

## MINUTES OF

### NORTH BEACH WATER DISTRICT

November 3, 2008

Commissioners Present: Brian Sheldon      Gwen Brake      RD Williams  
PDA Transition Team: Brad Weatherby  
Others Present: David Burke, Pacific County District Attorney  
Mike McCort, Water District Commissioner  
(East Wenatchee)

The meeting was opened at 6:02 PM by President Sheldon. A quorum was present.

Minutes of the October 6 meeting were read by Secretary Brake. MOTION BY COMMISSIONER WILLIAMS TO ACCEPT THE MINUTES. SECONDED BY COMMISSIONER BRAKE. MOTION CARRIED. Commissioner Brake agreed to distribute copies of the approved October 6 meeting minutes via email for further review.

President Sheldon asked for presentations from the audience. Veteran Water District Commissioner, Mike McCort, from East Wenatchee, spoke about the Washington Association of Sewer and Water Districts that meets each January. Meetings cover the Open Meetings Act and other procedures necessary to represent the public interest. This year, the meeting will be held in Seattle at Glenwood.

Mike has served as Water District Commissioner for 16 years. He is also a local rate payer. He acknowledged the difficulty of a transfer process where system ownership is involved. Having good legal advice like Rod Kaseguma is essential as well as good engineering. And having a General Manager, who is good at what he does, is critical.

**Report of the Transfer Process:** Commissioner Brake stated that the transition team had agreed on three documents:

- Declarations document
- Transfer of Assets of the Water Utility
- Real Property Transfer

Brad Weatherby clarified that the Real Property Transfer agreement would actually be an attachment to the Transfer of Assets agreement as one of the exhibits.

Commissioner Brake provided a handout isolating the unresolved issues on each document (attached).

**Declarations Document...."PDA affirms section....":**

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The district board agreed to the changes made by the Transfer Team and the PDA to Items 4, 5, 6, and 7 with the exception of a typo on 5: rights-of-way instead of right-of-ways.

**Item 8** was acknowledged to be a trust issue but OK'd to delete.

**Item 9** asking the PDA to acknowledge the financial due diligence work of the district board and agree with the district's Resolution 18-2008, adopting the findings of the board, was contested.

The PDA Transfer Team member, Brad Weatherby, spoke to this issue stating that he could not recognize the district's financial due diligence—he did not agree to the process—but he could agree to the district's findings. A financial audit would assure everyone that the PDA was conveying a clean slate, with a 5 million dollar asset in tact. The PDA will conduct an audit and is asking the district to participate in the planning.

President Sheldon didn't agree that an audit was necessary but if the PDA felt it was essential, they should proceed. President Sheldon stated that the cost puts an undo burden on rate payers.

Commissioner Brake was also concerned with the expense of an audit. She stated that if the district board didn't have access to all of the records, why would an audit at this time be considered accurate? And since this is a "gifting process," why have an audit of the auditor? She did not see redundancy as good public policy.

David Burke stated that a financial review does protect the credibility of the PDA but the "hold harmless clause" in the Transfer Agreement already does that.

Commissioner Williams stated that Rod Kaseguma, the district's attorney, asking the board to do a financial review when we don't have the skills to do so wasn't realistic. As a district commissioner, he wants assurance that the PDA did a good job. As a PDA board member, he wants to assure the district that the PDA has done a good job.

Brad Weatherby suggested acceptable wording of Item 9 from the PDA. "I attest that I have reviewed the due diligence and agree with the findings of the board as adopted under NBWD Resolution 18-2008."



Commissioner Brake read Resolution 09-2008 regarding HDR Financial services. The district board intends to engage HDR in the future to assist with planning. President Sheldon stated that he supports using HDR on public financing, debt reserve, and rate setting.

If the PDA insists on conducting a financial audit, Commissioner Brake requested that HDR be considered. David Burke commented that it requires three bids.

**Declarations Document...."NBWD affirms section....":**

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The rate increase implemented by the PDA was discussed as a difference between "We agree to the rate increase" versus "We agree to a rate increase." The District voted for a rate increase—not the one implemented.

**Transfer Agreement of Assets**

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This document originally prepared by Rod Kaseguma, the District's Attorney.

Commissioner Williams presented a finalized version of the Transfer Agreement received today from the PDA Attorney. He went line-by-line through the changes, most representing minor adjustments in wording.

**Employees section:**

An employment contract was for the General Manager was discussed. Brad Weatherby said that a Letter of Employment was the only thing that existed. He suggested that a contract protects the district. It was difficult and expensive to find someone of Michael's caliber. Mike McCort stated that in this business, it is essential that General Managers be protected. All the GMs he knows are under contract.

**Indemnification by District section:**

It was agreed to add "in case of a criminal offense in connection with their duties."

**PO Box section:** President Sheldon stated that sending legal documentation to his home is inappropriate.

**Sale or assignment management section:** This section was one of the unresolved issues needing to be addressed. New wording was added 'to allow a sale or change of management determined by district voters.'

Commissioner Williams stated that he PDA Attorney is in the process of putting together the list of assets to fulfill the exhibits on the Transfer Document.

Commissioner Williams stated that since this is an historic document, he would like to see all of the PDA Board Members and all of the District Commissioners sign the document.

Commissioner Brake stated, "I do believe we have a deal."

No new business. No correspondence.

The board adjourned to an Executive Session to discuss a legal issue for 5 minutes. No action was taken.

The meeting was adjourned at 7:50PM.

Respectfully submitted



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Gwen Brake, Secretary

Attest:



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Brian Sheldon, President

NOT PRESENT  
RD Williams, Commissioner