loan, \$2,547,000 Revenue Bond Loan, and \$2,799,500 grant. The District also entered into a contract with Business Oregon IFA on February 15, 2018 to provide partner financing of the Beaver Creek Source Water Project and received \$2,451,000 Revenue Bond Loan and \$1,030,000 Forgivable Loan. Because the construction bids came in higher than expected, the District applied for sub-grant funding through USDA-RD in the amount of \$1,802,000 to cover the funding shortfall. On May 11, 2020, the District received a Letter of Condition approving \$1.5 million grant funding with a District contribution of \$302,000 from System Development Charges (SDCs). The District's Permanent Tax Limit is .1259 per \$1,000 of property values within the District's taxing boundaries. The District's ad Valorem tax to levy is \$745,000. The health insurance rate will go up beginning July 1, 2020.

Barbara Flewellyn asked why the project cost went up so much higher than the engineer's estimate. It was discussed that USDA required a professional Residence Project Representative (RPR) to provide daily inspection of the project instead of using the District's senior operator. USDA also requires 5% of the project budget as a contingency. The District needs a county permit to work on their right of ways, and after meeting with county representatives, the District has to comply with additional requirements as to what materials to use to secure the pipes and the road where the pipes will be installed underground. All of these added together resulted in a budget shortfall.

Adam Denlinger, GM explained that the budget will be discussed one page at a time and will be approved as a whole at the end of the budget discussion.

Amend/Approve Budget Document:

The budget officer, James Senn led the discussion and asked Joy King, office manager to discuss the highlights of the budget for each fund.

General Fund, page 1, line 14 – The District budgeted \$203,000 in grants from SDAO and FEMA. Line 15 is a grant from Oregon Water Resources Department to fund the Mid-Coast Water Partnership Study. The District has been asked to be the lead agency to manage the grant. The District is not increasing the water usage rates and the monthly base charge. The shortfall in the budget will be covered from the transfer from the reserve fund shown on line 21.

Page 2, line 5 Employee Benefits, and line 6 Payroll Taxes include a Water Treatment Operator in preparation of the completion of the water treatment plant. Line 22 is the budget for the expenses related to the Mid-Coast Water Conservation and the Mid-Coast Water Partnership. It is a place-based planning supported by the OWRD which is now in step 3 out of 5 steps process. Page 3, line 3 and 4 include the salary of an additional employee as a water treatment plant operator. Line 24 is the budget to update the Master Plan and the District service map. It was discussed that the Master

63 Plan was completed in 2010 and it needs to be updated when the Beaver Creek Source Water Project is completed. The
64 completion of the project will change the designation of the District from water distribution to water treatment and water
65 distribution agency. The District's service map has not been updated for about 20 years. It is outdated and needs to be
66 updated to include all the District's system improvements. Page 4 are transfers to reserves as required by USDA. Page 5 is
67 a summary of the appropriations in the General Fund. James Senn asked the budget committee members if they approve
68 the General Fund Budget as discussed. 8 members replied yes and 0 replied no.

69 **Debt Service Fund** page 6 is budget to pay for the 2011, 2012, 2013, 2016 General Obligation Bonds payable from
70 property taxes. The taxes needed is \$684,037 and the ad Valorem taxes to levy is \$745,000 estimating a 92% rate of
71 collection. Lines 22-25 includes unappropriated balance for the following year loan payments due before the full levied
72 taxes are collected. James Senn asked the budget committee members if they approve the Debt Service Fund budget as
73 presented and as discussed. 8 replied yes and 0 replied no.

74 **Revenue Bond Reserve Fund** page 7 is the budget to meet the obligation for the 2012 USDA Revenue Bond loan and the
75 2016 IFA Revenue Bond loan. Resources for this fund is from revenue from water sales as a transfer from the General
76 Fund. James Senn asked the budget committee if they approve the budget for the Revenue Bond Reserve as presented. 8
77 replied yes and 0 replied no.

78 **Capital Projects Fund** page 8 is the budget to fund the Beaver Creek Source Water Project. Funding comes from loans
79 and grants from USDA and Business Oregon IFA. Line 2 includes the interim loan from Truist Bank and USDA will carry the
80 long-term loan after the project is completed. Line 16 Engineering – includes Geotech, survey, construction management,
81 RPR, and start-up support. Line 25 Consultants – is for services for special inspection required by USDA. James Senn
82 asked the budget committee members if they approve the Capital Projects Fund budget as presented. 8 replied yes and 0
83 replied no.

84 **RD Requirement Reserve** page 9 is a requirement of the 2012 USDA Revenue Bond loan. The District has 10 years to
85 contribute to this fund from the General Fund until the amount reaches the equivalent of 1-year loan payment which is
86 \$74,332. Next year will be the last year to contribute to this fund. James Senn asked the budget committee members if they
87 approve the RD Requirement Reserve Fund budget as presented. 8 replied yes and 0 replied no.

88 **SLARA/Depreciation Reserve** page 10 is a 2016 USDA G.O. Bond loan requirement to set aside \$84,000 annually to
89 replace assets such as field and office equipment, vehicle, and others that have a life of 5 to 15 years. James Senn asked
90 the budget committee members if they approve the SLARA/Reserve Fund budget as presented. 8 replied yes and 0 replied
91 no.

92 **System Development Charges (SDCs)** page 1. This fund holds the SDC collections and can only be spent for projects
93 approved by law that governs SDC collections such as, SDC Methodology Update and Master Plan Study/Update. The
94 District received a USDA sub-grant funding of \$1.5M for the Beaver Creek Source Water Project and required a \$302,000
95 district contribution from SDC reserve. Line 17 includes that required contribution. James Senn asked the budget committee
96 members if they approve the System Development Charges Reserve budget as presented. 8 replied yes and 0 replied no.

97 **Water Source & Distribution System Improvement Reserve** page 12. The contribution to this reserve is from the
98 General Fund. Line 23 is a transfer to the General Fund to cover the budget shortfall by not increasing the water rates to
99 the customers. James Senn asked the budget committee members if they approve the Water Source & Distribution System
100 Improvement Reserve budget as presented. 8 replied yes and 0 replied no.

101 **SRWD Land and Building Reserve** page 13. This reserve was set up to save money to purchase the land to build the
102 office and shop facilities. The contribution came from General Fund. James Senn asked the budget committee members if
103 they approve the SRWD Land and Building Reserve budget as presented. 8 replied yes and 0 replied no.

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105 Motioned by commissioner Glen Morris to approve the Budget for FY 2020-21 pages 1 through 13. Tom Ryan seconded
106 the motion. James Senn asked the budget committee members if they approve the Budget for FY 2020-21 pages 1 through
107 13. 8 replied yes and 0 replied no.

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109 James Senn motioned to approve the Permanent Rate Limit for General Fund Operation as .1259 per \$1,000 of the total
110 assessed value of the District, and the Exempt Bond amount of \$745,000 as the ad Valorem property taxes to be certified
111 for collection, as of July 1, 2020. Motion was seconded by commissioner Glen Morris. James Senn asked the budget
112 committee members if they approve the motion. 8 replied yes and 0 replied no.

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114 **Adjournment:** Commissioner Karen Otta motioned to adjourn the meeting. President Rob Mills adjourned the meeting at
115 7:45 p.m.

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117 **Next Board Meeting:** June 11, 2020, at 4:00 p.m. Regular Board Meeting.

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123 Approved by Secretary

Date:

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