

**NORTH BEACH WATER DISTRICT
PACIFIC COUNTY, WASHINGTON**

RESOLUTION NO. 9-2008

At the April 25, 2008 Special Meeting of the Board of Commissioners of the North Beach Water District, the Commissioners considered an agreement with the HDR Company to conduct an assessment and "Due Diligence" of North Beach Public Development Authority prior to the District taking possession of the Utility. The specific parameters of the agreement are presented in the attached April 21, 2008 proposal submitted by Herta Fairbanks of HDR.

WHEREAS, The North Beach Water Board of Commissioners desires to complete a "Due Diligence" prior to accepting the transfers of assets and liabilities related to the North Beach Public Development Authority, and the North Beach Water District Board of Commissioners desires to obtain expert guidance in Public Finance Policy, regarding Rate Setting, Capital Funding, Debt Reserves, and Debt Consolidation.

BE IT RESOLVED by the Board of Commissioners of the North Beach Water District, Pacific County, Washington, as follows:

The Board of Commissioners of the North Beach Water District agree to negotiate and enter into an agreement with the HDR Company to provide those services as outlined in the attached April 21, 2009 agreement.

ADOPTED by the Board of Commissioners of North Beach Water District, Pacific County, Washington, at a special meeting held on April 25, 2008.

NORTH BEACH WATER DISTRICT

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Commissioner

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Brian Sheldon, President
North Beach Water District
PO Box 1039
Ocean Park, WA 98640
April 21, 2008

Subject: Proposal to conduct financial analysis

HDR Engineering, Inc., (HDR) has been contacted by the North Beach Water District (District) to provide a financial analysis to the District.

Preliminary Scope

In preliminary discussions with the District, the potential scope of services would include the following elements:

1. Meet with the Board of Commissioners to finalize the scope of services (project kick-off meeting)
2. Meet with the Board of Commissioners to discuss municipal finance
 - a. Provide an overview of municipal finance addressing
 - i. Rate setting
 - ii. Capital funding options
 - iii. Reserves
 - iv. Policies
 - b. Present "next steps"
3. Review the Financial Statements for the North Beach Public Development Association (NBPDA), the current owners of the water systems known as Ocean Park Water System and Pacific Water System
4. Provide a general assessment of the relative financial viability of the NBPDA
5. Provide recommendations for remedy related to any deficiencies noted as a result of the financial viability review, if any.
6. Meet with and present findings to the Board of Commissioners.

Meetings

Generally speaking, this type of analysis would entail a minimum of four visits to the North Beach area. The first visit would be to meet with the Board to establish the roles and responsibilities for the project team, including Board members and to finalize the scope of services and timeline for the completion of the project.

The second meeting would be a meeting with the Board to discuss municipal finance as it relates to setting financial policies for ongoing viability and the impact of these policy decisions on rates, as well as a basic overview of rate setting and capital funding. This meeting can be combined with the project kick-off meeting, however this will make for a



very intense day and should not occur during an evening meeting where other agenda items are competing for time allocations.

The third meeting would be with NBPDA representatives to discuss the financial set up for the NBPDA as well as any recent actions taken that would affect the financial health of the NBPDA. This meeting would also be a cursory review of the set up of the books and records to allow HDR to provide the District with an indication of the level of effort the District will need to undertake in developing its own set of books, should a transfer of the assets of the NBPDA be completed.

The final meeting would be to present the findings of the analysis to the District Board and to answer any questions that arise as a result of the review.

Deliverables

The anticipated deliverables for this project include the following:

1. A finalized scope of services distributed to all Board Members
2. A technical memorandum describing, in general, municipal finance as it relates to the day to day finances of water districts
3. Three (3) copies of a draft report of the findings including recommendations
4. Three (3) copies of a final report of the findings including recommendations

Project Budget

The budget for this type of an analysis is highly dependent upon the final scope of services negotiated between the client, in this case, the District, and the consultant, HDR. It is HDR's understanding that the District has limited resources and that any contract executed will be subject to delayed payment until such time as the District secures funds. HDR is willing to engage in a contract with the District, provided the District is willing to enter into a contract using HDR's standard services agreement. This agreement includes the provision for the assessment of interest on outstanding invoices and also addresses the responsibilities of each party to the contract.

Assuming the above referenced scope items and the proposed meetings and deliverables noted above, HDR would anticipate a budget in the range of \$10,000 - \$15,000. A more precise figure can be established once the final scope has been developed. The contract would be written to specifically identify the scope items, deliverables, and budget and would incorporate a "not to exceed" value. Any requests that would fall outside of the scope stated in the contract would require specific approval from the District, prior to performance and subsequent billing for work performed in relation to the request.

HDR appreciates the opportunity to submit this letter proposal to the District and looks forward to providing services to the District in its quest to consolidate the NBPDA and the District. HDR is excited to see the progress the community has made over the last

several years and is eager to see the District succeed in its mission. Congratulations on your efforts thus far and we hope to be able to assist you in your future.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Fairbanks', written in a cursive style.

Herta Fairbanks
Senior Financial Analyst