

SEAL ROCK WATER DISTRICT
MINUTES OF THE
Budget Committee Meeting
April 23, 2026

Call the Budget Committee Meeting to Order:

President Rob Mills called the Budget Committee Meeting to order at 6:01 p.m., Thursday, April 23, 2026.

Present:

Present in person were President Rob Mills; Commissioner Karen Otta; Commissioner Amy Greer; Budget Committee Member Ronald Anderson; and Budget Committee Member Paul Highfill.

Present through Zoom video conferencing was Commissioner Sandra Mies-Grantham, Secretary.

Staff present were Adam Denlinger, General Manager; Renee Card, Finance Manager; Trish Karlsen, Bookkeeper; Brendi Hoch, Utility Billing Clerk; and Brad Wynn, Operator Lead.

Excused Absences: Commissioner Glen Morris; Budget Committee Member Cheryl Oldenburg; Budget Committee Member John Garcia; and Larry Silverthorn, Budget Committee Member

Introductions and Staff Updates:

The General Manager introduced the new Finance Manager, Renee Card, who joined the District in November 2025. He noted that the transition has been seamless and the current budget was prepared using consistent methods to ensure stability and meet audit expectations.

Visitors Present: None

Elect Presiding Officer per ORS 294.414 (9):

Karen Otta nominated Karen Otta as the Presiding Officer of the Budget Committee meeting. The nomination was accepted unanimously.

Read Budget Message for FY 2026-27 Budget: (See Attached)

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

Several key factors have influenced the development of the FY 2026–27 budget:

- **Organizational Stability and Staffing:** The District is focused on maintaining continuity in financial management and operational capacity following recent staff transitions.
- **Cost of Living Adjustment (COLA):** A COLA increase of 2.80% is included in the proposed budget to address inflationary impacts on salaries and benefits.
- **Cost of Materials and Services:** Essential expenses—such as chemicals, fuel, utilities, and maintenance materials—continue to reflect elevated costs compared to historical levels.
- **Regulatory Compliance:** Compliance with federal CMR5 and PFAS monitoring and reporting requirements. Ongoing raw water quality monitoring, per the conditions of the District's withdrawal permit for Beaver Creek.

Budget Assumptions:

- Inflation is expected to moderate but remains a factor in operational costs.
- Population growth within the District will remain limited.
- Projected water revenues will fully support O&M expenses.
- The Board will consider a modest rate adjustment to address ongoing cost pressures.
- No major fleet expansions are planned.
- The District will continue to prioritize its infrastructure to extend asset longevity.
- External funding opportunities, including grants and low-interest loans, will continue to be pursued as appropriate.

The legal constraints for modifying the proposed budget were discussed. The Budget Committee has the authority to make modifications during the current meeting. If the Board changes the budget approved by the Budget Committee by more than 10% of the total expenditures or \$5,000, the District must republish the Notice of Budget Hearing and hold an additional public hearing.

Amend/Approve Budget Document:

The Presiding Officer, Karen Otta, asked Renee Card, Finance Manager, to discuss the highlights of the budget for each fund. Questions were asked & 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 2026-27.

61 Line 4 – Interest \$25,310 includes \$24,310 from the 2007 contract with the City of Newport for the transfer of the South
62 Beach service area in the amount of \$1.8 million, including principal and interest payable in 30 years, and General Fund
63 interest income of \$1,000.

64 Line 7 – Water Sales \$2,894,700 includes a \$35,700 principal payment from the contract with the City of Newport and
65 \$2,859,000 in water sales, which includes an average of a 4.86% rate increase. Water sales are currently on pace to meet
66 the current year's budgeted amount.

67 Line 8 – Service Connections \$10,500 includes 7 new services at \$1,500 each. The District has seen 9 new connections
68 year-to-date, exceeding previous expectations of 5.

69 Line 9 – Miscellaneous Income \$37,000 includes \$10,000 for Transfer/Turn-On Charges; \$10,000 for Delinquent Charges;
70 \$1,000 for Damage Repair; \$1,000 for Developer Review Deposit; and \$15,000 for Miscellaneous Income.

71 Line 30 – Taxes estimated to be received \$108,800. The District's permanent rate limit for General Taxes is
72 \$.1259/\$1,000, and the estimated amount to be received is \$114,500, but because of the experience of the county rate of
73 collection, which is about 95%, due to discounts and late payments, \$108,800 is budgeted for taxes to be received.

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

75 Line 3 – Salaries - Office \$422,000 is for 3 full-time administrative employees. This amount includes a 2.80% COLA
76 increase beginning July 1.

77 Line 5 – Employee Benefits \$666,700. This includes employee health insurance and contributions to employee retirement
78 (PERS/OPSRP) for 11 employees. Health Insurance will increase 8%.

79 Line 13 – Professional Services \$267,300. This includes technical support for the AMI system, including the new
80 customer portal, RNI, and Sensus Analytics. Our technical support from Carezian, Inc. has increased to include
81 cybersecurity and software licensing. Professional services also include legal, engineering, and audit services, Caselle
82 billing/payroll/accounting software support, SCADA support, and website support.

83 Line 14 – Insurance and Bonds \$87,900. This includes an 12% increase in insurance costs from the current year's actual
84 expenditures. SDAO underwriter is forecasting that insurance and bonds will increase between 8-12%.

85 Line 20 – Dues, Fees & Assessments \$66,200. This amount includes the charges for credit card fees and online payment
86 fees through Xpress Bill Pay and Chase Payment Tech. This also includes AWWA, OAWU, SDAO, and GFOA
87 membership fees. It also includes OHA water distribution and water treatment certification renewal fees.

88 **Page 3** is the budgeted amount for Field Expenditures:

89 Line 3 – Salaries - Field \$515,000. This includes salaries for 5 field crew for Water Distribution and 2 Water Treatment
90 Plant Operators, with a 2.8% COLA beginning July 1.

91 Line 7 – Performance Award \$4,400. This includes the annual employee appreciation, and for employees who are at the
92 top of the wage scale.

93 Line 13 – System Maintenance \$265,000. This includes the maintenance of the Water Treatment Plant, the water
94 distribution system, vehicle/equipment, and building maintenance.

95 Line 15 – Operating Materials/Conserv. \$165,000. Of this budgeted amount, \$125,000 is for chemicals and other supplies
96 for the WTP; \$30,000 for sampling/testing and reporting requirements; \$8,000 is for the distribution system supplies;
97 \$1,000 for Conservation Materials; and \$1,000 for Customer Outreach.

98 Line 19 – Consultants - WTP \$100,000. This includes \$68,000 to comply with the temperature and flow monitoring of the
99 Beaver Creek Source Water required by OWRD pertaining to the district's water rights permit on Beaver Creek, and
100 \$10,000 for perfecting the district's water rights; \$10,000 for WesTech Filtration Membrane support; and \$12,000 for WTP
101 SCADA TAG Support.

102 **Page 4**, lines 5 to 7 are required transfers from the General Fund to various funds:

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

106 Line 6 – Revenue Bond Payment Fund \$278,220. This is for annual loan payments of three revenue bonds: the 2012
107 Revenue Bond; the 2020 Revenue Bond; and the 2022 IFA Revenue Bond.

108 Line 7 – SLARA/Depreciation Reserve Fund \$250,000. The USDA requirement for the 2016 and 2021 G.O. Bonds is to
109 set aside \$112,570 annually for replacements of short-lived assets with 5-15 years of life listed by the engineer in the
110 Preliminary Engineering Report (PER). USDA representatives advised the district to review the replacement costs of the
111 short-lived assets annually and increase the reserve accordingly. An additional \$137,430 to increase the transfer from the
112 General Fund to SLARA from \$112,570 to \$250,000 to build up the reserve.

113 Line 9 – Water Source Improvement Reserve Fund \$81,200. This is the additional revenue raised from the proposal 1
114 rate increase to be transferred to build up the fund for the purpose of showing the SRWD matching contribution for the
115 Congressional Appropriation allocated in the Capital Projects Fund.

116 Line 29 – Operating Contingency \$200,000. This amount was kept the same.

117 **Page 5** is a recap of all GF expenditures from pages 2 – 4.

118 Renee Card announced that this completes the General Fund budget review.

119 The Presiding Officer, Karen Otta, asked if anyone wanted any further discussion or had any questions on the General
120 Fund budget. There was no further discussion or questions. Karen Otta asked for a motion to approve the General Fund
121 budget pages 1-5 for the fiscal year 2026-27. Karen Otta motioned to approve the General Fund budget for the Fiscal
122 Year 2026-27. Paul Highfill seconded the motion. The motion passed 6 - 0.

123 **Page 6, Debt Service Fund** is the budget to pay for 2011, 2012, 2013, 2016, and 2021 General Obligation (G.O.) Bonds
124 payable from property taxes. The voters of the District approved a \$4 million G.O. Bond authority in the November 2004

25 election and a \$15 million G.O. Bond authority in the November 2011 election. The district's total G.O. Bond authority was
26 \$19 million, and from that, the district issued five G.O. Bonds totaling \$18,950,200 to fund the district's projects.
27 Line 10 – Taxes Necessary to Balance is \$933,990.
28 Lines 17 – 21 are principal payments for 2011, 2012, 2013, 2016, and 2021 G.O. Bond loans.
29 Lines 25 – 29 are G.O. Bond interest payments.
30 Line 33 – 37 Unappropriated Balance for the Following Year are payments for G.O. Bond loans due before property taxes
31 are collected. This is for loans due before the full collection of property taxes. Property Taxes are due on November 15,
32 and the loan payments are due in October and December. To make sure that there are enough available collected taxes
33 to make the loan payments, we budget for it a year ahead as an unappropriated balance. It is for the loan payments due
34 in October and December 2026. It is budgeted for collection in FY 2026-27, but budgeted as unappropriated, which
35 means it cannot be spent in FY 2026-27. It becomes the beginning cash balance in FY 2027-28 available to pay for the
36 loans due in October and December 2027. The Presiding Officer, Karen Otta, asked for a motion to approve the Debt
37 Service Fund Budget, page 6. Rob Mills motioned to approve the Debt Service Fund Budget. Ron Anderson seconded the
38 motion. The motion passed 6 - 0.
39 **Page 7, Revenue Bond Reserve Fund** is the budget to meet the obligation for the 2012 & 2020 USDA Revenue Bond
40 loans, 2022 IFA Notes Payable. Resources for this fund are from revenue from water sales, as a transfer from the
41 General Fund.
42 Line 6 – \$278,220 is the transfer amount from the General Fund needed to meet the annual revenue debt obligations.
43 Lines 14 and 16 are principal payments for 2012 & 2020 Revenue Bond loans, and 2022 Notes Payable.
44 Line 15 is the 2016 IFA Notes Payable, which was paid in full in FY 2023-24 but needs to remain on the LB-35 until the
45 First and Second Preceding year on the left will show zero balances.
46 Lines 20 – 23 are interest payments for 2012 & 2020 Revenue Bond loans and 2022 Notes Payable.
47 There were no questions on page 7. The Presiding Officer, Karen Otta, asked for a motion to approve the Revenue Bond
48 Reserve Fund Budget, page 7. Rob Mills motioned to approve the Revenue Bond Reserve Fund Budget. Karen Otta
49 seconded the motion. The motion passed 6 - 0.
50 **Page 8, Capital Projects Fund** – The district has no major project plan for FY 2026-27.
51 Line 8 – \$3,000,000 is for Congressional funding the district has applied for to pay for construction of a Granular Activated
52 Carbon Filtration (GAC) system. The funding is not anticipated to be received until FY 2027-28, however it is budgeted in
53 case it is awarded and received early. The Presiding Officer, Karen Otta, asked for a motion to approve the Capital
54 Projects Fund Budget, page 8. Ron Anderson motioned to approve the Capital Projects Fund Budget. Rob Mills seconded
55 the motion. The motion passed 6 - 0.
56 **Page 9, RD Requirement Reserve Fund** is a requirement of the 2012 & 2020 USDA Revenue Bond loans. The District
57 has 10 years to contribute to this fund from the General Fund until the amount for the 2012 RB reaches the equivalent of
58 an annual loan payment, which is \$74,340 and \$109,990 for the 2020 RB. The District has completed its requirement of
59 one annual loan payment equivalent to \$74,340 for the 2012 Revenue Bond. Per ORS 294.346, annual contributions to
60 the reserve fund shall be limited to a period not to exceed 10 years. If it's necessary to extend the reserve fund, per ORS
61 280.050, the governing body, by resolution, may extend the reserve fund. This reserve fund will expire June 30, 2035.
62 Line 6 – Transfer from other funds of \$10,990 is for the 2020 Revenue Bond loan requirement. The one annual loan
63 payment is \$109,900. The annual required contribution to the reserve fund is \$10,990 for 10 years until the amount
64 reaches the one annual loan payment, which is \$109,990. The district will make its 6th year contribution of \$10,990 for the
65 2020 RB loan requirement. The Presiding Officer, Karen Otta, asked for a motion to approve the RD Requirement
66 Reserve Fund Budget, page 9. Rob Mills motioned to approve the RD Requirement Reserve Fund Budget. Karen Otta
67 seconded the motion. The motion passed 6 - 0.
68 **Page 10, SLARA/Depreciation Reserve Fund.** The Depreciation Reserve was established by Resolution No. 0400-01
69 dated April 27, 2000, for replacing depreciated assets, and the reserve was extended per Resolution 0522-01 on May 12,
70 2022. USDA-RD required the district to establish a Short Lived Assets Replacement Account (SLARA) as a requirement
71 of the 2016 G.O. Bond loan to set aside \$84,000 annually to replace facility assets with an estimated life of less than 15
72 years. The district received approval from USDA to add SLARA to the Depreciation Reserve instead of creating another
73 reserve. The district started transferring \$84,000 annually from the General Fund to SLARA beginning FY 2017-2018. On
74 December 17, 2021, the district closed its 2021 USDA G.O. Bond loan with a requirement to increase its SLARA
75 contribution to \$112,570 annually to replace assets with an estimated life of less than 15 years. These short-lived assets
76 are listed in the Preliminary Engineering Report prepared by Jacobs Engineering and approved by USDA. The required
77 contribution to SLARA is for the life of the loan, which is 25 years. USDA will inspect the Audit Report to verify that the
78 district is putting the money in the fund but they will not audit what assets are replaced as long as those assets are in the
79 list made by the engineer, including the new WTP project. The filtration membrane and other WTP components can be
80 replaced from this fund. USDA Letter of Conditions dated July 2, 2019, stated that it is the responsibility of the district to
81 assess the facility's short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs. The
82 district started contributing to SLARA \$112,570 annually beginning FY 2022-23. The district used SLARA funds in FY
83 2025-26 to upgrade the WTP, replace a copier, and cybersecurity needs.
84 Line 6 – Transfer from GF \$250,000. It increased from \$112,570 to \$250,000 to meet the district's short-lived assets
85 replacement needs. The Presiding Officer, Karen Otta, asked for a motion to approve the SLARA/Depreciation Reserve
86 Fund Budget, page 10. Rob Mills motioned to approve the SLARA/Depreciation Reserve Fund Budget. Paul Highfill
87 seconded the motion. The motion passed 6 - 0.

188 **Page 11, System Development Charges Reserve Fund (SDCs).** This fund was established to hold SDC Collections per
189 Resolution 0400-01 dated April 27, 2000, and extended per Resolution 0522-01 on May 12, 2022. The purpose of the
190 SDC Fund was to pay for the district's SDC qualified improvements. SDC Revenues can only be spent on projects
191 approved by law that govern SDC collections, such as SDC Methodology Update, Master Plan Study/Update, and Water
192 Management & Conservation Plan.

193 Line 8 – System Development Charges of \$25,700 is the estimated SDC collection for 7 new service connections.
194 Recently, the economy had slowed down the purchase of new meter connections. For FY 2025-26, the number of new
195 meter connections budgeted was 5, however the district has received 9 new meter connections.

196 Lines 17 – 20 Qualified SDC projects, which included a Master Plan Study/Update of \$180,000. Most of the projects in the
197 2010 Master Plan have been completed. Now that the WTP has been completed and several water mains in various
198 locations have been replaced, the 2010 Master Plan needs to be updated to identify where the aging service lines need to
199 be replaced. The Presiding Officer, Karen Otta, asked for a motion to approve the System Development Charges Reserve
200 Fund, page 11. Sandra Mies-Grantham motioned to approve the System Development Charges Reserve. Rob Mills
201 seconded the motion. The motion passed 6 - 0.

202 **Page 12, Water Source & Distribution System Improvement Reserve Fund.** This reserve was established per
203 Resolution 0400-01 dated April 27, 2000, and was extended per Resolution 0522-01 dated May 12, 2022. The
204 contribution to this reserve is from the General Fund. Over several years, this reserve accumulated over \$800,000 but
205 USDA representatives, while reviewing the financial statements when processing the district's loan and grant applications,
206 advised the district to spend it down to qualify for grants. The Presiding Officer, Karen Otta, asked for a motion to approve
207 the Water Source & Distribution System Improvement Reserve Fund, page 12. Paul Highfill motioned to approve the
208 Water Source & Distribution System Improvement Reserve Fund. Rob Mills seconded the motion. The motion passed 6 -
209 0.

210 **Page 13, SRWD Land and Buildings Reserve Fund.** The SRWD Land and Buildings Reserve Fund was dissolved on
211 April 20, 2023, but this page will remain as part of the budget in the LB forms for one more year, when the balances on
212 the Second Preceding column on the left will be 0.
213

214 Motioned by Karen Otta to approve the budget for FY 2026-27 in the amount of \$10,517,590. Paul Highfill seconded the
215 motion. The motion passed 6 – 0.
216

217 Karen Otta motioned to approve the Permanent Rate Limit for General Fund Operations as .1259 per \$1,000 of the total
218 assessed value of the District, and the Exempt Bond amount of \$984,000 as the ad valorem property taxes to be certified
219 for collection, as of July 1, 2026. The motion was seconded by Paul Highfill. The motion passed 6 - 0.
220

221 The Budget Officer, Adam Denlinger, explained that the next step of the budget process is a Budget Hearing on May 14,
222 2026, during the Regular Board Meeting. Then on June 11, 2026, the Board will adopt the FY 2026-27 Budget. The citizen
223 members of the budget committee are invited to attend these meetings if they would like to attend. He expressed
224 appreciation and thanked the budget committee members for their participation in this budget committee meeting.
225

226 **Adjournment:** The Budget Committee Meeting was adjourned at 7:22 p.m.
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228 **Other Scheduled Meetings:** May 14, 2026, at 4:00 p.m. Budget Hearing, Rate Hearing, and Regular Board Meeting.
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232 Approved by Board President



233 Date: