

**SEAL ROCK WATER DISTRICT
MINUTES OF THE
Regular Board Meeting
by Zoom Conference Call and In Person
August 13, 2026**

Introduction to Remote Meeting:

SRWD held this meeting through Zoom video conferencing and in person. Due to limited in-person meeting capacity, the public was encouraged to attend virtually.

Attendance:

Present in person were Commissioner Rob Mills, Board President; Commissioner Glen Morris, Member; Commissioner Amy Greer, Member; and Commissioner Karen Otta, Treasurer.

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

Staff present were Adam Denlinger, General Manager and Renee Card, Finance Manager.

Excused Absences: None

Visitors Present: None

Call Meeting to Order & Announcements:

President Rob Mills called the regular Board meeting to order at 4:00 p.m., Thursday, August 13, 2026, and introduced the commissioners and staff present in the boardroom. Commissioners Morris and Otta announced they would not be able to attend the September meeting. Renee Card provided attendees with a general fund revenue and expenditures report. Although excluded from the main meeting packet to avoid confusion, feedback on its utility is welcome. Attendees also received an audit engagement letter that arrived just before the meeting.

Public Comments: None

Adoption of Consent Calendar:

Items on the consent calendar include the July 2026/August 2026 Invoices List for approval; July 09, 2026, Regular Board Meeting minutes; the Financial Report; and the General Manager's Monthly Report. Commissioner Morris moved to approve the consent calendar as presented. Commissioner Greer seconded the motion. The motion carried unanimously. Commissioner Otta abstained, noting her absence from the July meeting.

Public Hearing: None

Discussion and Information Items:

Water Treatment Plant (WTP) Update:

WTP Membrane Module Failure

Adam Denlinger presented an update on the District WTP. An unprecedented, low-pressure rupture of an individual membrane module at the water treatment plant caused a flooding incident, prompting immediate corrective actions to the remote operating system. While the failure was captured on video, the cause of the damage—characterized by unusual, severe tearing of the plastic—remains under investigation as the first of its kind in the US for this specific Toray equipment. Testing has confirmed that the remaining modules are secure, under no undue stress, and exhibit normal readings.

WTP Cyber Security Threats

Oregon water and wastewater utilities are facing elevated cybersecurity threats, according to recent alerts from federal and state agencies confirming that local facilities have already been impacted. Unlike standard phishing emails, these advanced, AI-driven attacks directly target process control systems (PLCs) to manipulate infrastructure, such as forcing storage tanks or pump stations to overflow. While the treatment plant is protected by robust firewalls and an AI-driven Sophos security system, management warned that older PLCs in the distribution network remain vulnerable. Management is actively collaborating with several agencies to identify specific regional threats and is evaluating ways to establish secure, isolated remote connections.

City of Newport Annexation of Island Properties in the City Service Area (CSA):

GM Denlinger presented an update regarding an ongoing jurisdictional and financial dispute with the City of Newport concerning property annexations within the South Beach service area. Under a 2007 City Service Area (CSA) agreement, the City annexed a portion of the District's territory, agreeing to pay a monthly revenue-loss fee for 30 years and assume the corresponding bonded indebtedness. However, the City is currently executing an island annexation withdrawal for approximately 55 pocket properties that remain surrounded by city limits but are still technically within the District.

A dispute has arisen regarding the financial terms of these withdrawals. The City maintains that its debt obligation is capped under the 2007 agreement, which only accounted for District debt up to a 2012 refinancing. Furthermore, the District has issued three additional bonds since 2012 that legally apply to these properties, with additional properties yet to be factored in. Management noted that the District has no legal mechanism to waive this bonded indebtedness. Management, alongside legal and bond counsel, will continue to seek resolution regarding the outstanding debt.

Board Member Compensation:

The Board reviewed statutory requirements regarding Board member compensation after staff discovered that under ORS 198.190, the current \$50 monthly meeting stipend must be processed through payroll and subjected to personnel taxes. Management introduced the issue for discussion, proposing a potential implementation date of January 1. Running the stipends through payroll technically classifies board members as employees, prompting a board suggestion to eliminate the monthly stipend entirely to avoid the administrative burden. Staff confirmed that any decision regarding the stipend would not affect separate, non-taxable reimbursements for travel, mileage, conferences, or approved out-of-pocket event expenses. No formal action was taken, and the discussion will continue at a future meeting.

Decision Items:

Municipal Audit Engagement Letter with Grimstad & Associates CPA:

The Board reviewed the annual audit engagement letter from the District's auditor, Grimstad & Associates Certified Public Accountants, which was distributed at the meeting for review. Management clarified that while the broader three-year audit contract outlining the multi-year pricing had already been approved, this specific standard letter must be formally authorized every year right before field work begins to outline immediate expectations and scope.

Commissioner Karen Otta motioned to approve the audit engagement letter received from Grimstad and Associates, Municipal Auditor/CPA. Commissioner Glen Morris seconded the motion. The motion was passed unanimously.

Report, Comments, and Correspondence:

- The district office will be closed on Monday, September 7th, in honor of the Labor Day holiday.
- The District's annual appreciation barbeque is scheduled for August 28th at 12:00 p.m.

Executive Session: None

Adjournment: Commissioner Morris moved for adjournment. President Rob Mills adjourned the meeting at 5:11 p.m.

Other Scheduled Meetings: September 10, 2026, at 4:00 p.m. Regular Board Meeting


Approved by Board President

SEPT. 09, 2026
Date: