

ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT MINUTES

21 August 2020

A video teleconference meeting was held in light of the COVID-19 pandemic. A quorum was present

Water Board: Dan Seifer, President
Debra Birkby, Vice-President & Treasurer
Linda Murray
Nadia Gardner
Lauren Ahlgren

Sanitary Board: Darr Tindall (non-voting)
Chris Anderson (non-voting)
Carl Matson (non-voting)
Bill Campbell (non-voting)

Public: Rick Gardner, Arch Cape Forest Finance Committee Chair
Clark Binkley, Arch Cape Forest Finance Committee Member
Ben Dair, Senior Manager of Conservation Finance, Sustainable NW
Mike Manzulli
David Stockton
Jeannie Stockton

Staff: Phil Chick, District Manager
Steve Hill

Mr. Dan Seifer opened the meeting at 6:02pm.

Mr. Seifer called the meeting to order and confirmed that all directors were present. A roll call was then conducted including members of the public. He referred anyone needing technical assistance to contact Mr. Chick at 503-739-2348.

Public Comments: Mr. Mike Manzulli thanked the board for continued work on the Arch Cape Forest acquisition effort. He felt the emphasis should be to first protect the watershed for drinking water quality and should be the first priority above any recreational use or timber harvesting as appears for revenue generation. A lighter touch with respect to log sales is desirable.

Agenda: Change Old Business item 'A' heading to read Arch Cape Forest Watershed Update. Ms. Ahlgren moved approval of the agenda as amended which was seconded by Ms. Birkby. All in favor. Motion carried.

Consent Agenda: Ms. Birkby moved approval of the consent agenda as amended which was seconded by Ms. Gardner. All in favor. Motion carried.

Old Business:

Arch Cape Forest (ACF) Watershed Update:

Forest Legacy Grant (FLG): (Information) Mr. Chick said that with passage of the Great American Outdoors Act by congress there would be full sustained funding of the Forest Legacy Grant Fund and from what was communicated by Ms. Amy Singh of the Oregon Forest Legacy Program, Oregon Department of Forestry that we should get our \$2.5M phase II application. Our application is ranked number twenty-two (22) out of twenty-nine (29) and it's nearly definite that we will get it. He further said that we should be signing our contract for the phase I \$1.0M FLG award by the September meeting.

Beyond the total \$99M current funding there is another \$55M more available and Ms. Singh said she would attempt to obtain for the district another \$500-600K if possible. It is likely that other projects will also be applying for these extra funds, but it is encouraging for our project nevertheless.

We have a Wednesday deadline for the FLG phase III application of \$3.1M should we not be awarded the \$2.5M in phase II. Mr. Ben Dair is sprucing up the application.

Mr. Chick communicated that there were hopes that we could have one closing for the purchase from EFM and we should plan on having a working session with Ms. Singh once we have a grant contract signed.

Ms. Gardner raised the prospect of developing a land stewardship plan which she had encountered in other conservation purchases.

Mr. Chick said that we were working through due diligence with Onion Peak Holdings assisted by Mr. Greg Fullem of Swabe and moving towards an appraisal.

HP 19 Road Project: (Information) Mr. Chick said that he expects a couple of days 'heads up' soon for a culvert removal by EFM's contractor Pacific Forest Management. He said there was a further potential failure issue with the Asbury Creek road. Mr. Clark Binkley volunteered to look into this with EFM's Executive Director and would set up a meeting to discuss further.

Ms. Darr Tindall called the Sanitary District meeting to order at 6:29pm with the following directors in attendance; Ms. Birkby, Mr. Anderson, Mr. Matson and Mr. Campbell. A quorum was present.

Arch Cape Forest Finance Committee Plan: (Information) Mr. Gardner presented a summary of the Arch Cape Forest Finance Committee Plan (attached) which included a time line for funding, a water district levy and actions with EFM. A summary of the Greenwood Resources review of the proposed acquisition was presented along with the business case assumptions, the first five year financial summary as well as in five year blocks through the twenty-fifth year of the

project. Five year summaries of the net gains / losses and their cumulative cash position through year 2067 concluded the presentation.

A general discussion ensued regarding the slides shown which touched upon the funding provided by the Forest Legacy Program and the timing necessary for a levy if pursued. Mr. Clark Binkley indicated that he was willing to continue as consultant to the project; to interact with Greenwood and monitor the NCLC appraisal process. It was reported that progress was being made in forest yield modeling.

Certification by the Forest Stewardship Council (FSC) and it's implication for managing the Arch Cape Forest in meeting the highest environmental and social standards was also discussed. Ms. Nadia Gardner said she was uncomfortable with the 80% cut permitted by FSC standards and that there were other donation opportunities which could take pressure off of cutting more trees for revenue where the focus would be upon conservation and not to create a 'tree farm'. Mr. Seifer offered that in the years following the ACF purchase would provide more options in moving towards a higher conservation standard than provided by the FSC.

Alternative funding sources were raised including Oregon Watershed Enhancement Board (OWEB) grants funded by the Oregon Lottery, the Murdock Charitable Trust, Oregon Community Foundation (OCF) grants, Carbon Credits as utilized by the Astoria Urban Forest, soliciting private donations within Arch Cape and the Oregon Conservation & Recreation Fund.

Mr. Ben Dair said he would generate a recap of funding opportunities. He further indicated that while he could help in identifying funding sources he could not personally solicit private donations.

Having a video presentation for the public was offered as a possibility along with public hearings, and placement of the summary presentation on the ACF website. An emphasis on a simplified messaging approach was encouraged by Ms. Ahlgren.

Oregon DEQ Loan: (Information) Mr. Campbell said that, per legal counsel advice, the sanitary district needs to document its benefits in the Arch Cape Forest community forest purchase of the communities watershed.

The point was made that the present intergovernmental agreement (IGA) between the districts provided for a joint personnel and contracts committee and it was suggested that we should amend the IGA to include the Arch Cape Forest and go forward as a collaborative effort.

Mr. Campbell again pointed out that the purchase and loan to make it possible needed to be of benefit to the sanitary district and recommended legal counsel review and assessment of the documented benefits. He said that he is working with Sustainable NW and should have a benefits recommendation by the September meeting and a review by sanitary district counsel Eileen Eakins.

Mr. Seifer said he would work with Ms. Tindall so that they were on the same page on a DEQ loan.

Local Option Levy: (Action) Ms. Gardner recommended a change in the ballot title.

There was a common consensus to request \$0.40 per thousand of water district assessed valuation should a levy be put forward for an ACF purchase. Mr. Hill said he would update the purchase model to reflect this level.

There was discussion regarding the alternative use of the levy proceeds should a purchase of the ACF fall through. It currently is proposed to state that the funds would be used to enhance the water filtration ability of the water treatment plant which it was pointed out would be necessary should another forester obtain the property and manage it by present Oregon Forest Practices Act (FPA) provisions and the resultant runoff and turbidity which could be expected.

Outreach Efforts: (Information) Mr. Chick indicated that he had been working with NCLC's executive director Ms. Katie Voelke in developing an outreach effort and that Katherine Lacaze a writer with NCLC would do from three to five (3 – 5) hours of work weekly for us on Facebook and the website and post three (3) times weekly.

Ms. Voelke offered that working with just some of the money that NCLC is holding on behalf of Arch Cape in an outreach program can get thousands in return.

It was stated that there were 156 registered voters in Arch Cape.

Ms. Gardner said that she knows fund raising and suggested that we consider a Mr. Joel Caris who is reputedly great with fundraising and also experienced with writing grant applications.

Ms. Ahlgren said that her interest is in doing outreach work but won't know until September's meeting if she can commit to that given this is her busiest time of the year.

Ms. Linda Murray agreed to chair an outreach committee comprised of Ms. Debra Birkby, and Mr. Chris Anderson. Mr. Ben Dair said he would provide a 'fact sheet' for the committee's use.

Community Forest Advisory Committee: (Information) Reference was made to Mr. Ben Dair's memo addressing establishment of an advisory committee and this item will be on September's agenda.

Covid-19 Emergency – Accounts Receivable Report: (Information) Mr. Hill reported that less excess water was being booked and therefore less excess usage fees were to be expected than experienced at this same time last year.

New Business: None.

Reports:

District Managers Report and Correspondence for Action: (attached)

Treasurer's Report: Ms. Birkby reported that she had balanced the accounts from May thru July of this year. The July balance held in the Columbia Bank checking account was \$76,790.37 and in the LGIP account of \$293,292.24.

Board of Directors' Comments and Reports: Ms. Birkby expressed her regret that Mr. Gardner, Mr. Binkley and Mr. Dair were no longer online in the Zoom to hear her thank them for their work.

She is grateful for their efforts. Ms. Murray said she agrees with Ms. Birkby and was impressed with the Finance Committee's presentation. Ms. Ahlgren said it was effective to see the breakdown of the forest financing effort and felt simplifying this information for the public and that we had a good story to tell. She additionally said she was thankful to be on the board.

September Agenda Items: (Information) Watershed update, DEQ loan, Updated ACF finance committee outlook, levy, outreach efforts and community forest advisory committee.

Public Comment: Mr. Dave Stockton expressed his view that money gives you choices. The Finance Committee gave good information on how that can be done and you have to go with your base plan. The time frame that you need the money for is for the first five to ten years. In the short term we need the cash flow and Mr. Rick Gardner and Mr. Clark Binkley did a good job in presenting that plan.


The meeting was adjourned by Mr. Dan Seifer at 8:36 pm.

Respectfully submitted,



Steve Hill

Attest



Mr. Dan Seifer, President

Arch Cape Water District Finance Committee Report

Agenda

August 21,2020

- **Program Schedule**
- **Greenwood Resources Review**
- **Business Case**
 - **Assumptions**
 - **Forest Management Operations**
 - **Financial Summary**
- **Next Steps**

Arch Cape Watershed Acquisition Plan

ACWD Levy & Option Exercise 2Q/2021

FUNDING:

FLP I. (\$1.0M) ▼ Awarded

FLP II (\$2.5M)

Other Grant Submittal

Clatsop County (\$250K)

DEQ Loan (TBD)

Contract
31

GAOA Signed
4

FLP III

Budget Approved
25

Briefing IGA Approval
19 25

IGA

\$ to Escrow

New Commissioners

Submittal
18

Initial Approval
20

Walmart

Funds Available
Sep 2021

ACWD LEVY

Approval to Proceed
15

Submittal to County
26

Election
18

ACWD/EFM ACTION:

Purchase Agreement ▼ Complete

Block(s) Definition

EFM Agreement

Appraisal

Initial 19 GWR Input 28 Updated 21

Instructions & Appraiser

Start

Complete

Due Diligence

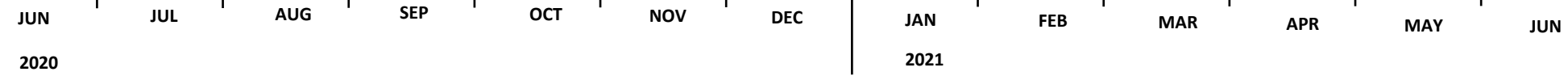
Business Case Evaluation

Go/No Go Decision (Option Fee)
25

Option Exercise

OPTION EXERCISE REQMNTS:
 - FLP I & II Funding (\$3.5 M)
 - Clatsop County Funding (\$ 250K)
 - DEQ Loan Approval (\$ TBD)
 -ACWD Levy Approval (\$ TBD)

Option Exercise
TBD



SUMMARY OF GREENWOOD RESOURCES REVIEW OF ACWD FOREST MANAGEMENT AND FINANCIAL ANALYSIS OF PROPOSED ONION PEAK ACQUISITION

- **Objective:** independent, professional third-party review of forest inventory, growth and yield, management activities (including road retirement and maintenance), harvest schedule and price/cost levels and forecasts.
- **GreenWood Resources** (“GWR”) offered to conduct the review
 - GWR manages the large “Lewis and Clark Timberlands” (“LCT”) property adjacent to the north border of Onion Peak property; Mark Morgans, LCT Area Manager previously managed Onion Peak for Willamette and Weyerhaeuser prior to its sale to Stimson.
 - GWR had conducted similar review for NCLC.
 - GWR team included Morgans, Chad Washington (silviculture) and Kevin Brown (forest operations)
 - GWR reviewed harvest schedule, management plan and financial model
 - Review included two-hour Zoom meeting, a half-day field visit and oral report to Finance Committee
- **Key findings**
 - Inventory methodology and results were appropriate and acceptable; proposed “continuous forest inventory” with permanent sample plots is reasonable measured every five years is reasonable
 - Growth-rate assumptions are reasonable but ACWD should develop a formal growth model using free FVS software calibrated with Onion Peak inventory data

- Silvicultural plan (wider riparian zones; with small clear cuts and block retention) is appropriate for land dedicated to domestic water supply.
- Harvest levels are reasonable given objectives and initial timber stocking
- Management plan should be re-visited every five years
- Price and cost assumptions are generally in the right range [NB: we explicitly excluded any formal discussion of exact prices and costs due to confidentiality deed with EFM]
- The road system suffers significant deferred maintenance with considerable risk of loss of key road segments (e.g. slump on Asbury Creek main); EFM should either take care of these problems or expect a purchase price reduction to account for the costs involved.
- The Oregon Forest Practice Act is currently under revision with a general expectation that the resulting regulations will be considerably more restrictive (more like those in Washington); the expected new regulations will, all else equal, reduce the value of forest land. This risk should be specified in the appraisal instructions.
- The appraiser selected should have experience in coastal, hemlock-dominant forests so they do not over-estimated future growth rates.

Other Consideration:

Greenwood is offering ACWD Project -level consulting. Would allow ACWD to take advantage of GWR industry expertise & relationships on specific projects.

Arch Cape Watershed Acquisition Plan

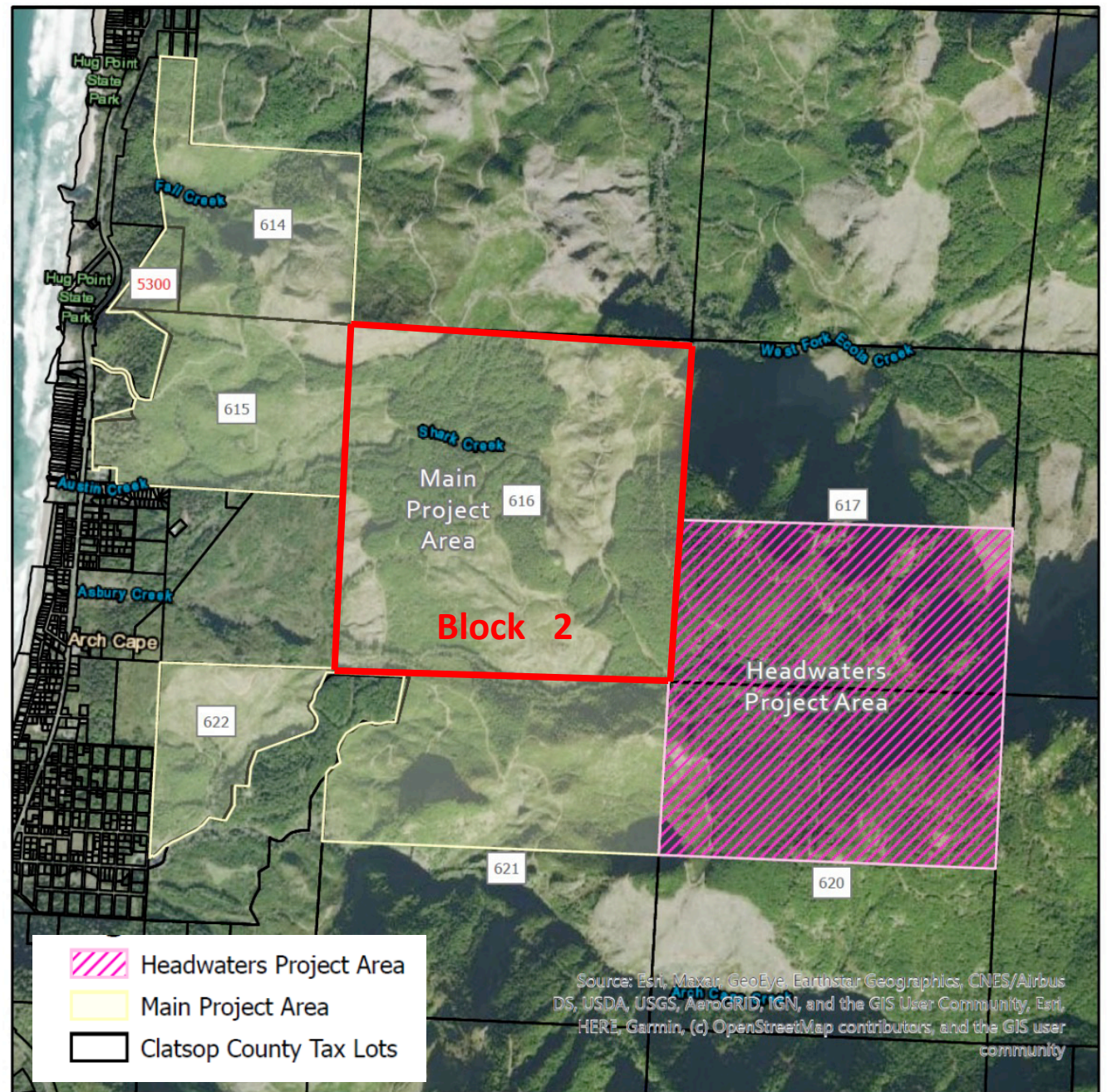
Business Case Assumptions

- **Purchase Price (\$ 5,350K)**
 - Based on comparable coastal timber land sale (Lincoln county)
 - Includes 3% contingency (\$174K)
 - Price reduced for for EFM deferred work statement (\$326K)
 - Parcel purchase in two blocks: Block I 2021, Block II 2023
- **Funding Sources**
 - Forest Legacy Program grants (\$ 3,500K)
 - Clatsop County (\$250K)
 - Other donations (\$ 200K)
 - DEQ "Green" loan (\$ 1,725K with \$ 500K forgivable): 20yr loan @ 1.59%
 - ACWD levy (\$ 0.35/\$1,000 assessed value) Roughly \$59K for 10 years
 - Timber revenues
- **Forest Management Operations**
 - Harvest Guidelines: 50-80% harvest of available trees under current OFPA
 - Initial harvest: Block I 2022; Block II 2024
 - Deferred work statement schedule
 - Road maintenance: 2022
 - Timber stand improvements (Old & Young): 2024
 - No contingency included ... no escalation in costs (inflation) included
 - No non-timber harvest revenues or costs included

Block Attributes

- Block 1** **818 Acres**
- mostly outside watershed
 - less mature timber
 - target acquisition: 2021
 - potential initial harvest: 2022

- Block 2** **640 Acres**
- predominantly watershed
 - significant mature timber
 - target acquisition 2023
 - potential initial harvest: 2024



Source: Esri, Maxar, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community, Esri, HERE, Garmin, (c) OpenStreetMap contributors, and the GIS user community



Forest Management Operations

Financial Summary (\$ in 000's)

	Year 1	Year 2	Year 3	Year 4	Year 5
OPERATING REVENUES					
Block 1 Timber Harvest	250.8				
Block 2 Timber Harvest			456.8		
Other Revenues					
Total Revenues	250.8		456.8		
OPERATING EXPENSES					
Deferred Road Maintenance.	100.0				
Deferred Timber Stand Improv.			226.4		
Road Maintenance		25.0	25.0	25.0	25.0
ODF Fire Patrol Fee	2.4	2.4	2.4	2.4	2.4
Forest Managment Plan	20.0				
Inventory					
Certification	10.0	1.5	1.5	1.5	1.5
Contingency					
Total Operating Expenses	130.0	28.9	255.3	28.9	28.9
NET OPERATING GAIN (LOSS)	118.4	(28.9)	201.4	(28.9)	(28.9)

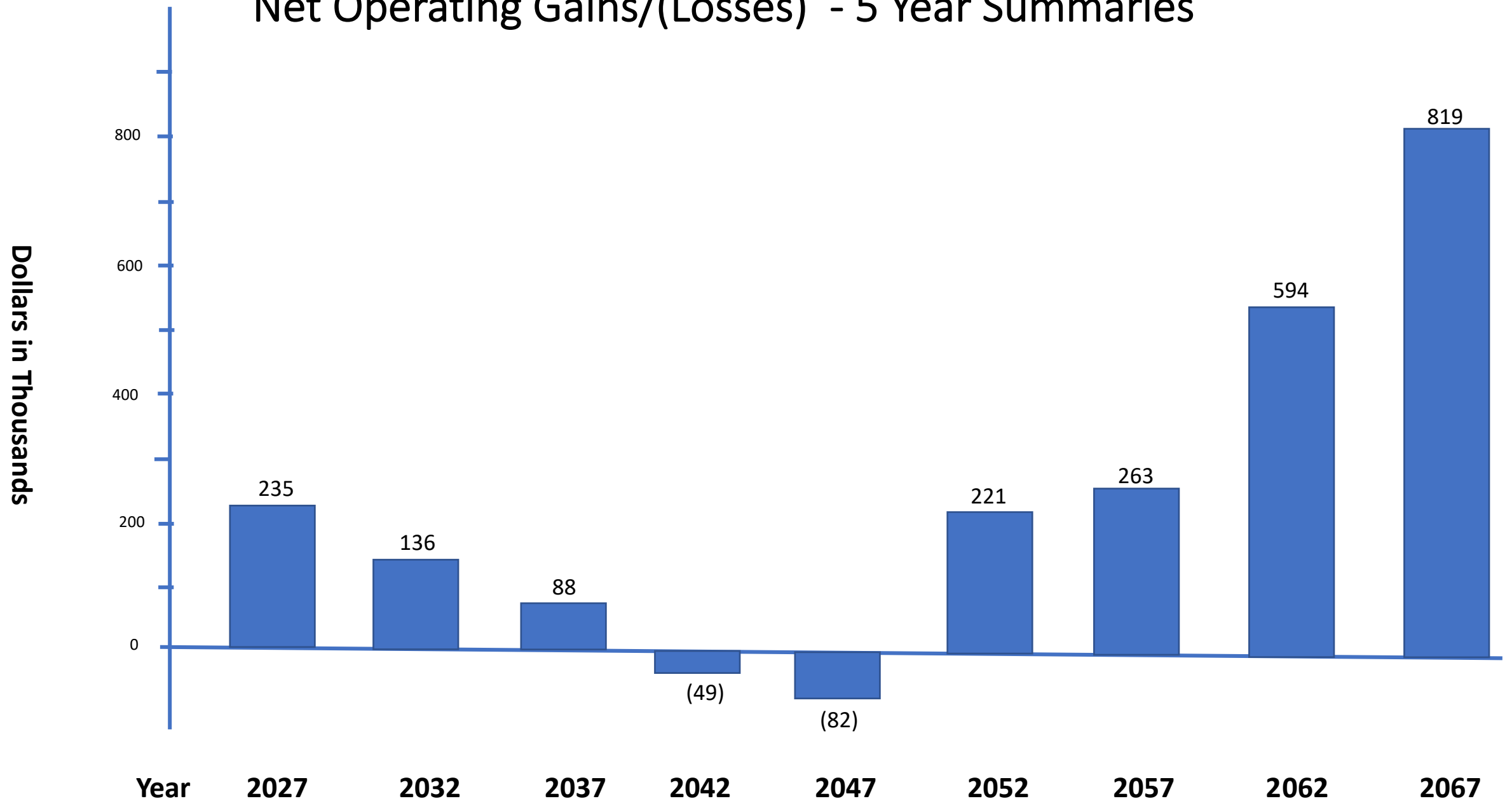
Forest Management Operations

Financial Summary (\$ in 000's)

	Year 1	Year 2	Year 3	Year 4	Year 5	Summary Data		
						Year 0-5	Year 6-10	Year 11-15
OPERATING REVENUES								
Block 1 Timber Harvest	250.8					250.8		
Block 2 Timber Harvest			456.8			456.8		
Other Revenues								
Total Revenues	250.8		456.8			707.6	300.7	252.4
OPERATING EXPENSES								
Defered Road Maintenance	100.0					100.0		
Defered Timber Stand Improvement			226.4			226.4		
Road Maintenance		25.0	25.0	25.0	25.0	100.0	125.0	125.0
Forest Management Plan	20.0					20.0	5.0	5.0
ODF Fire Patrol	2.4	2.4	2.4	2.4	2.4	12.0	12.0	12.0
Inventory							15.0	15.0
Certification	10.0	1.5	1.5	1.5	1.5	16.0	7.5	7.5
Contingency								
Total Operating Expenses	132.4	28.9	255.3	28.9	28.9	474.8	164.7	164.7
NET OPERATING GAIN (LOSS)	118.47	(28.9)	201.5	(28.9)	(28.9)	232.9	136.1	87.7

Forest Management Operations

Net Operating Gains/(Losses) - 5 Year Summaries



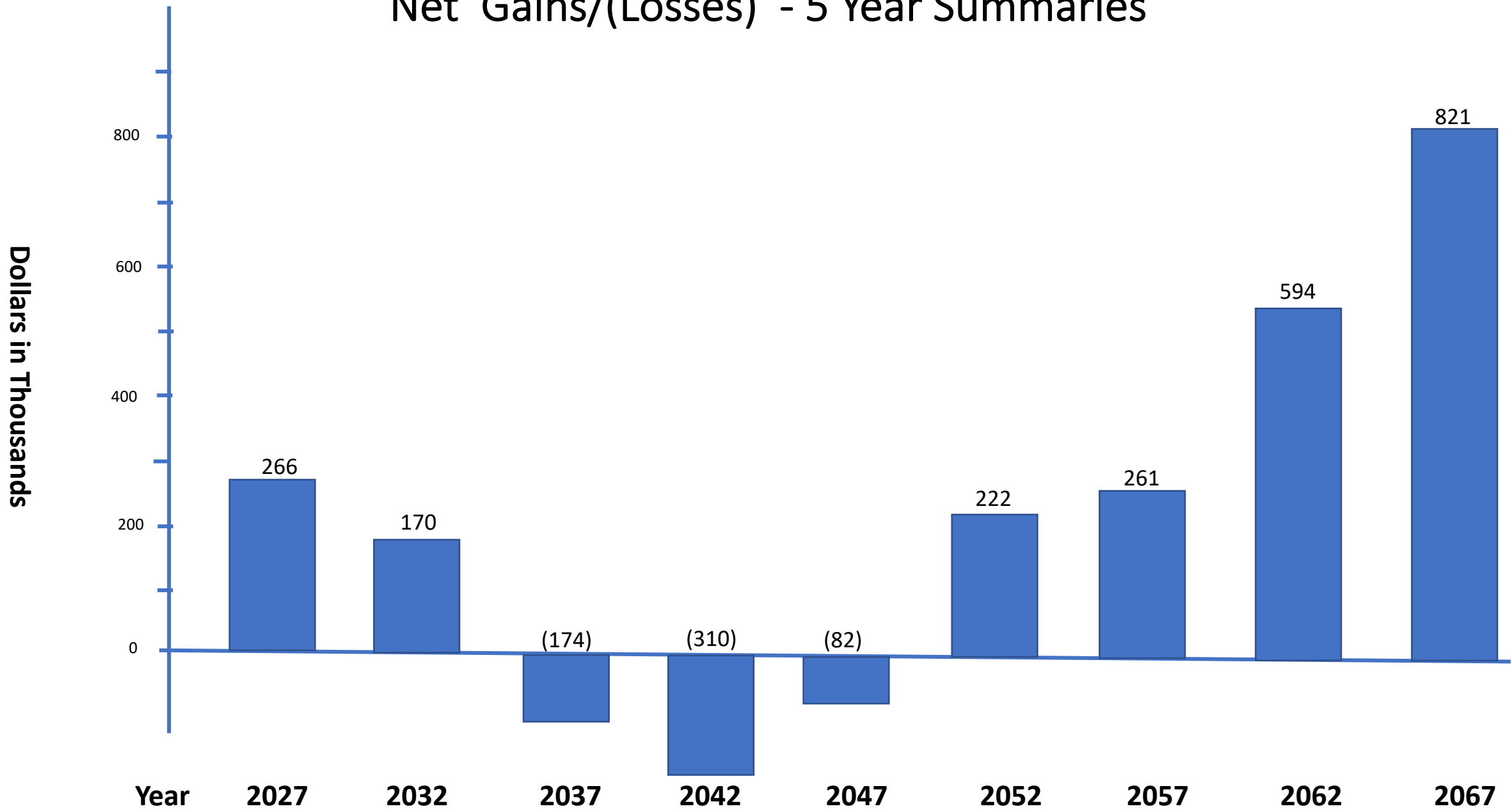
Arch Cape Watershed Acquisition Plan

Financial Summary (\$ in 000's)

	Year 0	Year 1-5	Year 6-10	Year 11-15	Year 16 -20	Year 21-25
PRICE						
Estimated Price	5,500					
Contingency (3%)	174					
Deferred Work Statement.	(326)					
Total Price	5,350					
GRANT & DONATION FUNDING						
Forest Legacy I & II	3,500					
Other	200					
Clatsop County	250					
DEBT						
DEQ (Tot. Loan/Forgivable)	1,390/500	(262)	(262)	(262)	(262)	
Early Principal Payment						
RECURRING						
ACWD Levy Proceeds		295	295			
Net Timber Revenues		708	301	252	116	83
Forest Management Costs		(475)	(165)	(165)	(165)	(165)
Contingency						
Net Cash		266	170	(174)	(310)	(82)
Net Cum Cash		266	436	262	(48)	(130)

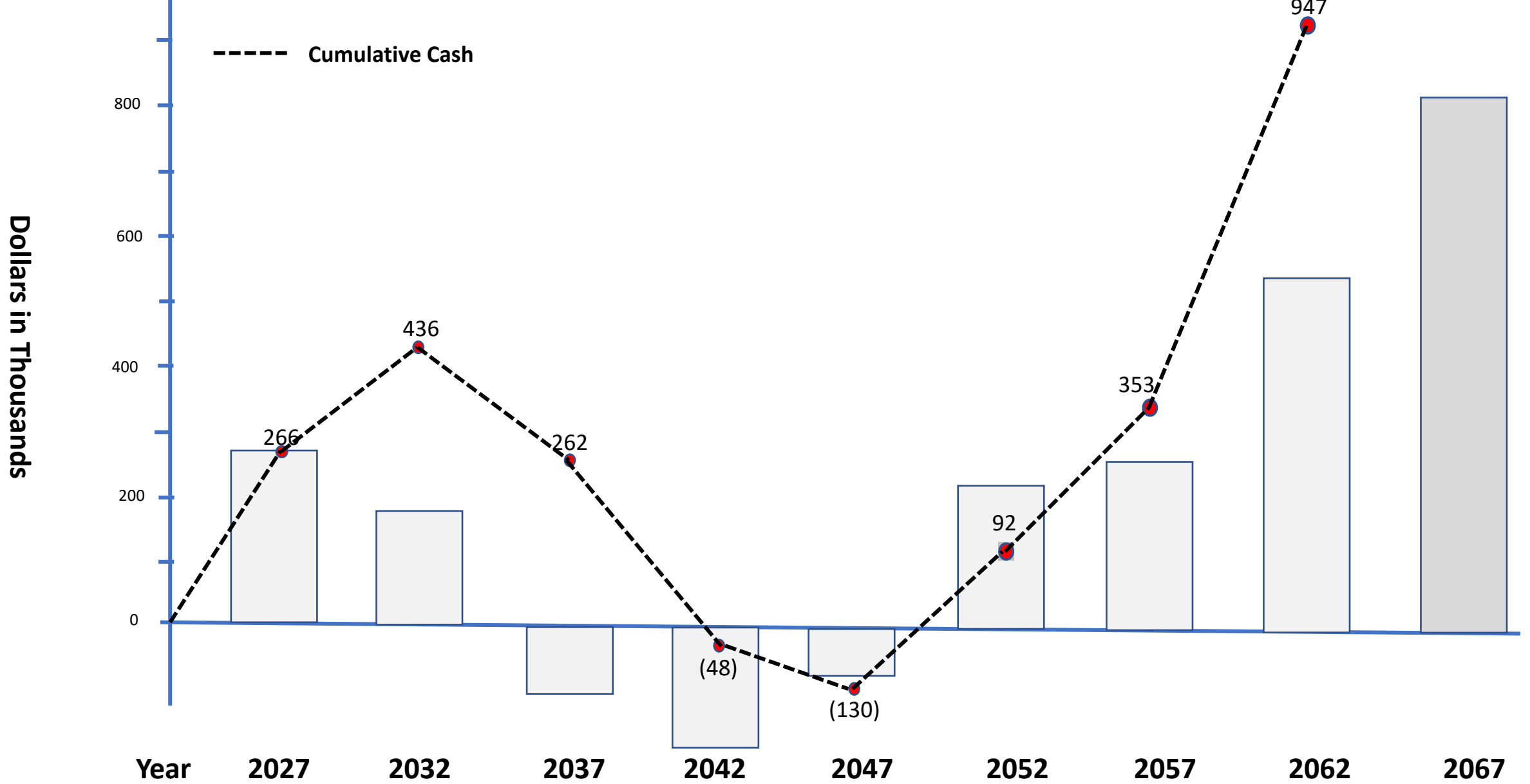
ACWD Watershed Acquisition Financial Summary

Net Gains/(Losses) - 5 Year Summaries



ACWD Watershed Acquisition Financial Summary

Net Gains/(Losses) - 5 Year Summaries



Manager Report August 21st, 2020

WATER:

The water plant distributed 1.6 Million Gallons to town in July.

Bob McEwan Construction did annual sediment removal work at the Shark Creek Intake on Monday. 50 cubic yards of sediment were removed out of the impoundment area to prevent our intake pipe from being silted in over the winter.

Shearer Tank came out to the plant last week and made repairs to the water tank from tree damage sustained last fall, as well as installed the missing fillet sealant all around the top two panels of the tank. The tech said that our tank was in very good condition overall.

The Asbury Creek stream flow gage was installed this week. This is done annually during the dry season to track stream flow in Asbury Creek to ensure the District is operating within its water rite. I'm planning to with ODOT to possibly determine a better way to gage stream flow as the Asbury Creek Hwy Crossing project gets closer into the design phase.

Josh Seeds form Oregon DEQ contacted us about DEQ Drinking Water Protection staff putting together a watershed-based plan for the Arch Cape drinking water source area. A watershed-based plan (WBP) is a way to collect information on the situation in a watershed in a structured way that meets EPA Clean Water Act funding requirements. It will include estimates of pollutant loads (particularly sediment/turbidity and others related to drinking water) and reductions that can be achieved with changes to management. One benefit of a finished WBP is that it makes a project area eligible for 319 grant funding. Another is that it collects information in one place and allows for comparison of different management approaches with regard to effects on nonpoint source pollution.

SDAO is offering a Board Leadership Academy for Board members wanting to develop their public leadership/governance chops. Credit will be received for completing 4 training modules in Board Member basics, Statutory responsibilities, risk management, and human resources. There is no cost. If you would like more information please let me know and I will get it to you.

MONTHLY LOG : ARCH CAPE WATER & SANITARY DISTRICTS

July 2020

Total Hours	368.00	168.00	200.00
Percentage Split		46%	54%
Total Accounts	636	293	343
Percentage Split		46%	54%