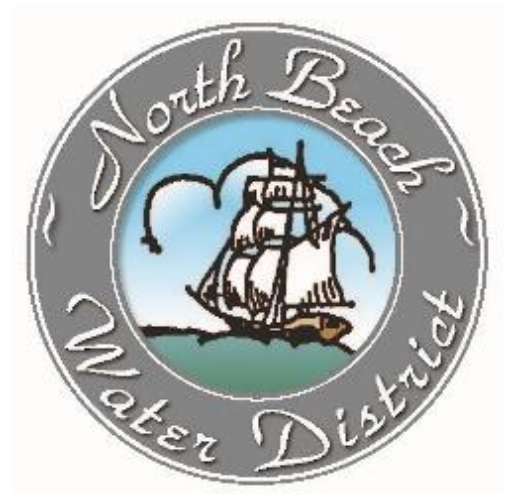


VERSION 1.1
MAY 14, 2014



NBWD BUSINESS OFFICE PLAN

PRESENTED BY: WILLIAM "BILL" NEAL

NBWD GENERAL MANAGER
PO BOX 618 OCEAN PARK, WA 98640

NBWD BUSINESS OFFICE PLAN

DISTRICT OVERVIEW

North Beach Water District (District) is located on the North Beach Peninsula in Pacific County, Washington State. The District's service area is approximately 60 miles south west of the City of South Bend, the county seat. The District is bordered on the west by the Pacific Ocean and on the east by Willapa Bay. The District is bordered to the north by Surfside Homeowners Association and the Town of Oysterville and to the south by the City of Long Beach. The District is populated by full-time and part-time seasonal residents. The District serves a diverse population consisting of permanent and vacation homes, water front homes along the Pacific Ocean and Willapa Bay, rural developments with stick frame and manufactured homes, vacation cabins, and undeveloped lots with recreational vehicle hookups. The majority of permanent population is located in the communities of Ocean Park and Nachotta and also south along State Route 103 to Klipsan Beach. The balance of the existing service area is primarily developed with seasonal occupancies. The District provides water to approximately 100 commercial customers that include canneries, retail, hospitality, medical, light manufacturing, and restaurants.

The District provides water service to customers within its jurisdictional boundaries (service area), which currently extends from Loomis Lake State Park at 181st Lane north to Surfside Homeowners Association at 300th Lane. The District services 2,670 water connections and a full-time residential population of approximately 3,000. The total service area contains over 7,000 acres and water service is available to approximately 1,300 acres. Approximately 40% of the service area is a combination of wetland, conservation, or agricultural land that limits or prohibits development.

There are currently 2,670 service connections of which 100 are categorized as commercial. There are 2,570 residential services of which approximately 1,018 are full-time residences and an additional 1,552 are full-time during the months of June through August. Average daily usage is currently 0.2 MGD¹ of water. During peak demand (July through September), consumption rises to approximately 0.5 MGD.

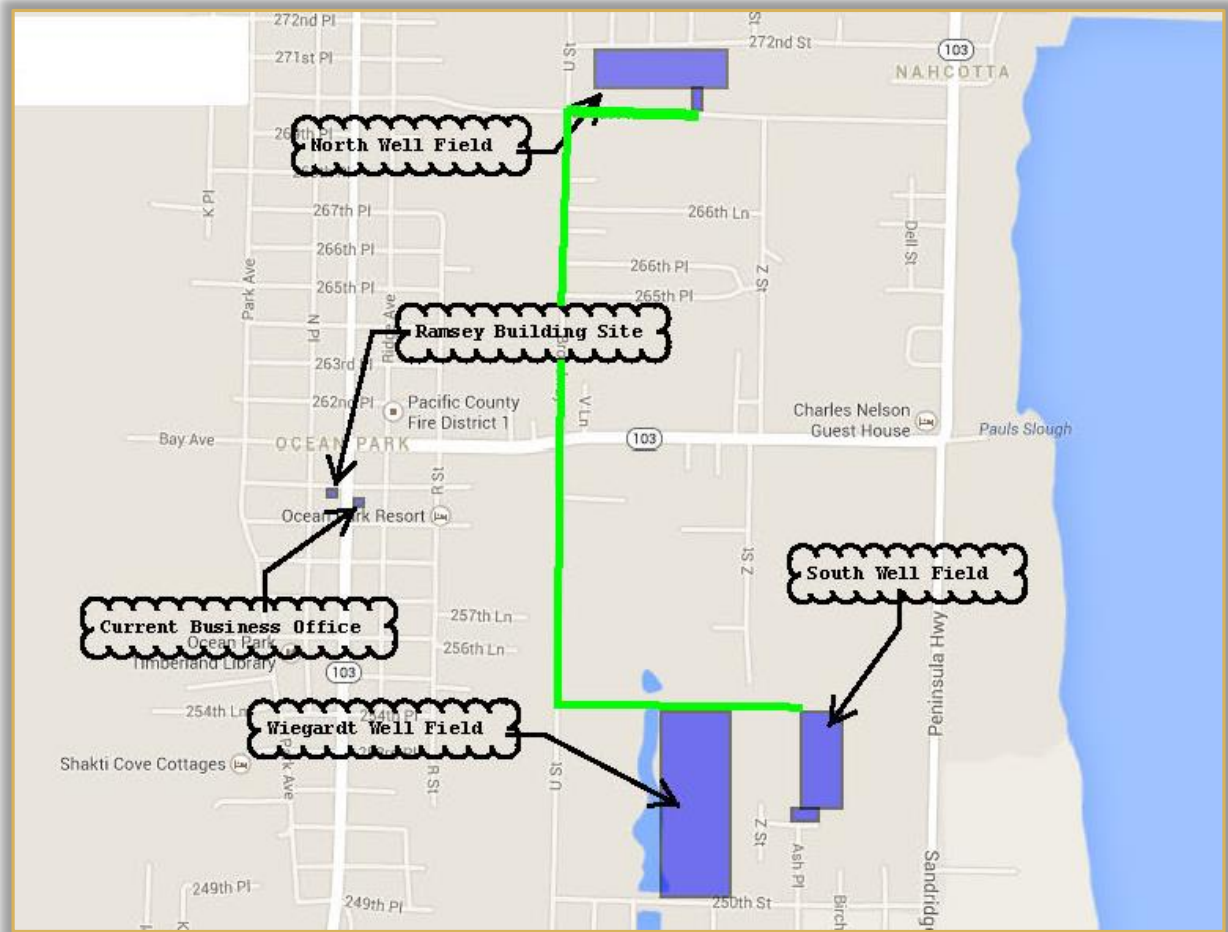
The District's Business Office is located at 25902 Vernon Ave. Ocean Park, WA 98640. The Business Office is the main face of the District for the public and the hub of activity for all

¹ Million Gallons Per Day

administrative activities of the District. The Business Office is the physical location where ratepayers and others who have business with the District will come to. The current Business Office is a rented building.

The District has two Well Fields. One is located at 2216 272nd Street Ocean Park, WA 98640 and the other is located at 25600 Z Street Ocean Park, WA 98640. The District recently purchased a 10.1 acre site (Wiegardt Well Field) located approximately 450 feet west of the South Well Field.

The North Well Field is currently the hub or center of activity for the District's field operations. The North Well Field is where the Field Superintendent, Treatment Plant Operator, and the two Water Service Workers report to work. The North Well Field is where all of the service vehicles and maintenance materials are housed. The North Well Field is where the water testing laboratory and Superintendent's office are located. All shop work, offsite repair, maintenance and testing takes place at the North Well Field.



The District just completed the construction of three new wells at the Wiegardt Well Field. These wells, along with over three million dollars of improvements to the District's infrastructure are being accomplished by means of two low interest loans, the larger of which includes a 30% loan forgiveness, from the Drinking Water State Revolving Trust Fund.

The District hired Robinson Noble, a hydrogeological firm, to consultant with the District on the Wiegardt Well Field water well construction project. Robinson Noble assisted in the design and development of the water wells. Robinson Noble also performed extensive test to determine the hydraulic capacity of the aquifer associated with Wiegardt Well Field and its susceptibility to seawater intrusion. The goal of the Robinson Noble work is to determine the aquifers potential and value as a long term water source for the District.

Wiegardt Well #1 was pump tested for 24 hours at a rate of 150 gallons per minute. The report from Robinson Noble suggested that the well would produce approximately 74,400 gallons per day per foot of drawdown. The recommended drawdown for the well is 18.01 feet. Wiegardt Well #1 is capable of producing a sustained 1.34 million gallons of water a day. The Wiegardt Well Field can accommodate up to 10 wells of similar size and capacity. **The Wiegardt Well Field has a potential of producing 13.4 million gallons of water per day. The current peak demand of the District is approximately 750,000 gallons per day.**

The water quality from the three new wells is the best water quality of all of the wells operated by the District. The water will require treatment to remove very low residuals of arsenic and h2s gas. Both of these constituents are easily filtered from water without the use of chemicals such as chlorine.

The Wiegardt Well Field site is protected from development due its isolation from high density areas.

The Wiegardt Well Field is best suited to become the District's primary water source of the future.

- It is more centrally located to the District service area.
- It has the highest aquifer storage and transmissivity qualities.
- It has the best quality raw water (lowest cost of treatment)
- It is the most protected from potential sources of contamination. (low density development)

The Wiegardt Well Field Well's will be pumped and the water conveyed to the South Well Field via an existing water main. The water will be filtered, stored, and conveyed to the distribution systems via a yet to be designed and installed treatment plant and the existing reservoir and booster station. The plans for the Wiegardt Well Field Improvements include automation of the operation of the wells, treatment, storage, and booster pumps by installing telemetry based at the North Well Field. The Goal of the planning is to keep the North Well Field as the center of operations for facilities located at the North Well Field, South Well Field and the Wiegardt Well Field. All controls, data collection, and alarms for all production, treatment, storage, and booster stations will be located at the North Well Field.

PURPOSE FOR REPORT

The purpose of this report is to consider options regarding the placement of the District's business office. Currently the District rents office space. The District has dedicated funds earmarked to either purchase or build a business office that it will own. The options are:

Option 1: Purchase the Ramsay Building located at: 1410 260th Place Ocean Park, WA 98640

Option 2: Build an office in conjunction with an equipment building at the North Well Field located at: 2216 272nd Street Ocean Park, WA 98640.

AVAILABLE FUNDS- \$1,012,825.78

In June, 2013 the District issued revenue bonds in the aggregate principle amount of \$3,000,000. Proceeds of the bonds were used to refund the District's outstanding 2006 Cashmere Valley Bank loan and to fund the "Bond Project" namely,

"The Board specifies and adopts the following plan of improvements, additions and betterments to and extensions to the System: (i) purchase of real property that will be a portion of the original Pacific County tax parcel No. 12113313001 consisting of the east 365 feet=- of the original parcel totaling approximately 10.5 acres, and (ii) purchase or construct a business office, and (iii) construct an equipment building at the North Wellfield, together with all planning, design, legal and financing costs (the "Project").

The amount of money originally deposited into the Bond Project Fund was, \$1,136,617.64 (after bond issuance expenses). To date the money debited from that account has been \$116,874.39 to purchase the Wiegardt Well Field, \$6,917.47 to Driftmier Architects for

feasibility study. **The Bond fund currently has a balance of \$1,012,325.78.**

FEASIBILITY STUDY

In August, 2013 The Board authorized the General Manager hire Driftmier Architects, P.S. to perform a feasibility study to determine the following:

Phase IA: Needs Analysis

1. Initial Meeting:

Meet in Ocean Park with you and representatives of the District to verify requirements and determine functional relationships, procedures, public contact points, paper flow, appearance preferences, budget requirements and project schedule.

2. Observe District Operation:

Visit the existing office and operation facilities of the District and observe District staff, working conditions, tasks, and procedures.

3. District Data:

Review data related to operations and procedures of the District. This would include the District's current Water Comprehensive Plan, demographic data, and other related information. We will also review any available drawings of the building you are considering purchasing and survey information.

4. Vehicle and Storage Requirements:

From the District, receive lists of current and anticipated vehicles, equipment and stored items including dimensions and quantities to be stored. This may include equipment, tools, small parts, structures, piping, etc. For vehicles and equipment we need available information related to length, width, height and turning radius.

5. Growth:

Review growth potential including infill and population growth projections in the Water Comprehensive Plan, and potential changes in District size due to annexation or potential mergers.

6. Draft Written Needs Report:

From the information gained in items 1 - 5, develop a written needs report which outlines our understanding of the needs and design requirements of the District. Furnish to District for review and comments.

7. Revise Needs Report:

From information gained from District review, revise needs report to reflect project requirements.

Phase IB: Site Evaluation - Potential Office Building

8. Site Inspection:

Visit the identified available building and site to assess its strong points and drawbacks. Review available survey data, existing building plans, and other information. Observe general building condition.

9. Research:

Research city zoning codes and other requirements related to the site for design constraints. Check for setbacks and other requirements that would limit future expansion of the building. Research any special approvals processes necessary.

10. Review:

By telephone, review with District representatives findings related to repurposing, and if necessary, remodeling the existing building.

Phase IC: Site Evaluation - North Wellfield Site

11. Site Inspection:

Visit the site to assess its strong points and drawbacks. Review available data. This might include survey data, utility locations, soils report, existing building plans, and other data. Communicate with District civil consultant related to options for storm drainage and general site improvements.

12. Research:

Research city zoning codes and other requirements related to the site for design constraints. Check for setbacks and other requirements that would limit development of the site. Research any special approvals processes necessary.

13. Site Constraints:

Based on site observations and zoning requirements, develop a site constraints plan illustrating the available area for development and the ability to accommodate new buildings on the site.

14. Review:

By telephone, review with District representatives findings related to the site and site constraints.

Phase ID: North Wellfield Site Concept Plan

15. Preliminary Development Concept:

Based on the needs analysis, site evaluation, site constraints plan, and other input, develop a concept plan illustrating the layout of the site with an equipment building and an equipment building and

office building with parking, lighting, security, and stormwater detention.

16. Wellhead Impact Mitigation:

Work with you and your civil engineer to identify the area necessary to provide appropriate mitigation to impacts on the sanitary control area of the well heads. Reserve this area in the concept plans.

17. Review:

Review the preliminary concept with District representatives by telephone.

18. Additional Concepts:

From the information gathered through concept review, prepare final concept. This includes up to 4 hours of concept revision. Additional concepts or revision time beyond 4 hours will be provided as an additional service.

Phase IE: Project Budgets

19. Prepare Rough Outline Budgets:

Based on the needs, evaluations, and concepts outlined above, develop rough outline budgets for the development of the equipment building on the North Wellfield site, equipment building and office on the North Wellfield site, and separate cost to remodel the existing identified Ocean Park building into a District office. These will be rough calculations of cost based on square footage calculations and experience.

20. Final Feasibility Report to Board:

From information gathered, make final report to Board including District needs, building and site evaluations, development concept and cost information. Include recommendations for continuation of the project.

SCOPE OF PROJECT

This scope of work specifically includes those items listed above that take the project through the initial needs analysis, site evaluation and site concept development.

The current scope of this project is to evaluate the needs and requirements of the District and how those needs might be met at the identified locations.

--End of Proposal--

Mr. Driftmier presented his feasibility study to the Board in November, 2013. The feasibility study made the following observations regarding the Ramsay building:

1. *The office building is about 2,400 SF with a parking lot and a separate building that sells fried chicken and pizza. The second building is in poor repair while the parking lot and the main building are in pretty good shape.*
2. *Purchase price for the entire property is \$240,000, which might be reduced to about \$200,000 through negotiation.*
3. *The building is an inexpensive frame building with drop-in ceiling that is not in good shape, old lights that would need to be replaced, and no HVAC system.*
4. *I estimate the cost of improvements to bring the building to meet the District's needs at \$100 per square foot.*

Notes on Location of Office Building

1. *Assuming 2,400 sf and a purchase price of \$240,000 plus \$100 per sf for improvements, the likely cost of a finished building would be \$480,000. (Attached budget is a bit higher.)*
2. *An office and meeting space to address the District's needs will require about 2,600 sf. The estimated cost to build an office and meeting space in conjunction with an equipment building would be approximately \$165 per sf for a total of about \$430,000. Relocating the Business Office to the North Wellfield would also provide operational saving i.e. consolidated utility costs and consolidated emergency power cost.*
3. *There are considerations other than cost that should be evaluated in locating the District's office.*
4. *Ocean Park is a rural community center. By keeping its Business Office within the community center the District will demonstrate its support for community and civic connection and promote a feeling of ownership by its ratepayers. Ratepayers will have a more visible and accessible location to conduct business with the District.*
5. *Much of the work conducted by the administration and field departments is confluent. The General Manager is responsible for the operation of the administration and field departments. Combining the Business Office with the Field Operations in one location will provide continuity in management that cannot be achieved with separated locations.*
6. *Once all of the costs have been identified, the ratepayers should be polled on the decision to relocate the Business Office away*

from the Ocean Park corridor. Ultimately, the decision will be up to the Board of Commissioners.

The feasibility study made the following observations conclusions:

It is always difficult to compare two dissimilar opportunities when they have very different favorable and unfavorable attributes. In the end, the choice between two dissimilar opportunities must be made based on all relevant factors.

- o In this case one option would be to purchase and remodel an available building on Vernon Avenue to suit the District's needs. A business office in town provides very good community access and visibility but it separates the staff and continues the inefficiency of operating out of two primary locations.*
- o The other option would be to build a business office at the North Wellfield site where the field crew currently operates out of. Operating both administrative and field operations from the same location will provide managerial and economic advantages. A business office located at the North Wellfield would be accessible 0but not highly visible in the community.*

In working with numerous water and sewer districts as well as other utilities, we have seen a common theme in a desire to have all staff and primary equipment in one location. This is generally voiced as a need to unify the staff and work as one team. It also comes to us as a need for managers to be near the people and activities that they manage. Locating the district office in the new equipment building at the North Well Head site would accomplish both. It would also bring the efficiency of having all staff reporting to the same site for work each day. (Staff doesn't need to drive across town to talk with another staff member.) This site is easily accessible to the public but it is not highly visible in the community.

--END OF PROPOSAL--

PUBLIC INVOLVEMENT

The Commissioners appreciate the ratepayers stake in the placement of the Business Office and want to provide ratepayers every opportunity to have their voices head during the decision making process.

The Commissioners have discussed the bond project and placement of the Business Office at several open public meetings and at a Public Hearing held for the single purpose of taking public comment on the placement of the Business Office. The Public Hearing was held on Saturday March 22, 2014 at 10:00 AM at 25902 Vernon Avenue Ocean Park, WA. The District included a notice to the ratepayers in their March, 2014 bill notifying them of the Public Hearing, and informing

them of information posted on the District's web site regarding the Public Hearing, bond project and Driftmier feasibility study. Ratepayers were invited to attend the Public Hearing and to comment on the options for the Business Office. They were asked to forward their comments to the District's Business Office if they were unable to attend the Public Hearing. The Public Hearing was well attended and public comments have been coming in by mail, e-mail, and telephone.

SUMMARY COMMENTS FROM PUBLIC

Below is a summary of the public comments (**Blue** favor the North Well Field - **Green** favor the Ramsay Building **Black** favor not moving):

From the Public Hearing:

Clesa Johnson: Keep rates down - Joint operations at the North Well Field seems prudent.

Dick Sheldon: Combined operations builds unity and is more efficient.

Karen Shaffer: Prefer the office at the North Well Field and would prefer the construction be done by a local builder.

Margie Ramsay: Feels her property is well suited for the District's needs and is expandable, up to code.

Mike Parker: Agrees with the conclusions in the Feasibility Study and believes that if the commissioners want to keep rates down it is a "no brainer" to move to the North Well Field.

Don Sheldon: Other utilities and government entities are consolidated and is in favor of moving to the North Well Field.

Marilyn Sheldon: Believes that sustaining the downtown core of Ocean Park is important but it is not the responsibility of the District. She feels that consolidating District operations makes good fiscal sense and long term sense.

Curt Stephens: Is concerned about building near the well field. The expanded activity may have greater potential for contamination of the aquifer. He also believes it would be better for the local economy to purchase the Ramsay Building and keep the associated restaurant open.

Jul Grandbois: Agreed with Curt Stephens. Wants the District to purchase the Ramsay building and expand it.

Robert Hill Jr.: Disagrees with Mr. Stephens's concern about contamination. States that the District already runs lots of vehicles on the site and plenty of activity there now. The added activity will be minimal. Makes a lot more sense for the District to build on property it already owns that to purchase new property.

Robert Hill Sr.: He is in favor of building at the North Well Field but thinks the District should wait a few years.

Robert Blake: He does not believe waiting four or five years or buying the Ramsay building makes any sense. He believes the idea of a "core area" of Ocean Park is "fuzzy". Makes most sense to construct a new building on property the District owns.

Letters received by the District:

Tom Downer:

Mr. Downer suggests that the District should invest in a significant amount of planning to more fully describe the purpose, need, cost, and justification of the project.

Mr. Downer suggests the District remain in its current location and possibly rent more space for a telemetry project he suggest the District is undertaking.

Mr. Downer suggests the District purchase 10,000 square feet of vacant land zoned commercial that is proximate to the current office and construct a maintenance storage building on that site.

Mr. Downer suggests building on that site will eliminate any concerns about contamination at the well field.

Mr. Downer states that it is his firm belief that diluting of fixed costs should be the top priority of the District.

RD Williams:

Mr. William suggests that North Beach Water District needs a facilities plan and a strategic long range plan.

Mr. Williams notes that the District has lost 100 connections since its inception and notes that that is an unacceptable trend.

Mr. Williams takes issue with the findings and manner the Driftmier feasibility study was conducted and presented to the Board.

Mr. Williams expresses concern about use of land at the North Well Field for activities that may not be compatible with operation of well fields.

Mr. Williams questions the need to have the operations centralized.

Mr. Williams questions the proposed costs identified in the feasibility study to remodel the Ramsay building.

Mr. Williams expounds on an implied commitment made by the North Beach Public Development Authority to the Ocean Park business community that the water company would always be a visible presence

in the core Ocean Park area when they purchased and combined the Pacific Water Co. and the Ocean Park Water Co.

Mr. Williams suggests the District should sell a vacant lot it owns on V Street.

Mr. Williams suggests the District should concentrate on solving the problems of an aging infrastructure, improving hydraulics and continuing to focus on water quality first.

E-mails received from ratepayers:

Sherry Mullennix: Worked for a water district in California for 23 years. The concept of an office/shop in a central yard the more efficient decision. I understand what you are trying to do. Bottom line, ratepayers do not like rate increases. So having everyone in one place is more efficient and saves money. It will not solve all the problems but this is a beginning.

Gary McGrew: North Beach Water District is an asset to the core area of Ocean Park. Relocating to the Ramsay building would be an excellent investment for the utility in our community. Remaining in the core area of Ocean Park provides easy access for the public. The core area of Ocean Park has many vacant buildings and has recently lost two more businesses, Sweet Williams and the Dunes Restaurant.

The following rate payers provided the following comments verbally or noted on their return billing:

Account #3032: New building at 272nd makes the most sense.

Account #4002: Thinks we should stay in the current building. Paying rent is less expensive than owning a building.

Account #1444: Hopes the Board is most concerned with providing quality water at the most reasonable price. If we must relocate it certainly makes more sense to build on property we currently own than to buy new property that needs extensive remodeling.

Account #219: You must be making too much money if you can build your own building. Why not cut water rates instead of building a new building?

Account #77: Makes more sense to consolidate things. Saves money.

Account #3230: We should build on land we already own and consolidate our operations.

Account #320: Constructing a new building at the North Well Field that fits the District's needs makes more sense than remodeling an existing building. It will greatly benefit the guys in the field.

Account #1828: Building an office to suit your needs makes better sense than remodeling an existing building to meet your needs. Always cost less money in the long run.

Account #3601: The District needs to make decisions that will lead to reduced rates. It seems like a good idea to move all of the employees into one location. It sounds like a cost cutting move.

Account #2796: The Office does not need to be in Ocean Park. The cost of property is cheaper on 272nd. Why buy expensive property when you have already have cheap property that will work.

GENERAL MANAGER'S RESPONSE TO PUBLIC COMMENTS

North Beach Water District is a special purpose district formed under the authority of Title 57 RCW. The General Manager has a fiduciary responsibility to the Board of Commissioners of North Beach Water District to manage the resources of the District effectively and efficiently and to make certain that all other North Beach Water District employees do also.

North Beach Water District is, in the eyes of Washington State, a special purpose District but as a District, it has a single purpose. That purpose is to, ***provide water to our ratepayers that meets or exceeds the water quality standards of all federal, state, and local authorities at the most reasonable cost that will assure the sustainability of the District's infrastructure and operations with professional, respectful, and courteous, customer service.*** With that purpose as my hallmark it is my job to make North Beach Water as effective and efficient as possible as I direct the expenditure of its resources.

North Beach Water must do the right things, at the right time, and for the right price with one and only one goal in mind. To achieve the highest value for the expenditure of our ratepayer's investment in "District resources".

The District's resources are not just kept in banks. The District has equity in every building, water well, pump, reservoir, and component that is the infrastructure of our water system. The District has equity in "institutional knowledge" collected by employees each day that they work. The District has equity in the training and education our employees and decision makers receive. The District has equity in the relationships developed with other utilities and municipalities, vendors, regulators, legislators, and trade associations. All of these resources need to be managed in an effective and efficient manner.

In order to capitalize on effectiveness and efficiency in managing the resources of the District the General Manager has expressed to

the Board of Commissioners the need to create a hub or center of operations for the District.

Field operations and business operations are very much interwoven in the day to day activities. The effectiveness and efficiency of these operations is hindered by their physical separation. The goal of the General Manager is to have one central location or hub of activity for both the field operations and the business operations. The public comments listed below can be melted down into three main categories:

1. Those in favor of purchasing the Ramsay Building and remodeling it to meet the District's needs.
2. Those in favor of building an Office in conjunction with the equipment/storage building at the North Well Field.
3. Those in favor of remaining in the current location.

There were other suggestions made but they were not shared by more than one or persons.

The District received a total of twenty six comments from the public on the Business Office location. Of those, two (8%) wanted the District to stay in the current location and use the dedicated fund to lower rates. Six (23%) wanted the District to either purchase the Ramsay building and remodel it to meet the District's needs or they were against moving the Business Office to the North Well Field. Eighteen (69%) were in favor of building an office at the North Well Field.

There were a few salient points from the public comments that I would like to address individually in this report:

The Business Core of Ocean Park

Several of those opposed to moving to the North Well Field expressed concerns about the District moving out the "business core area of Ocean Park". They expressed concerns that such a move would have a detrimental effect on other businesses in the area and would be a breach of an implied commitment made by the founders of the North Beach Water District to the community.

Effective and efficient management of the District's resources requires its decision makers and managers to place the rate payer's best interest at the top of their priority list. The business community in Ocean Park are rate payers of the District and it is in the best interest of the District and the community in general to have a vital and vibrant down town atmosphere.

The best way the District can support an atmosphere where a vital and vibrant down town area is to make fiscally responsible decisions that will contribute to water rates that will attract revenue producing businesses to the down town area. In a different economy the business community would likely be encouraging the District to relocate to make room for a business that would be more compatible to their Community Master Plan (income generating).

The Business Office in Ocean Park Benefits Rate Payers

Comments were made that many of the ratepayers benefit by having the business office located in down town Ocean Park. Ratepayers can conveniently drop by the office to pay a bill, ask a question about their water service, or take care of other business with the District.

There are a small percentage of rate payers who come to the business office to pay their bill, seek information, dispute a charge, or apply for new service. Out of necessity those ratepayers would travel to the office on 272nd Street if it is relocated there. For some it may be more convenient and for others it may be less convenient.

It was suggested that the District purchase the Ramsay building and remodel it to meet their needs.

It was suggested that the District should purchase a 10,000 square foot parcel of land located in Ocean Park and build the equipment building and possibly the office on that land.

The District investigated the feasibility of combining the field and business operations purchasing the Ramsay building and making an addition to it. The Ramsay property could be modified to provide adequate office space and a modest sized public meeting room for the District along with a garage for up to four service pickups. The drawbacks to that plan were:

- There would be no room for future expansion or outside storage
- The crew and management would be physically separated from the primary production, treatment, and telemetry infrastructure.
- The crew and management would be physically separated from the primary shipping and receiving area.
- The crew and management would be physically separated from the materials and supply storage area.
- The crew and management would be physically separated from the water testing laboratory.
- The estimated cost of the project was excessive.

As discussed earlier the need to consolidate the operations to a central location is strategic to effective and efficient management of District's resources. Utilities will go to great lengths to consolidate their operations in close proximity to their primary infrastructure centers. They do this for the sake of effective and efficient operations. It does not take a very detailed plan to enumerate the drawbacks in segregation of operations and management.

Sixty nine percent of the interested ratepayers were in favor of moving the Business Office to the North Well Field. It appears that the community is more concerned about an implied commitment to make fiscally sound decisions than an implied commitment to maintain a visible presence in down town Ocean Park.

The District Lacks Plans

Governing bodies of public agencies have both a statutory duty and a public responsibility to plan for their agencies future. Dwight D. Eisenhower once said *"In preparing for battle I have always found that plans are useless but planning is indispensable."* Comprehensive plans are expensive and time consuming to prepare and approve and often become obsolete long before their value has been extracted from the cost. Appropriate planning is always commensurate with the level of the need and are flexible to accommodate the unforeseen.

The Commissioners of North Beach Water District have invested significant time and funds in Planning for North Beach Water District's future.

In 2011 the General Manager identified the need to invest in significant infrastructure improvements. In response to that need, the Board approved a contract with Gray and Osborne, consulting engineers, to begin the planning process with an evaluation of the effectiveness and efficiency of the filtration plant at the North and South Well Fields. That evaluation resulted in a plan for infrastructure improvements at the North Well Field, South Well Field and what is now called the Wiegardt Well Field. Those plans were incorporated into the 2008 Water System Plan's Capital Improvement projects along with existing Capital Improvement projects for water main loops.

In 2012 the Board was awarded two low interest (1.5%) loans that totaled \$3,081,754. \$657,189 of those loans came in the form of a grant that will not be repaid by the District. That plan will result in significant improvements to District infrastructure.

The Board approved the 2014 budget that appropriated:

- \$61,000 for a Comprehensive Water System Plan that is required by the Department of Health.

- \$30,000 for a Water Rate Study Plan that will provide a financial plan to adequately and appropriately fund the operating and capital needs of the District's water utility. The plan will provide the Commissioners with a basis for developing rates for water service that are cost-based defensible and equitable to the District's ratepayers.

The Board has demonstrated a commitment to planning for the future success of the District.

- The Board planned for the Business Office as seen in Resolution 13-2013 (Bond Project).
- The Board identified the need for a Business Office, estimated the cost, and secured the funds at low rates and without increasing their debt burden.
- The Board requested the collective wisdom of the public before they finalize their plans to acquire a Business Office.

The Board has demonstrated a commitment to public involvement in the planning process.

The Estimated Cost per Employee Work Space.

It was suggested that the cost of the building per employee who would work there would be significantly more than the recently completed Pacific County Fire District No. 1 Office Building.

Pacific County Fire District No. 1 built a new office at 26110 Ridge Avenue Ocean Park, WA 98640. The building has approximately 1,100 square feet of office space, 288 square feet of carport, 240 square feet of attached garage, and 36 square feet of covered porch.

The District is contemplating a building that includes 1,000 square feet of office space, 1,224 square feet of public meeting space, 480 square feet of tools and materials storage, and 3,000 square feet of vehicle and equipment storage.

Any comparison between the two buildings including cost of construction, use, benefit to the public, and value of the project to the ratepayer would need to be much more detailed to provide a true value based comparison. The oversimplified comparison suggested in the public comments does not take into account relevant differences between the proposed uses of the two buildings resulting in duplicitous conclusions.

Increased Risk of Contamination of Wells

It was suggested that the increased activity at the North Well Field would result in increased potential for contamination of the wells.

The District operates 8 wells at the North Well Field:

Well No. 1: Date Drilled: July 1962
 Depth: 276 feet
 Yield: 80 gpm (original 125 gpm)
 Quality: Moderate Fe & Mn
 Condition: Well is 52 years old and its yield is slowing down. The well has less than 5 year's life expectancy as a full time production water well. It could last longer as a back-up emergency source.

Well No. 2: Date Drilled: July 1965
 Depth: 122 feet
 Yield: 85 gpm (original 100 gpm)
 Quality: High Fe, Mn, and Moderate Ar
 Condition: Well is 49 years old and its yield is slowing down. The well has less than 5 year's life expectancy as a full time production water well. The District does not have complete control of the sanitary control area around this well. The sanitary control area around the well extends into the Pacific County Right-of-Way on 272nd Street.

Well No. 3: Date Drilled: July 1970
 Depth: 124 feet
 Yield: 90 gpm (original 125 gpm)
 Quality: Very High Fe, Mn, and Ar
 Condition: Well is 44 years old and its yield is slowing down. The well has less than 8 year's life expectancy as a full time production water well. The District does not have complete control of the sanitary control area around this well. The sanitary control area around the well extends into the property to the east of the North Well Field. The water quality from well three is so poor that Gray and Osborne recommended abandoning the source in the treatment evaluation plan.

Well No. 4: Date Drilled: April 1981
 Depth: 120 feet
 Yield: 100 gpm (original 125 gpm)
 Quality: Moderate Fe, Mn, and Ar
 Condition: Well is 33 years old and its yield is slowing down. The well has approximately 22 year's life expectancy

as a full time production water well. It could last longer as a back-up emergency source.

Well No. 5: Date Drilled: April 1986
Depth: 124 feet
Yield: 125 gpm (original 125 gpm)
Quality: Low Fe, Mn, and Ar
Condition: Well is 28 years old. The well has approximately 27 year's life expectancy as a full time production water well. It could last longer as a back-up emergency source.

Well No. 6: Date Drilled: February 1996
Depth: 130 feet
Yield: 100 gpm (original 100 gpm)
Quality: Low Fe, Mn, and Ar
Condition: Well is 18 years old. The well has approximately 37 year's life expectancy as a full time production water well. It could last longer as a back-up emergency source.

Well No. 7: Date Drilled: Unknown
Depth: 120 feet
Yield: 20 gpm (original 100 gpm)
Quality: Moderate Fe, Mn, and Ar
Condition: The well is undersized at 6 inch diameter and is of unknown design and development as there is very little information on when and by whom the well was drilled. The well is less than 25 years old. The well has significant loss of yield and is scheduled to be replaced.

Well No. 8: Date Drilled: March 1996
Depth: 130 feet
Yield: 100 gpm (original 100 gpm)
Quality: Low Fe, Mn, and Ar
Condition: Well is 18 years old. The well has approximately 37 year's life expectancy as a full time production water well. It could last longer as a back-up emergency source.

Wells 1, 2, and 3 are located to the east of the treatment plant and storage reservoirs. The remainder of the well field is located to the west of the treatment plant and storage reservoirs. There is a natural separation of the east and west sides of the property that

will allow the District to develop the west side of the property into a protected well field and the east side of the property into an office/shop for business and operations. There will be some operations on the west side of the property that are currently being conducted at the North Well Field that will continue. Other activities that have a negative impact on the sanitary control areas will be moved to the east side of the property increasing protections.

The District is working with Gray and Osborne to formalize the plan to modify the North Well Field as part of both the State Drinking Water Revolving Fund Project and the Comprehensive Water System Plan. A detailed drawing will be part of the deliverables on both of those plans. The plan includes the following actions.

- Wells 1, 2, and 3, will be abandoned as a source of water for the District. Wells 2 and 3 will be decommissioned in accordance with WAC 173-160-381. Due to the location and depth of Well #1, it will be retained as a monitoring well. The District will use Well #1 to monitor ground water level and water quality in the deep aquifer.
- Replacement wells for 1, 2, and 3 will be constructed to the west of the treatment plant at the North Well Field as identified in the yet to be delivered 2014 Water System Plan.
- The District's onsite septic system located on the west side of the treatment plant will be relocated to the east side of the treatment plant.
- The development of the property for office, equipment, and storage buildings will be done so that the natural drainage to the east (away from the well field) is maintained and enhanced.
- All equipment operated on and storage of hazardous chemicals at the North Well Field, i.e. trucks, backhoes, standby generators, lawnmowers, and other such equipment, will be stored on the east side of the North Well Field outside the sanitary control areas of the wells.

The General Manager and Mike Johnson, G & O engineer, have spent many hours planning improvements at the North Well Field that will enhance natural protections and installed appropriate protections within the sanitary control areas of the North Well Field. The construction of the business office at the North Well Field can safely be integrated into those improvements.

Summery

The General Manager recommends that the Board of Commissioners relocated the District's Business Office to the North Well Field for the following reasons:

- An operations center located at the North Well Field provides for the most effective and efficient use of District resources.
- Relocating the Business Office to the North Well Field will require site improvements that will enhance the protection of the sanitary control areas of the water wells in the North Well Field.
- The initial cost of relocating the Business Office to the North Well Field will be the same or less than other options.
- Moving the Business Office to the North Well Field has the support of the majority of the ratepayers who have provided comments to the District.

The General Manager recommends that the Board of Commissioners authorize the General Manager to negotiate a contract with Gray and Osborne to design the business office/equipment building and site work including specifications and bid documents so that the project will be compatible with the work Gray and Osborne are contracted to design at the North Well Field for the DWSRF Project.

List of Attachments:

Excerpt from Resolution 13-2013 - "Bond Project"

RD Williams Letter

Tom Downer Letter

Gary McGrew E-Mail

Sherry Mullennix E-mail

all assets and liabilities of the PDA. The 2006 Bond is currently outstanding in the approximate principal amount of \$2,765,000.

Section 2. The Project The Board specifies and adopts the following plan of improvements, additions and betterments to and extensions to the System: (i) purchase real property that will be a portion of the original Pacific County tax parcel No. 12113313001 consisting of the east 365 feet +/- of the original parcel totaling approximately 10.5 acres, (ii) purchase or construct a business office, and (iii) construct an equipment building at the North Wellfield, together with all planning, design, legal and financing costs (the "Project").

Section 3. Authorization and Description of the Bonds. For the purpose of refunding the 2006 Bond and financing a portion of the cost of the Project, the District shall issue its water revenue bonds in an aggregate principal amount not to exceed \$3,600,000 (the "Bonds"). The Bonds shall be designated as the "North Beach Water District, Pacific County, Washington, Water Revenue and Refunding Bonds, 2013"; shall be dated as of the date of their initial delivery to the Underwriter; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, provided that no Bond shall represent more than one maturity; shall be numbered separately in such manner and with any additional designation as the Registrar deems necessary for purposes of identification; and shall bear interest from their date payable semiannually on dates to be established pursuant to Section 16, commencing on the date and at rates to be established pursuant to Section 16; and shall mature in the years and in the principal amounts to be established pursuant to Section 16, all as shall be set forth in the Purchase Contract.

Principal of and interest on the Bonds shall be payable solely from the Bond Fund. The Bonds are not general obligations of the District, Pacific County or of the State of Washington or any political subdivision thereof.

Section 4. Registration, Payment and Transfer.

(a) *Registrar/Bond Register.* The District hereby requests that the Treasurer specify and adopt the system of registration and transfer for the Bonds approved by the Washington State Finance Committee from time to time through the appointment of state fiscal agencies. The District will cause the Bond Register to be maintained by the Registrar. So long as any Bonds remain outstanding, the Registrar will make all necessary provisions to permit the exchange or registration of transfer of Bonds at its principal corporate trust office. The Registrar may be removed at any time at the option of the Treasurer upon prior notice to the Registrar, DTC, each entity entitled to receive notice pursuant to Section 14, and a successor Registrar appointed by the Treasurer. No resignation or removal of the Registrar will be effective until a successor has been appointed and until the successor Registrar has accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution and to carry out all of the Registrar's powers and duties under this resolution. The Registrar is responsible for its representations contained in the Certificate of Authentication on the Bonds.

RD Williams Letter

April 21, 2014

North Beach Water District
25902 Vernon Ave
Suite #C
Ocean Park, WA 98640

Honorable Commissioners,

North Beach Water was the result of an acquisition and the consolidation of two private water utilities, each of which were formed in the 1960's. The District was formally created by a vote of the people six years ago and looking back over the utilities long history; the utilities never had, and to this day still have no formal planning process in place. North Beach Water needs a Facilities Plan and a Strategic Long Range Plan. The Water System Plan is only part of the planning process! Prior to making any major non-system capital expenditures, this must be addressed!

Fact, since the North Beach Water District was formed the utility has lost some 100 full time connections, or 4% of total. This is not an acceptable trend.

The flawed study, performed by a consultant from Redmond, WA did not reflect the wishes of the entire Board, only the wish list created by the General Manager, and not once through the whole process was any consideration given to the impact to the Rate Payers who will ultimately foot the bill.

The existing building considered in the study was at total disadvantage for a several reasons. The consultant was not given access to the interior of the building. The consultant was told only one restroom existed, was not up to code, and that two new restrooms would have to be constructed, when in fact there are two handicapped restrooms within. The existing drain-field will meet the current county regulations. The building has adequate setbacks if an additional structure were to be added to the property for equipment storage. A recent visit by a Pacific County DCD Building Inspector indicated the building would meet all county regulations for the intended use by the District with little expense for upgrades.

The proposal for a new building at the north well field is also flawed. The fact that space is available is not reason alone to locate a new complex at this site. This is a production field for our resource and should remain so. The District recently purchased the Ollie King property, which was located in the middle of the north well field and at the site of the proposed new structure, as a directive by the Department of Health, for the sole purpose of eliminating a drain-field in the middle which was impacting sever wells. Any new structure would increase septage requirements on the property. The proposed footprint for this new structure would essentially eliminate any future well development at the north end of the system. Do you know what your requirements will be in twenty years? The likely hood of Pacific County or the Department of Health giving approval for this facility is doubtful. Fence it! Protect it!

The capital costs for the proposed structure represents a thirty year commitment to the District. The District is only 6 years old. The District has no clue to what its long term needs are. The District is in no position to make a commitment of this magnitude without the proper planning in place. The premise for this elaborate plan is to consolidate operations, but at what costs. Utility workers do not need offices to perform their jobs. Their work is in the field. What they do need is the proper tools and equipment to perform their work in a safe and productive manner.

The proposed construction costs for this project, which appears to be very rough, are estimated to be approximately \$95,000 per employee, before taxes, permitting, and at Bacon Davis wages. By the time this project is finalized the costs could be well past \$ 1 million dollars. How can this be justified?

When the North Beach Public Development Authority began negotiating for the purchase of Pacific Water Co, and Ocean Park Water Co, a commitment was made to the community that there would always be a very visible presence within the core community of Ocean Park. A presence of which the community could be proud of their accomplishment and the foresight of having a community owned water system. That commitment included being near other services such as Banking, Dining, Fire, Grocery, Pharmacy, Transportation etc. That commitment is not fulfilled by relocating the Water District Office into an area which is basic residential and has no access to any of these services. Other businesses within our community are struggling and we are on the brink of losing those core values. The Fire District considered relocating its headquarters out of the core area and chose to stay in support of their community. Currently the Pharmacy is considering a major expansion on Bay Ave. The Water District plays a much bigger role in our community than is being presented and should remain in the core, as well.

The purchase of the building considered in the study is a zero-sum decision for the District. The cost per employee is nil. Over twenty years the financials indicate, at the current bond rate, of actually trading rent dollars for ownership. The purchase of this building is a place holder for the future. When adequate planning is in place and the Districts vision is clear, then and only then should such an ambitious undertaking be considered. Purchase of the proposed building is there for future collateral.

The sale of a vacant parcel along south U St. should be sold to generate funds towards a building for equipment storage. The Bond money does not and should not be spent in excess, all at Rate Payers expense.

Going forward, the District needs to concentrate on solving the problems of an aging infrastructure, improve system hydraulics, while continuing to focus on water quality. Utilize the excess dollars from the bond to continue to methodically upgrade the system. As part of the overall planning process create an incentive plan to gain the confidence of those lost customers and look for positive ways to expand the rate base. By attracting new customers to the system it insures that the rates serve a broader section of the community. With more rate payers it will also provide a path for continued financial viability.

Having spent the majority of my career in the utility industry and almost 20 years as a planner, I cannot emphasize the importance of solid planning for the future. Develop your plan and work it.

As elected officials you have the charge to insure physical and fiduciary responsibility to the District and to its Rate Payers. Your success will be measured in the Quality of Service you deliver, not by building something you are not ready for. Check your personal agendas at the door, be good stewards, and plan for the future!

Sincerely,

R D Williams
Nahcotta

Tom Downer Letter

March 20, 2014

Board of Commissioners
North Beach Water District
P.O. Box 618
Ocean Park, WA 98640

Re: Location of North Beach Water District Office

Dear Commissioners:

The architect's feasibility study, by omission, is fatally flawed. Fundamental to any responsible evaluation are such things as comparisons of occupancy costs, the long-term effects of adding significantly to the fixed costs of the district, how the added cost will be borne, how a large expenditure will contribute (positively or negatively) to the broadening the District's customer base, and analytics associated with return on capital.

Public Utility District No. 2, in its Tokeland expansion folly, demonstrated a litany of shortcomings and inappropriate behaviors that severely damaged the public's confidence and support. Please take a moment to consider how the PUD responded to the public. Below are five questions for North Beach Water District that have parallels to concerns raised by PUD ratepayers:

1. Please make available the District's short term and long term plans, created through the formal planning processes and adopted by the District, that enumerate the goals of the utility.
2. The architect's proposals compute to \$140,000 to \$160,000 for each employee work space. Pacific County Fire District No. 1 recently constructed a new office building in Ocean Park at a cost of \$50,000 per employee work space. What would explain the cost multiple?
3. Explain how an outlay of \$500,000 to \$1,000,000 figures into the rate structure (past present, and future) and divide out the cost to show the average ratepayer contribution for this project.
4. Compare the expenditure in acquiring a new office to the fair market value of that asset. If it won't appraise for the cost of construction, please justify the expected loss.
5. Please provide your worksheets to show the calculations of financial advantage to owning office space. The comparison should include the cost of capital together with the loss of benefit that could have been derived from alternative uses of capital.

The District's Mission Statement and Goals are not met through the choices named in the feasibility study but they can be fulfilled through a low-cost alternative. Below is the outline of an idea that delivers all of the desired outcomes named in the feasibility without compromising the mission or any of the goals.

Please consider remaining in your current office location. The District enjoys a low cost of occupancy. There is additional office space available at the current location. It affords the opportunity to the expand office space for the telemetry project, and then vacate that space when the task has been completed.

There is 10,000 square feet of vacant land, zoned "commercial," that is proximate to the current office. That property is for sale and at a very reasonable price. The construction of a maintenance and storage facility at this location will remove the challenges of separation between management and staff while maintaining good visibility and a connection to the community. Concerns associated with building in proximity to the well field are erased. The addition of office space and parking on the site are options that would remain open for future consideration.

I would urge you to take the following actions:

- Secure a long-term lease on the existing office space. Coupling this with an option to purchase would be ideal.
- Secure a purchase agreement for the vacant land.
- Use bidder design for the maintenance and storage facility as a means of cost containment. The project cost will be below the amount that triggers the statutory requirement to retain an architect or bond counsel.
- Post the District's written plans to the website. The public will better understand and accept that a plan has been carefully considered and that needs are anticipated, clearly identified, prioritized, and aligned with the budget.
- Assess ratepayer priorities.
- Ask the public to test your plan for weaknesses before finalizing any major capital expenditure decision. Be open to criticism. If a proposal cannot stand on its merits, don't force it down the throats of ratepayers.

It is my firm belief that the top priority of the District is to maintain a focus on the diluting of fixed costs. That's the one and only way to deliver more service for less money. All stakeholders win when the cost of connecting to the system makes the District's value proposition more appealing than the private well alternative.

Thank you for considering these comments in deciding a course of action that best serves the needs and desires of ratepayers.

Sincerely,

Tom Downer

Bill Neal

From: Gary McGrew <gmcgrew@lighthouseproperty.com>
Sent: Wednesday, March 19, 2014 4:38 PM
To: generalmanager@northbeachwater.com
Subject: For the Record

Hi Bill,

I will be out of town Saturday when your public meeting is scheduled to discuss new office space for North Beach Water.

I respectfully request that this email be read into and made a part of the record.

North Beach Water and its presence is an asset to the core area of Ocean Park.

The core area of Ocean Park needs the water district office.

Re-locating to the vacant building across the street from North Beach Water would be an excellent investment for this utility and in our community.

Remaining in the core area provides easy access for the public. Quite often I send new residents, from our Lighthouse Realty Office, across the street to open a water service account

The core area of Ocean Park has many vacant buildings and has recently lost two more business, Sweet Williams and The Dunes Restaurant.

Please support our community by remaining in the core area of Ocean Park.

Thank you,

Gary McGrew
26215 Sandridge Road
Customer, North Beach Water
360-665-0095

Gary McGrew, Broker
Lighthouse Realty
PO Box 431
25810 Vernon Ave
Ocean Park, WA 98640

Cell (360) 783-2831

Office toll free (800) 854-0032
Fax (360) 665-6949

Bill Neal

From: Butch & Sherry <butch_sherry@sbcglobal.net>
Sent: Wednesday, April 2, 2014 9:06 AM
To: bneal@northbeachwater.com
Subject: Change location for office

Dear Mr. Neal,

I would like to be heard on the office situation. I feel building a new office with the operation yard is more efficient decision. I worked for 23 years at a Water District in Ca for 23 years. I understand what you are trying to do. I heard some complaints like how the trucks are parked in front of the office. I understand why but the ratepayers do not. So having everyone in one place will help. I hear all the same complaints that I heard where I once worked. Bottom line is the Ratepayers do not increases. So having everybody in one place is more efficient and saves money. It will not solve all the problems but this is a beginning.

Thank You,
Sherry Mullennix