

NORTH BEACH PUBLIC DEVELOPMENT AUTHORITY

MINUTES OF SPECIAL MEETING FEBRUARY 3, 2005

Call to Order: The meeting was called to order by RD Williams at 10:05 AM.

Present: Christina Gagnon, Dept of Health
Debbie Harper, USDA Rural Development
Karen Klocke, Dept of Health
Burce Lund, Public Works Board
Janice Roderick, Comm. Development Block Grants
Tom Downer, N. Beach PDA Board Member
Phil Leach, Owner, Pacific Water Company
Celsa Johnson, NPIA Member

Overview: RD Williams opened the meeting with a history of the formation of the N. Beach Public Development Authority. The North Peninsula Improvement Association was formed in 1998/1999 with a membership of more than 300 property owners on the peninsula concerned with flooding issues. Many of those problems have been solved and the most recent focus has been on water issues. A public development authority was formed because it was felt that it was the best way to get something done. All persons present were given a package of the issues and needs. (See attached Agenda and written presentation.)

It is proposed that there would be a private acquisition of the Ocean Park Water Company by Pacific Water Company. Then the Public Development Authority would purchase the Pacific Water Company. We are most concerned about local control of our water rights (Ocean Park Water could be sold to a California Company). Karen Klocke added that there is also concern about shallow wells and concerns about the quality of water in Surfside and at other private water systems in the area covered by these two companies. Arsenic has been found in some private wells in the Surfside area.

Presentation by Pacific Water Company: The NBPDA has been working with the banks to provide funding to buy the Ocean Park Water Company by Pacific Water Company. A formal offer has been made to Ocean Park Water for \$2 million with a loan anticipated to be at 8%. Phil Leach of Pacific Water has been working with Shorebank and the Bank of Pacific to acquire a loan. The Utility Transportation Commission is involved in helping with the acquisition and is in favor of the purchase. An appraisal of the Ocean Park Water Company was done by two former UTC employees. The owner is willing to sell for \$2 million to a private individual but not to the PDA, even if it had funds.

Ocean Park Water Company's well fields are at maximum. Pacific Water Company has plenty of space for wells and they have water rights. They are currently at between 20% and 30% of capacity. Having only one water company would make it possible to work better with other agencies. Department of Health requires 5-year comprehensive plans. These are on hold because there would be duplication if the systems merged and these plans are expensive.

Pacific Water Company has provided all information to the banks and are waiting for approval for loans. A bridge loan is not possible because there is no guaranty for funding in the future. Discussion followed as to how we can go from a private entity to a public one without a vote from the people. The UTC people are supportive of our attempts and are reviewing proposed rates.

General Comments: For many years, we have had quality service and water. If we had a failing system, it could be more probable for one or more of the represented entities to be able to help with funding. Population growth or fire flow cannot be a driving factor for a DWSRF loan. Reliability and water rights and quality or pre-eminent issues. We need to get above 32 points on the DW SRF to even be considered for a loan and as it stands now, that is not possible. .

A representative from the Department of Health presented a map showing all the water services on the peninsula. Some have sand wells and there are many quality issues on these small systems. They stated that there are 12 systems that could be connected to a new combined water system. Right now water lines stop at Loomis Lake and with a merger the lines could possible extend 3 miles to Cranberry Road.

Janice Roderick of CDBG commented that the two water systems have neither safety and health or reliability issues. They have \$26 million to give, but a private company would be an issue. Another factor could be low or moderate incomes. At this point, she would not encourage us to even initiate an application.

Debbie Harper from the USDA Rural Development said that the applicant must own the system. They are primarily supportive of construction. The primary reason for a loan from them could be the construction of an intertie between the two companies. But, first, they would need a purchase agreement for Pacific Water to purchase Ocean Park Water. Second, the PDA would acquire Pacific Water. Third, they would apply for funds for construction loans for an intertie and storage with a secondary component of acquisition costs. Fourth, savings in fire premiums would affect user fees. It could be possible to get a Public Works Trust Fund planning grant. USDA Rural Development has pre-development grants. To qualify would need a water system with a plan approved by DOH. We do have an approved system plan.

Many offered scenarios that would make loans possible, including a PWTF pre-construction loan, Drinking Water State Revolving funds, including construction but some many of these were dependent on ownership.

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Attendee List

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