

North Beach Public Development Authority

Minutes of special meeting held on January 3, 2005 at Pacific County Fire District 1.

Present: **NBPDA Board Members Present**

R.D. Williams	Tom Downer
Cheri Jones	Ken Karch
Brad Weatherby – Absent	

Others Present

Tom Morrow, President, NPIA
1 Guest

Call to Order - The meeting was called to order at 6:05 p.m. by R.D. Williams.

Treasurer's Report

There were no bills to discuss.

Updates - R.D. gave the following updates:

- R.D. and Tom Downer met with bank representatives on Wednesday, December 29, 2004. Those who attended were:
 - Tom Frare, Water Project Engineer
 - Herta Ingram, Chief Financial Officer for Thurston County PUD and liaison for UTC, Account for PWC
 - Phil Leach, Pacific Water
 - John Berdes, Shorebank Enterprise Pacific
 - John O'Phelan, Kathleen Sayce, Shorebank Pacific
 - Mike Sweeney, The Bank of Pacific
 - Cate Gabel, Axiom Communications, NBPDA fundraiser
- An overview of the plans for acquisition of the water companies was presented.
- A question was raised by John Berdes as to why the NBPDA is looking to the private banking sector instead of for public funds, which seemed to polarize the group.
- Did not get an indication as to what kind of finance position the banks would take.
- R.D. did agree to look into public funding resources. Has been in contact with Donna Batch of HUD and Dan Riebli of CTED and also Stacy Lewis the bond attorney with Preston Gates.
- CTED agreed with the banks and agreed to help facilitate a meeting to discuss public finance.
- Discussions are continuing between Ocean Park Water, Pacific Water, and Tom Frare.

- R.D. took an updated statistical analysis to Mike Sweeney today. Came away with a commitment to facilitate a \$2 million package; however, the loan committee does not meet until January 11th.
- Also went over statistical information with John O'Phelan, of Shorebank. Shorebank Pacific has also agreed to put together a letter of intent as well.
- Banks are looking at this as a bridge loan.
- Bank of Pacific and Shorebank Pacific will also work with the NBPDA to get public funds.
- R.D. would like to give the school district as much notice as possible (see letter attached) regarding the project status and direction; however, he would like to give the banks a couple more days.
- There are some troubling things in the statistical analysis when looking at comparable water company sales. Herta has done three different types of analysis to come up with a value for Ocean Park Water.
- Might be able to get a preliminary ruling from them UTC. Letter of intent would allow Pete to sign over control of Ocean Park Water to Phil almost immediately. The UTC and DOH will review the proposed water plan, currently set for January 15th. Expected DOH will approve. Do not anticipate any problems with UTC.
- This plan will put the cost of the entire project back on the rate payers. It is estimated the cost to the school for the tank, and a percentage of the transmission line to be about \$ 1,548.32 per month, and it is estimated that roughly \$ 0.97 per month per connection, would be spread across the customer base for the balance of the tank and transmission line. With no funding from the school we would fund the entire cost of the tank and transmission line across the entire 2600 customer base with a surcharge of approximately \$1.72 per month per customer over 20 years. (See revised spread sheet)
- The reality is Ocean Park Water needs additional storage.
- R.D. used the term flow float when referring to the acquisition. This means that there will be an intertie between Pacific Water and Ocean Park Water, which Herta indicated the UTC will approve.
- It is really important to continue with the project no matter what the school district does because the benefits are there for the ratepayers and the community.
- When the two water companies are combined there will have to be a rate restructure. Ocean Park Water is already scheduled for a rate increase this year. Their last increase was in 1997. The last time Pacific Water had a rate increase was in 2000. Both companies will have to be brought into line. The NBPDA will do a restructure once they acquire the water companies. Unsure whether there will be an interim rate restructure by the UTC or not.
- R.D. passed out a cost estimate sheet (see attached).
 - Tom Frare has a contractor's license so he could put in the transmission line. It has been decided that the NBPDA line will be on the opposite side of the road from the County's line because then will not have to maintain separation or depth. Logistics with the County will have to be worked out.
 - Figured 62% of the tank cost was for the school district.
 - Transmission line is more for Ocean Park Water.

- Used these calculations to try and figure out fire flow cost for the school district.
- Tom Downer stated that if the school district factors in the cost of the tank (\$65,000), the land value (\$50,000), and maintenance (\$12,000/year) that over 20 years the school district would break even. Even if the school district gets treated unfairly by the contractor could seek arbitration. Ken Karch noted that a citizen could sue for misuse of public funds because the contractor says we did not include in the contract, which is open to interpretation. Tom Downer noted that the NBPDA does not want to manufacture a problem, but this plan still makes sense.
- Tom Downer asked about the school district meeting on January 10th whether it is being posted as a workshop or as a special meeting and whether the school board will be able to make any decisions at this meeting. Cheri will check into how the meeting is being posted.
- Tom Downer noted that he's not sure the school district understands R.D.'s tenacity. Cheri stated that the board does understand because they have continued to give extensions to the original "drop dead" date in the hopes this project will become reality.
- R.D. will wait until at least Thursday before sending the letter (see attached) to the school district to see if he gets a firm commitment from the banks.

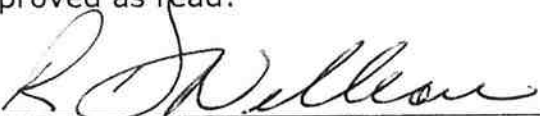
Discussion followed the update regarding the timeline of future events. Noted that it will be important to get things in motion as soon as possible. Will take about five years to form a water district. Need to stay focused on the next couple of steps. The NBPDA will not be eligible for any tax-exempt bonds or grants until the NBPDA becomes a public utility and acquires the water service. Need to work on laying out a business plan. The NBPDA will be acquiring both water companies at the same time.

R.D. distributed an article about septic systems vs. sewer systems for review and consideration.

Meeting Adjourned

The special meeting was adjourned at 7:10 p.m. by R.D.

Approved as read:


 R.D. Williams, President of the Board


 Cheri Jones, Secretary to the Board