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**SEAL ROCK WATER DISTRICT**  
**MINUTES OF THE**  
**Budget Committee Meeting by Zoom Conference Call Only**  
**April 15, 2021**

**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 the 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 the Budget Committee Meeting to Order:**

President Rob Mills called the Budget Committee Meeting to order at 6:14 p.m., Thursday, April 15, 2021.

**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; Commissioner Sandra Mies-Grantham; Commissioner Deanna Gravelle; James Senn; Tom Ryan. Staff: Adam Denlinger, General Manager; Joy King, Office Manager. No public attended in person nor by conference call.

**Excused Absences:** Cheryl Paben, Barbara Flewellyn, and Barry Compton.

**Elect Presiding Officer:** Commissioner Karen Otta nominated James Senn as the Presiding Officer. There was no other nomination. All 8 members of the Budget Committee voted YES.

**Read Budget Message for FY 2021-22 Budget: (See Attached)**

Adam Denlinger, GM and Budget Officer read the Budget Message. Some of the highlights of the Budget Message are:

- The budget reflects reductions in areas where it is anticipated that revenues may not come in as expected due to the current local and nationwide economic conditions. The budget also includes an average water rate adjustment of 17%.
- The Board elected for the last couple of years not to increase the rate, most notably due to economic conditions brought on by the pandemic. When we look at the overall picture, where would the rates be if the district had not received over \$5.3M in grant funding toward recent major capital improvements? Obtaining sizable grants demonstrates a level of fiscal responsibility and stretches every available ratepayer dollar to the fullest capacity.
- While the board has fought to protect the rates for the customers, the District is experiencing increased project cost due to government requirements for American Iron and Steel (AIS) products, and Buy American requirements, which the board is in support of. However, this has increased cost, even though the District has been fortunate to obtain sizable grants, the additional cost for materials remains.
- 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 \$799,300 as the ad valorem property taxes to be certified for collection to pay Bond indebtedness.
- A 1.3% COLA increase is expected for this fiscal year. Last year's Health Insurance Premium increased by 7% and is projected to increase again this year by 11.5% beginning July 1, 2021. Also, beginning July 1, 2021, PERS employer contribution rate will increase to 21.64% and the OPSRP rate will increase to 17.59%, it is expected that these rates will remain static until June 30, 2023. The District does not pay the employees required 6% contribution.

**Amend/Approve Budget Document:**

The Presiding Officer, James Senn led the discussion and asked Joy King, office manager to discuss the highlights of the budget for each fund. Questions were asked after each page and 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 2021-22.

Line 2, Net working capital is \$250,000, lower compared to the last 3 years. Revenue for FY 2020-21 is not coming in as anticipated, as a result of the pandemic, and also the AMI system has been completed and capturing leaks sooner.

Line 4 – Interest includes \$32,000 from the 2011 contract with the City of Newport for the transfer of the South Beach service area in the amount of \$1.8 million including principal and interest payable in 30 years.

Line 7 – Water Sales \$2,104,000. It includes a \$29K principal payment from the contract with the City of Newport and \$2,075,000 in water sales which includes \$328,000 in water rate increase.

Line 8 – Service Connections \$37,500 includes 25 new services at \$1,500 each.

Line 9 – Miscellaneous Income \$35,300 includes \$10,000 for Transfer/Turn on Charges; \$10,000 for Delinquent Charges; \$100 for Damage Repair; \$200 for Developer Review Deposit; and \$15,000 for miscellaneous expenses.

62 Line 14 – Grants of \$103,000 includes \$3,000 SDAO Safety Grant and \$100,000 grant from American Recovery Plan Act  
63 signed by President Biden. We are anticipating applying for grants that the district qualifies for when it becomes available.  
64 Line 21 – Transfer from Water Source Reserve \$188,190. The District needs \$516,190 to balance the budget. Part of it  
65 which \$328,000 from water rate increase and the remaining \$188,190 from the reserve.  
66 Line 30 – Taxes Necessary to balance \$87,000. The District’s permanent rate limit for General Taxes is \$.1259/\$1,000. The  
67 estimated value of the properties within the district’s taxing boundary is \$742,720,000. The permanent rate limit will raise  
68 \$93,508.45 but the rate of the county collection is 94% which will bring in \$87,897.94 due to discounts and late payments.  
69 The amount budgeted to balance is \$87,000.  
70 **Page 2** is the budgeted amount for Administrative & Office Expenditures:  
71 Line 3 Salaries- Office \$308,100. Most employees are on the top of their wage scale. Tom Ryan asked what does the  
72 District provides for those employees who are on the top of their wage scale? The GM explained that the District has a  
73 performance award put in place for those who qualify for merits because of outstanding performance.  
74 Line 5 – Employee Benefits \$388,000. This is for health insurance cost and PERS retirement contribution. Both costs will  
75 increase beginning July 1, 2021.  
76 Line 6 – Employer Payroll Tax Expense \$63,500. This includes payroll taxes for a new water treatment plant operator who  
77 will be hired when the water treatment plant is completed.  
78 Lines 7,8, and 9 pertain to employee training, mileage and meal reimbursement, and lodging. The budget for these  
79 expenses was decreased. Due to the pandemic, no trainings are provided for in-person classes. Instead, the District  
80 encourages the employees to attend online training classes.  
81 Line 12 – Professional Services \$111,000 includes legal, engineering, and audit services; billing/payroll/accounting software  
82 support; IT support; AML software and Sensus customer portal support.  
83 Line 13 – Insurance and Bond \$40,000, includes the water treatment plant and the water intake facility, which will be added  
84 to the property insurance when completed.  
85 Line 16 – Phone and Office Equipment Repair/Replacement \$36,500. The increase includes the new phone line services at  
86 the water treatment plant, at the 98<sup>th</sup> St. PRV, and new cellphone service for the new water treatment plant operator. There  
87 were no questions on page 2.  
88 **Page 3**, line 3 Salaries- Field \$305,000. This budgeted amount includes a new operator 1 and a water treatment plant  
89 operator. The increase is very minimal compared to FY 20-21 budget since the salary of the newly hired operator 1 is in the  
90 middle of the scale while the employee who retired was on the top of his scale.  
91 Line 7, Performance Award \$19,000. This is to recognize and give merits to employees who are on the top of the wage  
92 scale and continue to achieve outstanding performance.  
93 Line 11, Toledo Water Purchase \$625,000. The District has negotiated a new contract with the City of Toledo effective  
94 Nov 1, 2020, until Dec 31, 2021. The monthly charges include a \$5,686.29 base rate charge plus water usage per 1,000  
95 gallons using the City’s outside rate.  
96 Line 14, Operating Material/Conservation/Covid-ARPA \$109,000. The District budgeted \$100,000 for any costs related to  
97 the covid pandemic. President Biden signed the American Rescue Plan Act and the District is anticipating to qualify  
98 applying for ARPA grants.  
99 Line 17, Toledo System – General Maintenance/Share \$75,000. As part of the new water purchase contract with the City of  
100 Toledo, the District agreed to pay its share of the FY 20-21 for the City’s minor system maintenance which is \$117,354.33.  
101 The \$44,854.33 was paid on Dec 21, 2020, and the balance is due on July 30, 2021. Jay Senn asked when is the end of  
102 paying the City for minor system improvements. The GM explained this should be the last payment since the contract will  
103 end on December 31, 2021.  
104 Line 24, Master Plan/Maps. Staff did not budget for this but budgeted it in the SDC Fund.  
105 Line 26, Building Upgrades \$15,000. James Senn asked what building is going to be upgraded. Joy King explained this is  
106 for any repairs for the pump stations the District owns.  
107 **Page 4**, line 5 to line 7 are required transfers from the General Fund to:  
108 Line 5, RD Requirement Reserve Fund \$18,420, as required by USDA as a condition of the 2012 Revenue Bond to set  
109 aside \$7,430 annually until it reaches a balance of \$74,300; and for the 2020 Revenue Bond to set aside \$10,990 annually  
110 until the balance reaches \$109,900.  
111 Line 6, Revenue Bond Payment Fund \$180,470. This is for annual loan payments of the 2012 Revenue Bond; the 2020  
112 Revenue Bond; and the 2016 IFA Revenue Bond.  
113 Line 7, Depreciation Reserve/SLARA \$84,000. This is a USDA requirement for the 2016 G.O. Bond to set aside \$84,000  
114 annually for replacements of short-lived assets with 5-15 years of life listed by the engineer in the PER. This annual  
115 requirement will increase to \$112,000 when the district closes its \$6,549,000 G.O. Bond loan with USDA next year.  
116 Line 14, Operating Contingencies \$100,000. Rob Mills asked what expenses would qualify for Operating Contingencies.  
117 Joy King explained that the operating contingencies amount needs to be transferred to expenditure line item approved by  
118 the Board by resolution before it can be spent.  
119 **Page 5** is a recap of all expenditures from pages 2 – 4. James Senn asked if the Budget Committee approves the General  
120 Fund Budget pages 1- 5. Karen Otta replied YES, Glen Morris replies YES, Tom Ryan replied YES, Deanna Gravelle  
121 replied YES, Rob Mills replied YES, Saundra Mies-Grantham replied YES, and James Senn replies YES.  
122 **Page 6, Debt Service Fund** is the budget to pay for the 2011, 2012, 2013, 2016 General Obligation Bonds payable from  
123 property taxes. Line 2, Working Capital is for payment of the unappropriated balance for the following year before taxes are  
124 collected.

125 Line 5 includes the interests from the City of Newport share of the 2011 & 2012 GO Bond. Line 6 includes the principal from  
126 the City of Newport share of the 2011 & 2012 GO Bond. Line 8 Taxes Necessary To Balance is the amount needed from  
127 property tax collection to pay the GO Bond loans.

128 Lines 12 – 14 are principal payments for 2011, 2012, 2013, 2016 GO Bond loans.  
129 Lines 17 – 20 are interest payments for 2011, 2012, 2013, 2016 GO Bond loans.  
130 Lines 22 – 25 Unappropriated Fund Balance for the Following year are payments for GO Bond loans due before property  
131 taxes are collected.

132 Line 27, Tax Credit Reserve \$36,800 is the balance of the City of Newport share of the 2007 GO Bond (now 2013  
133 Refunding GO Bond) paid in advance. There was no question on page 6. James Senn asked if the Budget Committee  
134 approves the Debt Service Fund Budget, page 6. Karen Otta replied YES, Glen Morris replied YES, Tom Ryan replied YES,  
135 Deanna Gravelle replied YES, Rob Mills replied YES, Saundra Mies-Grantham replied YES, and James Senn replied YES.

136 **Page 7, Revenue Bond Reserve Fund** page 7 is the budget to meet the obligation for the 2012 & 2020 USDA Revenue  
137 Bond loans, and the 2016 IFA Revenue Bond loan. Resources for this fund are from revenue from water sales as a transfer  
138 from the General Fund.

139 Line 4, \$180,470 is the transfer amount from the General Fund needed to meet the annual revenue debt obligations.  
140 Lines 11 – 12 are principal payments for 2012, 2016, and 2020 Revenue Bond loans.  
141 Line 14 – 16 are interest payments for 2012, 2016, and 2020 Revenue Bond loans. There was no question on page 7.  
142 James Senn asked if the Budget Committee approves the Revenue Bond Reserve Fund Budget, page 7. Karen Otta  
143 replied YES, Glen Morris replied YES, Tom Ryan replied YES, Deanna Gravelle replied YES, Rob Mills replied YES,  
144 Saundra Mies-Grantham replied YES, and James Senn replied YES.

145 **Page 8, Capital Projects Fund** page 8 is the budget to fund the Beaver Creek Source Water Project. Funding comes from  
146 loans and grants from USDA and Business Oregon IFA.

147 Line 1, Working Capital, \$1,320,000 includes an estimated balance of \$1,000,000 interim loan carried over from the  
148 previous year and \$320,000 is the District's own fund that can be used to fund minor improvements.  
149 Line 7, Grant Proceeds \$4,449,500. The District anticipates receiving grant proceeds from USDA after all the interim loan  
150 proceeds are expended. The approved USDA grants are \$2,799,500 and subgrant of \$1,500,000. The budgeted grant  
151 proceeds also include the balance of \$150,000 IFA forgivable loan.

152 Line 8, Loan Proceeds, \$6,549,000. The District anticipates spending all the interim loan proceeds in FY 2021-22. USDA  
153 will then close the District's G.O. Bond as a long-term loan and pay off the interim loan with BB&T (Truist Bank).  
154 Line 16, Engineering \$570,000. It includes project management, software development for the Water Treatment Facility,  
155 and start up training. Tom Ryan asked if there is a requirement that the district should use local engineers. The GM, Adam  
156 Denlinger explained that USDA, which is the funding agency does not require hiring local engineers. The office of Jacobs  
157 Engineering who designs and manages the project is in Corvallis; the office of WesTech Engineering who built the filtration  
158 membrane is in Utah. Karen Otta asked if line 23, SRWD Major Improvements \$320,000 is the offsetting amount of the  
159 revenue included in Working Capital, line 2. Joy King replied yes, it is. James Senn asked if the Budget Committee  
160 approves the Capital Projects Fund Budget page 8. Karen Otta replied YES, Glen Morris replied YES, Tom Ryan replied  
161 YES, Deanna Gravelle replied YES, Rob Mills replied YES, Saundra Mies-Grantham replied YES, and James Senn replied  
162 YES.

163 **Page 9, RD Requirement Reserve** is a requirement of the 2012 & 2020 USDA Revenue Bond loans. The District has 10  
164 years to contribute to this fund from the General Fund until the amount reaches the equivalent of a 1-year loan payment  
165 which is \$184,230. Line 5, Transfer from other funds \$18,420 includes the \$7,430 which is the 2012 Revenue Bond loan  
166 requirement and \$10,990 which is the 2020 Revenue Bond loan requirement. James Senn asked if the Budget Committee  
167 approves the RD Requirement Reserve Budget page 9. Karen Otta replied YES, Glen Morris replied YES, Tom Ryan  
168 replied YES, Deanna Gravelle replied YES, Rob Mills replied YES, Saundra Mies-Grantham replied YES, and James Senn  
169 replied YES.

170 **Page 10, SLARA/Depreciation Reserve** is a 2016 USDA G.O. Bond loan requirement to set aside \$84,000 annually to  
171 replace assets such as field and office equipment, vehicle, and other assets that have a life of 5 to 15 years. These short-  
172 lived assets are listed in the Preliminary Engineering Report prepared by Jacobs Engineering and approved by USDA.  
173 Line 5, Transfer from GF \$84,000 to comply with USDA requirement.  
174 Line 15 – 17 are capital outlay items. James Senn asked if the \$100,000 on line 16 will be used to buy heavy equipment.  
175 The GM, Adam Denlinger explained that it could potentially be used to replace the old dump truck which is costing more in  
176 repairs. James Senn asked if the Budget Committee approves the SLARA/Depreciation Reserve Budget page 10. Karen  
177 Otta replied YES, Glen Morris replied YES, Tom Ryan replied YES, Deanna Gravelle replied YES, Rob Mills replied YES,  
178 Saundra Mies-Grantham replied YES, and James Senn replied YES.

179 **Page 11, System Development Charges Reserve (SDCs).** This fund holds the SDC collections and can only be spent for  
180 projects approved by law that governs SDC collections such as, SDC Methodology Update and Master Plan Study/Update.  
181 Line 2, Working Capital \$520,000 is the amount of SDC Collection in the Reserve at the beginning of FY 2021-22.  
182 Line 7, System Development Charges \$73,410 is the estimated SDC collection for 20 new service connections at  
183 \$3,670.50.  
184 Line 15-18 are capital outlays for expenditures that qualify for SDC funding. Line 16, Master Plan Study/Update \$50,000.  
185 The District's Master Plan 2010 needs to be updated. Most of the projects in the 2010 Master Plan has been completed or  
186 are about to be completed. There are only a few smaller projects left to be completed. To be able to apply for any federal  
187 grants, the master plan needs to be updated to include new projects to upgrade the water main system. James Senn asked

188 if the Budget Committee approves System Development Charges Reserve, page 11. Karen Otta replied YES, Glen Morris  
189 replied YES, Tom Ryan replied YES, Deanna Gravelle replied YES, Rob Mills replied YES, Sandra Mies-Grantham replied  
190 YES, and James Senn replied YES.

191 **Page 12, Water Source & Distribution System Improvement Reserve.** The contribution to this reserve is from the  
192 General Fund. The District has not contributed to this reserve for 2 years. When the District applied for loans and grants  
193 from USDA, it was the recommendation of the area loan specialist not to build up this reserve to qualify for the grant and  
194 sub-grant. Line 23 is a transfer to the General Fund to cover the budget shortfall due to the increase in wholesale water  
195 purchase beginning November 2020 until December 2021. The District is paying a monthly base charge plus an outside  
196 rate per thousand gallons purchased. James Senn asked if the Budget Committee approves the Water Source &  
197 Distribution System Improvement Reserve, page 12. Karen Otta replied YES, Glen Morris replied YES, Tom Ryan replied  
198 YES, Deanna Gravelle replied YES, Rob Mills replied YES, Sandra Mies-Grantham replied YES, and James Senn replied  
199 YES.

200 **Page 13, SRWD Land and Buildings Reserve.** This reserve was set up to save money to purchase the land to build the  
201 office and shop facilities. The contribution came from General Fund. The balance in the fund could be used for improving  
202 the pump station buildings and the operations facility. James Senn asked if the Budget Committee approves the SRWD  
203 Land and Buildings Reserve, page 13. Karen Otta replied YES, Glen Morris replied YES, Tom Ryan replied YES, Deanna  
204 Gravelle replied YES, Rob Mills replied YES, Sandra Mies-Grantham replied YES, and James Senn replied YES.

206 Motioned by Karen Otta to approve the Budget for FY 2021-22 pages 1 through 13. Glen Morris seconded the motion.  
207 James Senn asked for the Budget Committee's votes. Karen Otta voted YES, Glen Morris voted YES, Tom Ryan voted  
208 YES, Deanna Gravelle voted YES, Rob Mills voted YES, Sandra Mies-Grantham voted YES, and James Senn voted YES.  
209 Motion passed with 7 YES votes and 0 NO votes.

211 Karen Otta motioned to approve the Permanent Rate Limit for General Fund Operation as .1259 per \$1,000 of the total  
212 assessed value of the District, and the Exempt Bond amount of \$799,300 as the ad Valorem property taxes to be certified  
213 for collection, as of July 1, 2021. Motion was seconded by Glen Morris. James Senn asked for the Budget Committee's  
214 votes. Karen Otta voted YES, Glen Morris voted YES, Tom Ryan voted YES, Deanna Gravelle voted YES, Rob Mills voted  
215 YES, Sandra Mies-Grantham voted YES, and James Senn voted YES. Motion passed with 7 YES votes and 0 NO votes.

216 **Adjournment:** Karen Otta motioned to adjourn the meeting. President Rob Mills adjourned the meeting at 7:48 p.m.

217 **Next Board Meeting:** May 13, 2021, at 4:00 p.m. Budget Hearing and Rate Hearing and Regular Board Meeting.

225 Approved by Board President

Date: