

**SEAL ROCK WATER DISTRICT
MINUTES OF THE
Budget Committee Meeting by Zoom Conference Call and In Person
April 20, 2023**

Introduction to Remote Meeting:

Denlinger, General Manager, explained that this board meeting is being conducted remotely and in person. Due to the limited capacity for in-person meetings, the public is invited to attend this meeting electronically. He further explained that the Board President will call each name to confirm those who are present via Zoom conference. After each person hears their name, they need to reply.

Before calling the meeting to order, President Rob Mills asked the GM, Adam Denlinger to describe the process of the budget committee meeting for the benefit of the newly appointed budget committee members. Adam Denlinger explained that the President of the Board will open the Budget Committee Meeting and will ask for nominations to elect a Presiding Officer. The Presiding Officer will conduct the meeting by following the agenda and will lead in going through the budget documents in LB forms.

Call the Budget Committee Meeting to Order:

President Rob Mills called the Budget Committee Meeting to order at 6:00 p.m., Thursday, April 20, 2023.

Present:

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

Excused Absences: Commissioner Paul Highfill; Commissioner Sandra Mies-Grantham; and Budget Committee Member Barry Compton.

Elect Presiding Officer: John Garcia motioned to nominate Karen Otta as the Presiding Officer. Glen Morris seconded the motion. There was no other nomination. All 7 members of the Budget Committee voted YES.

Read Budget Message for FY 2023-24 Budget: (See Attached)

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

- The proposed budget includes applying the result of a recent salary survey which will affect wages and benefits with an implementation date approved by the Board of July 1, 2023.
- The tax levy in the General Fund represents the District's permanent rate that can be used for operations which is \$.1259 per \$1,000 of the assessed value of the District. The Exempt Bond amount is \$1,125,000 as the ad valorem property taxes to be certified for collection to pay Bond indebtedness.
- An 8.7% COLA increase is expected for this fiscal year. Last year's Health Insurance is projected to increase by 2% beginning July 1, 2023. The PERS employer contribution rate will increase to 21.70% and the OPSRP rate will increase to 18.65% beginning July 1, 2023. It is expected that these rates will remain static until June 30, 2025. The District does not pay the employees' required 6% contribution.

Amend/Approve Budget Document:

The Presiding Officer, Karen Otta led the discussion and asked Joy King-Cortes, Office Manager, to discuss the highlights of the budget for each fund. Questions were asked after each page & after discussion, the budget was approved by fund.

General Fund, (pages 1-5) is used to describe the financial management and daily operations of the District.

Page 1 is a list of budgeted revenues in the General Fund for FY 2023-24.

Line 2, Net working capital is \$400,000.

Line 4 – Interest \$29,600 includes \$29,100 from the 2011 contract with the City of Newport for the transfer of the South Beach service area in the amount of \$1.8 million including principal and interest payable in 30 years. And General Fund interest income of \$500.00.

Line 7 – Water Sales \$2,471,920 includes a \$30,970 principal payment from the contract with the City of Newport and \$2,440,950 in water sales.

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

Line 9 – Miscellaneous Income \$36,500 includes \$10,000 for Transfer/Turn On Charges; \$7,000 for Delinquent Charges; \$2,000 for Damage Repair; \$1,000 for Developer Review Deposit; and \$16,500 for miscellaneous income.

Line 12 – Sale of Equipment \$5,000.

Line 13 – Prior Year Refund \$2,500 is a refund from the prior year from Pioneer Telephone.

Line 14 – Grant of \$3,000 is for an SDAO Safety Grant. We are anticipating applying for grants that the district qualifies for when it becomes available.

64 Line 22 – Transfer from SRWD Land & Building Reserve Fund \$135,100. The Budget Committee discussed dissolving the
65 SRWD Land & Building Reserve Fund last year and transferring the amount back to the General Fund to offset some of
66 the rate increase needed to balance the budget.

67 Line 30 – Taxes Necessary to balance \$95,000. The District’s permanent rate limit for General Taxes is \$.1259/\$1,000.
68 The estimated amount to be received is \$102,000 but because of the experience of the county rate of collection, which is
69 about 94%, due to discounts and late payments, \$95,000 is budgeted for taxes to be received.

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

71 Line 3 – Salaries - Office \$358,600 is for 4 administrative employees and this amount includes an 8.7% COLA increase
72 and salary survey adjustments beginning July 1, approved by the Board of Commissioners.

73 Line 5 – Employee Benefits \$530,800. Employee benefits have increased due to health insurance will be increasing by
74 2%. Employee benefits include health insurance costs and PERS retirement contributions for all 11 employees, including
75 an additional 1 FTE (full-time employee) for the Water Distribution System.

76 Line 6 – Employer Payroll Tax Expense \$84,800. This amount has increased due to the increase in wages.

77 Line 12 – Professional Services \$162,500. Professional services have increased partly because of the technical support
78 for the AMI system including the customer portal, RNI, and Sensus Analytics has increased. Also, our technical support
79 from Orcotech has gone up. Professional services include legal, engineering, and audit services, Caselle
80 billing/payroll/accounting software support, IT support, AMI software, SCADA support, website support, and Sensus
81 customer portal support.

82 Line 13 – Insurance and Bonds \$62,200. The Beaver Creek Source Water Project is substantially completed so the new
83 assets including the intake site, the piping, the Water Treatment Plant and its components, the water tank, and a new
84 truck have been added to the district’s property insurance.

85 Line 17 – Printing, Copying & Advertising \$13,500. This includes the envelopes with the SRWD logo we use to send the
86 monthly bills. Also, we are planning to send out more invitations to our customers to sign up for our customer portal.

87 Line 19 – Dues, Fees & Assessments \$44,600. This amount includes the charges for credit card fees (these fees are
88 paid by the District so that our customers can use their credit cards to pay their bills), and online payment fees through
89 Xpress Bill Pay. These fees have increased. This budget line item includes AWWA, OAWU, SDAO, and GFOA
90 membership fees. It also includes OHA water distribution and water treatment certification renewal fees.

91 **Page 3**

92 Line 3 – Salaries - Field \$441,100. This includes an additional 1 FTE for Water Distribution, an 8.7% COLA and a Salary
93 Survey Adjustment. A question was asked why there is not much difference between the budget for FY 2023-24 over the
94 FY 2022-23 field salaries budget. It was explained that we budgeted for a licensed water treatment operator to replace an
95 employee who retired and a licensed junior water treatment operator for FY 2022-23. The district hired an entry level
96 water operator and used an in-house trainee junior water treatment operator.

97 Line 11 – Toledo Emergency Water Purchases \$200,000. The budget officer, Adam Denlinger recommended removing
98 “Toledo” from the line item description and leaving the description as “Emergency Water Purchases,” as we purchase
99 water for emergency use from the City of Newport and also from the City of Toledo. It was the consensus of the Budget
100 Committee to make the change. A question was asked why the budget for Emergency Water Purchase is a lot higher than
101 the FY 22-23 budget. It was explained that when we budgeted for Emergency Water Purchase for FY 22-23, it was with
102 the assumption that the WTP will be completed on time and it will function without any disruption. The delay in completing
103 the project caused the district to purchase water longer. Also, now that we are in the implementation phase occasionally
104 we are experiencing disruptions due to equipment and computer malfunctions, power outages during stormy weather, and
105 salinity in the raw water intake when a certain weather condition occurs which is a combination of king tide, wind, and rain.
106 All the conditions mentioned cause the operator to shut down the WTP and for the district to purchase water mostly from
107 the City of Newport and occasionally from the City of Toledo. We learned from another agency that completed their WTP
108 similar to the district’s WTP that it took them 18 months to two years to fine-tune equipment and fix the glitches. As of April
109 20, the cost of the Emergency Water Purchase is \$156,000.

110 Line 12 – System Maintenance \$243,700. This includes the maintenance of the Water Treatment Plant, the water
111 distribution system, vehicle/equipment, and building maintenance.

112 Line 13 – Utilities \$89,000. This includes \$40,000 for the WTP Utilities and \$49,000 for all other locations that use
113 electricity like the office and shop building and pump stations. A question was asked why the budget for utilities for FY 22-
114 23 was so high compared to FY 23-24 budget. It was explained that when the engineer did an analysis of the electricity
115 need for FY 22-23 it was with the assumption that the WTP will be running for 24 hours every day. But now that the district
116 is in the implementation period for several months, we have the actual data to estimate how much is needed for FY 23-24.
117 A question was asked what happened to the extra budget for Utilities? It was discussed that the district was fortunate that
118 the utilities were over budgeted since there were expenses for the WTP that we did not budget enough for lack of data.
119 Those costs include chemicals for treating the water, miscellaneous equipment for the WTP, testing, and reporting
120 required by OHA for compliance with having a new WTP in operation. Following local budget law, some of the
121 appropriations for utilities were transferred to line items related to the WTP expenses in the same category.

122 Line 14 – Operating Materials/Cons. \$145,800. Of this budgeted amount, \$95,000 is for chemicals and other supplies for
123 the WTP; \$40,000 for sampling/testing and reporting requirements; and \$10,800 is for the distribution system supplies.

124 Line 18 – Consultants – WTP \$74,200. This includes \$63,200 to comply with the temperature and flow monitoring of the
125 Beaver Creek Source Water required by OWRD pertaining to the district’s water rights permit on Beaver Creek; \$5,000 for
126 Sysco/VM software support; and \$6,000 for Westech Filtration Membrane support.

127 **Page 4**, line 5 to line 7 are required transfers from the General Fund to various funds:
128 Line 5 – R.D. Requirement Reserve Fund \$10,990. This is a requirement by USDA for the 2020 Revenue Bond. The
129 annual payment is \$109,900. USDA requires us to have that amount in our reserve fund. The contribution to this reserve
130 fund is 10% of the \$109,900, which is \$10,990. This would be our third year to make that contribution.
131 Line 6 – Revenue Bond Payment Fund \$292,760. This is for annual loan payments of four revenue bonds, the 2012
132 Revenue Bond; the 2020 Revenue Bond; and the 2016 & 2022 IFA Notes Payable.
133 Line 7 – Depreciation Reserve/SLARA \$112,570. This is a USDA requirement for the 2016 and 2021 G.O. Bonds to set
134 aside \$112,570 annually for replacements of short-lived assets with 5-15 years of life listed by the engineer in the PER.
135 **Page 5** is a recap of all expenditures from pages 2 – 4.
136 Joy King-Cortes announced that this completes the General Fund budget review.
137 The Presiding Officer, Karen Otta asked if anyone had wanted any further discussion or had any questions on the General
138 Fund budget. There was no further discussion or questions. Karen Otta asked for a motion to approve the General Fund
139 budget pages 1-5 for the fiscal year 2023-24. John Garcia motioned to approve the General Fund budget for the fiscal
140 year 2023-24. Glen Morris seconded the motion. The motion passed 7 - 0.
141 **Page 6, Debt Service Fund** is the budget to pay for 2011, 2012, 2013, 2016, and 2021 General Obligation Bonds
142 payable from property taxes.
143 Line 8 Taxes Necessary To Balance \$1,057,050 is the amount needed from property tax collection to pay the GO Bond
144 loans.
145 Lines 12 – 16 are principal payments for 2011, 2012, 2013, 2016, and 2021 GO Bond loans.
146 Lines 18 – 22 are interest payments for 2011, 2012, 2013, 2016, and 2021 GO Bond loans.
147 Lines 24 – 28 Unappropriated Fund Balance for the Following Year are payments for GO Bond loans due before property
148 taxes are collected. A question was asked what the Unappropriated Fund Balance is for. It was explained that there are
149 loans due before the full collection of property taxes. Property Taxes are due on November 15 and the loan payments are
150 due in October and December. To make sure that there are enough available collected taxes to make the loan payments
151 we budget for it a year ahead as an unappropriated balance. It is for the loan payments due in October and December
152 2024. It is budgeted for collection in FY 23-24 but budgeted as unappropriated which means it can not be spent in FY 23-
153 24. It becomes the beginning cash balance in FY 2024-25 available to pay for the loans due in October and December
154 2024. Presiding Officer, Karen Otta asked for a motion to approve the Debt Service Fund Budget, page 6. John Garcia
155 motioned to approve the Debt Service Fund Budget. Glen Morris seconded the motion. The motion passed 7 - 0.
156 **Page 7, Revenue Bond Reserve Fund** is the budget to meet the obligation for the 2012 & 2020 USDA Revenue Bond
157 loans, and the 2016 & 2022 IFA Notes Payable. Resources for this fund are from revenue from water sales as a transfer
158 from the General Fund.
159 Line 4 – \$292,760 is the transfer amount from the General Fund needed to meet the annual revenue debt obligations.
160 Lines 11 – 13 are principal payments for 2012, 2020 Revenue Bond loans, and 2016, 2022 Notes Payable.
161 Lines 15 – 18 are interest payments for 2012, 2020 Revenue Bond loans and 2016, 2022 Notes Payable.
162 There was no question on page 7. Presiding Officer, Karen Otta asked for a motion to approve the Revenue Bond
163 Reserve Fund Budget, page 7. Glen Morris motioned to approve the Revenue Bond Reserve Fund Budget. Rob Mills
164 seconded the motion. The motion passed 7 - 0.
165 **Page 8, Capital Projects Fund** is the budget to fund the Beaver Creek Source Water Project and other capital
166 improvement projects. Funding comes from loans and grants from USDA, Business Oregon IFA, and other Federal
167 Agencies. The Beaver Creek Source Water Project is under arbitration. The outcome is unknown for now.
168 Line 2 – Working Capital, \$30,000 is the District's own fund that can be used to fund minor improvements. The balance is
169 low since FY 22-23 the district is funding the additional cost of engineering while the construction contract is under
170 arbitration.
171 Line 7 – Interim Loan/USDA & IFA Grant & Loan \$3,850,000. The project is in substantial completion but the contractors
172 haven't signed it. The construction contract is under arbitration and there is still about \$850,000 USDA grant for final
173 payment and retainage. The District's position is that we are entitled to the retention to cover liquidated damages that will
174 be decided by an arbitrator. The district anticipates that there would be American Rescue Plan Act (ARPA) grant available
175 for the district to apply so we budgeted \$3,000,000 to fund capital improvements.
176 Lines 15 – 18 and 25 include the amount to complete the Beaver Creek Water Source Project and for other capital
177 improvements using ARPA grant funding the district is anticipating to receive.
178 Officer, Karen Otta asked for a motion to approve the Capital Projects Fund Budget, page 8. Glen Morris motioned to
179 approve the Capital Projects Fund Budget. Rob Mills seconded. The motion passed 7 - 0.
180 **Page 9, RD Requirement Reserve Fund** is a requirement of the 2012 & 2020 USDA Revenue Bond loans. The District
181 has 10 years to contribute to this fund from the General Fund until the amount reaches the equivalent of a 1 annual loan
182 payment which is \$184,240. The District has reached the 1 annual loan payment equivalent of \$74,340 for the 2012
183 Revenue Bond.
184 Line 5 – Transfer from other funds \$10,990 is for the 2020 Revenue Bond loan requirement. The 1 annual loan payment is
185 \$109,900. The annual required contribution to the reserve fund is \$10,990 for 10 years until the amount reaches the 1
186 annual loan payment which is \$109,990. Presiding Officer, Karen Otta asked for a motion to approve the RD
187 Requirement Reserve Fund Budget, page 9. Glen Morris motioned to approve the RD Requirement Reserve Fund
188 Budget. John Garcia seconded the motion. The motion passed 7 - 0.

189 **Page 10, SLARA/Depreciation Reserve Fund** is a 2016 and 2021 USDA G.O. Bond loan requirement to set aside
190 \$112,570 annually to replace assets such as field and office equipment, vehicle, and other assets that have a life of 5 to
191 15 years. These short-lived assets are listed in the Preliminary Engineering Report prepared by Jacobs Engineering and
192 approved by USDA. Before USDA required us to have a SLARA reserve fund we already had a depreciation reserve fund
193 for our rolling stock for our vehicles. We must continue to contribute to this fund for the life of the loan which is 25 years.
194 The money that has accumulated can be used for the maintenance and replacement of short-lived assets. USDA will
195 inspect the finances to see that we put the money in the fund but they will not audit us as to what we purchase as long as
196 those assets are in the list made by the engineer, which includes the new project. We can replace the membrane and we
197 can purchase the Water Treatment Plant vehicle from this fund. Joy King-Cortes, Office Manager recommended updating
198 the purpose of SLARA to include that assets that could be replaced with SLARA funds should have a life span of 5 to 15
199 years. There was a consensus to update the purpose of the SLARA Reserve. Staff will prepare a resolution for this update
200 and will have the board approve it in the next regular board meeting. There were no questions on page 10. Presiding
201 Officer, Karen Otta asked for a motion to approve the SLARA/Depreciation Reserve Fund Budget, page 10. Glen Morris
202 motioned to approve the SLARA/Depreciation Reserve Fund Budget. John Garcia seconded. The motion passed 7 - 0.

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

206 Line 2 – Working Capital \$690,000 is the amount of SDC Collection in the Reserve at the beginning of FY 23-24.
207 Line 7 – System Development Charges \$55,000 is the estimated SDC collection for 15 new service connections. There
208 were no questions on page 11. Presiding Officer, Karen Otta asked for a motion to approve the System Development
209 Charges Reserve Fund, page 11. John Garcia motioned to approve the System Development Charges Reserve. Glen
210 Morris seconded the motion. The motion passed 7 - 0.

211 **Page 12, Water Source & Distribution System Improvement Reserve Fund.** The contribution to this reserve is from
212 the General Fund. The District has not contributed to this reserve for 3 years. When the District applied for loans and
213 grants from USDA, it was the recommendation of the USDA area loan specialist not to build up this reserve to qualify for
214 the grant and sub-grant. It has been 4 years since the district contributed to this fund. It was discussed now that USDA
215 funding has been completed, it is necessary to build up this account for water source improvement in the future.
216 Contribution to this fund will be budgeted next budget cycle if funds from the General Fund are available.

217 There were no other questions on page 12. Presiding Officer, Karen Otta asked for a motion to approve the Water
218 Source & Distribution System Improvement Reserve Fund, page 12. John Garcia motioned to approve the Water Source
219 & Distribution System Improvement Reserve Fund. Glen Morris seconded the motion. The motion passed 7 - 0.

220 **Page 13, SRWD Land and Buildings Reserve Fund.** This reserve was set up in 2003 to save money to purchase the
221 land to build the office and shop facilities. The contribution came from the General Fund. There was a consensus last year
222 during the budget committee meeting to dissolve this reserve fund and transfer the balance back to the General Fund to
223 offset some of the amounts of the rate increase if needed.

224 Line 12 – Total Resources \$135,100.

225 Line 18 – The total resources are budgeted to be transferred to the General Fund. There were no other questions on page
226 13. Presiding Officer, Karen Otta asked for a motion to approve the SRWD Land and Buildings Reserve Fund, page 13.
227 Glen Morris motioned to approve the SRWD Land and Buildings Reserve Fund. John Garcia seconded the motion. The
228 motion passed 7 - 0.

229 Ron Anderson asked how comfortable the staff are with the current budget. The Budget Officer, Adam Denlinger replied
230 that the current budget is well monitored and will fund the operations of the district for the remaining three months of
231 FY 22-23.

232 Glen Morris motioned to approve the budget as presented. Ron Anderson seconded the motion. The motion passed 7 - 0.

233
234 John Garcia motioned to approve the Permanent Rate Limit for General Fund Operation as .1259 per \$1,000 of the total
235 assessed value of the District, and the Exempt Bond amount of \$1,125,000 as the ad Valorem property taxes to be
236 certified for collection, as of July 1, 2023. The motion was seconded by Rob Mills. The motion passed 7 - 0.

237
238 The Budget Officer, Adam Denlinger explained that the next step of the budget process is a Budget Hearing on May 11
239 during the Regular Board Meeting. Then on June 8, 2023, the Board will adopt the FY 2023-24 Budget. The citizen
240 members of the budget committee are invited to attend these meetings if they would like to attend. He expressed
241 appreciation and thanked the budget committee members for their participation in this budget committee meeting.

242
243 **Adjournment:** Glen Morris motioned to adjourn the meeting. Rob Mills seconded the motion. The Budget Committee
244 Meeting was adjourned at 7:40 p.m.

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246 **Next Board Meeting:** May 11, 2023, at 4:00 p.m. Budget Hearing, Rate Hearing, and Regular Board Meeting.

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250 Approved by Board President

Date:

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