

# ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT MINUTES

19 June 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: Rebecca Kramer, Project Officer, Clean Water SRF (NWR) Oregon DEQ  
Kathy Estes, Senior Loan Specialist, CWSRF Oregon DEQ  
Lynn Barlow, Water Quality Manager, Oregon DEQ  
Joshua Seeds, Nonpoint Source Specialist – Drinking Water Protection OR DEQ  
Jordan Zettle, Green Markets Associate, Sustainable NW  
Ben Dair, Senior Manager of Conservation Finance, Sustainable NW  
Rick Gardner, Arch Cape Forest Finance Committee Chair

Staff: Phil Chick, District Manager  
Steve Hill

Mr. Dan Seifer opened the meeting at 6:01pm for the water district and Ms. Darr Tindall did so for the sanitary district.

Mr. Seifer confirmed that all directors were present and could hear his voice. A roll call was taken and public participants introduced themselves. He further invited anyone to call 503-739-2348 or text Mr. Chick if they needed assistance.

**Public Comments:** None.

**Agenda:** Ms. Birkby moved approval of the agenda modified to address old business; Oregon DEQ Clean Water SRLF presentation first which was seconded by Ms. Gardner. All in favor. Motion carried.

**Old Business:**

## **Watershed Update:**

**Oregon DEQ Clean Water State Revolving Loan:** (Information) Ms. Rebecca Kramer began the presentation with slides (attached) which explained the Oregon Clean Water State Revolving Fund program administered by the Oregon Department of Environmental Quality (DEQ). She explained that the Arch Cape Sanitary District is an eligible borrower and went on to describe how eligibility is determined for different projects.

The difference between Non-Point Source and Point Source projects was explained and how that might affect a loan from Arch Cape. A new sewer collection system for example would be a Point Source loan eligible for especially low interest rates and an example of a Non-Point Source loan for a 'Green' project could be watershed restoration, acquisition or protection. Non-Point Source 'Green' projects didn't qualify for as low an interest rate as the Point Source projects but when qualified and based upon fund availability, principle forgiveness of as much as \$500K could be extended on loans of \$1M or more and was thought to likely be the best choice in our circumstances. She indicated that they would estimate which type of loan program would be most advantageous for Arch Cape.

The application process was described to be between six to nine (6 – 9) months and could be begun as early as August 14<sup>th</sup>. Even if we were to apply at a later time, gathering of necessary documents was advised as this took some time. Having a final loan amount could be determined at a later date right up to just before funding took place in the escrow process.

Ms. Kramer was encouraging in her support for the Arch Cape Forest acquisition effort and felt the Oregon DEQ could be an important enabling partner in bringing about a successful purchase.

**Sanitary District Recess:** Ms. Darr Tindall recessed the districts meeting at 7:00pm.

**Consent Agenda – Water District:** Ms. Murray moved acceptance of the consent agenda which was seconded by Ms. Ahlgren. All in favor. Motion carried.

## **Resumption of Water District Old Business:**

**Finance Committee Progress Update:** (Information) Mr. Rick Gardner led a general discussion of the committee's progress (attached). Mr. Ben Dair was reported to have in conjunction with Ben Hayes of Springboard Forestry provided a harvest plan which protects the watershed and would provide revenue for it's management. It was hoped that matching funding of \$250K might be obtained from Clatsop County. The committee is scheduled to meet again before the next board meeting.

**Forest Legacy Grant:** (Information) Mr. Chick reported that he had received news that the Great America Outdoors Act was currently scheduled for consideration and enactment which would provide permanent annual funding of \$900M per year which included funding of the Forest Legacy Grant program. He further indicated that Amy Singh had suggested a further 'round three' application be considered by the district.

**Funding Progress:** (Information) Mr. Ben Dair indicated that the Acres for America program funded by Walmart annually screened applicants ranking the top one third and would at their discretion request a full application which we did not receive but can apply next year. There is a max of \$250K per

applicant in this program. He further said that there were different trails funding and tourism funding that the district might qualify for.

Ben Hayes would be examining the timber inventory derived from Silva Terra photos to further adjust harvest projections.

Ms. Gardner noted that the Oregon Watershed Enhancement Board (OWEB) has an acquisition grant fund that could support the project. NCLC received a \$2 million OWEB grant for the Rainforest Reserve in 2020. However, due to the decline in Oregon Lottery revenue as a result of COVID closures, the grant is now on hold for potentially two years.

The Shark Creek Crossing Road was mentioned as a cost offset and that EFM and NCLC had met where it's understood that the Shark Creek culvert is being pulled.

Mr. Seifer proposed that a levy be looked into over a possible five to ten (5 – 10) year period to help with the purchase but timing was thought to be critical in coordinating an effective community outreach program. It will be a July agenda item.

Mr. Chick pointed out a need for an additional contract with Ben Hayes of Springboard Forestry.

Ms. Gardner moved that Mr. Chick be authorized to execute on behalf of the district a no bid personal services contract with Mr. Ben Hayes for a two month extension which was seconded by Ms. Murray. All in favor. Motion carried.

**Electronic Outreach:** (Information) Mr. Phil Chick spoke with Ms. Katie Voelke at NCLC about our wish to rekindle our outreach efforts and desire to have NCLC help us with that. Specifically we could use help with the website and FaceBook posting of updated information and some general housekeeping. This might possibly even extend to a newsletter. They have hired a new staff person that might be able to take on some of these tasks. Ms. Voelke was going to try to acquire some funding that could be used to do this work.

In the meantime, Nadia Gardner has offered to give us some initial help with the FaceBook page.

**Covid-19 Emergency:** (Information) Mr. Hill reported that accounts receivable had remained steady and that collections were on track with what we experienced at this same time last year.

### **New Business:**

**Resolution 20-06 WD Systems Development Charge Update:** (Action) Ms. Birkby moved adoption of RES 20-06 WD SDC Update (attached) which was seconded by Ms. Murray. All in favor. Motion carried.

**FY 2019-20 Audit Engagement Letter:** (Action) A recommendation was made that an executed engagement letter be made on Accuity letterhead.

Ms. Murray moved to authorize Mr. Hill to execute the proposed FY 2019-20 Audit Engagement Letter (attached) with Accuity on behalf of the district which was seconded by Ms. Ahlgren. All in favor. Motion carried.

**Reports:**

**District Managers Report and Correspondence for Action:** (attached)

**Treasurer's Report:** Ms. Birkby reported the Local Government Investment Pool (LGIP) balance for the district at \$216,049 and at Columbia Bank of \$69,346.

**Board of Directors' Comments and Reports:** Ms. Birkby expressed her thanks to the Arch Cape Forest Finance Committee for their efforts.

**July Agenda Items:** (Information) Forest Legacy Grant, Watershed update, Levy, ACF Finance Committee, Election of Officers, outreach efforts and citizens advisory committee.

**Public Comment:** None.


The meeting was adjourned by Mr. Dan Seifer at 8:28 pm.

Respectfully submitted,



Steve Hill

Attest



Mr. Dan Seifer, President

# The Oregon Clean Water State Revolving Fund



Arch Cape Sanitation District  
June 19, 2020 Board Meeting

Rebecca Kramer | Project Officer | Clean Water SRF [NWR]  
Oregon Department of Environmental Quality  
O: 503.229.6018 | M: 503.476.6273  
kramer.rebecca@deq.state.or.us

Oregon Department of Environmental Quality



Documents can be provided upon request in an alternate format for individuals with disabilities or in a language other than English for people with limited English skills. To request a document in another format or language, call DEQ in Portland at 503-229-5696, or toll-free in Oregon at 1-800-452-4011, ext. 5696; or email [deqinfo@deq.state.or.us](mailto:deqinfo@deq.state.or.us)



## Presentation Overview

- ❖ Introduction
- ❖ Who: Eligible Borrowers
- ❖ What: Eligible Projects
- ❖ Why a CW SRF Loan
  - ❖ Debt Reduction Opportunities
    - ❖ Principle Forgiveness
    - ❖ Sponsorship Option with examples
- ❖ How: OR Program details
  - ❖ General
  - ❖ Arch Cape Land Acquisition
- ❖ Additional Sources of Information

## Introduction: The Oregon Clean Water SRF



❖ **GOAL:** prevent and mitigate water pollution, improve environmental and public health.

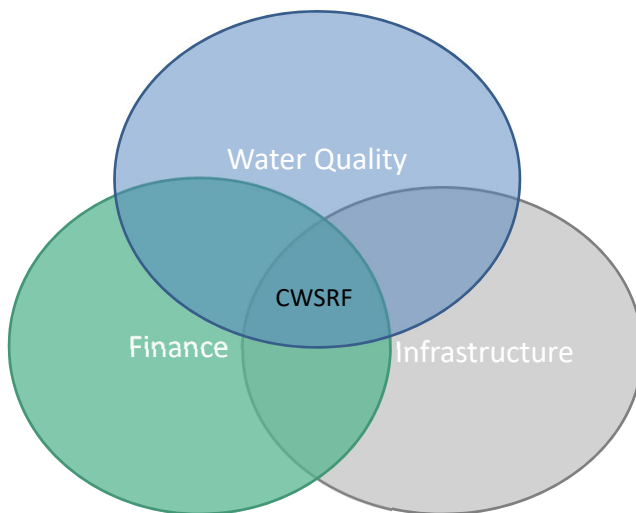
❖ Overseen by EPA, administered by States.  
❖ OR Department of Environmental Quality – Water Quality Division.



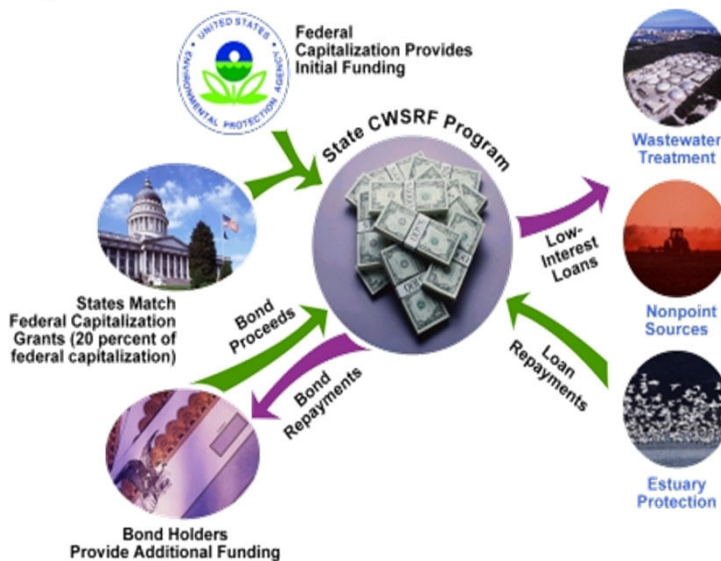
❖ **How:**

- ❖ Make below-market rate loans to public agencies for planning, design and construction of water quality improvement projects.
- ❖ Provide technical assistance to applicants and borrowers.

# Intersections



# Money Flow



# Who: Eligible Borrowers

## Eligible Borrowers (ORS 468.423)

- ❖ An Oregon Public Agency:
  - ❖ State Agencies
  - ❖ Cities
  - ❖ Counties
  - ❖ Federally Recognized Tribes
  - ❖ Irrigation Districts
  - ❖ **Sanitation Districts**
  - ❖ Soil & Water Conservation Districts
  - ❖ Special Districts (including ORS190 entities)
  - ❖ Public School Districts



Arch Cape Sanitary District is Eligible.



# What: Eligible Projects

## Point Source Projects

- ❖ Wastewater treatment system planning, design & construction
- ❖ Bio-solid management & disposal
- ❖ Mixing zone studies
- ❖ Combined sewer overflow correction
- ❖ Treated wastewater reuse
- ❖ New collector sewers to replace onsite systems
- ❖ Infiltration and inflow correction



## Non-Point Source Projects

- ❖ Watershed restoration and protection
- ❖ Irrigation system improvements
- ❖ Agricultural best management practices
- ❖ **Fee title & conservation easement acquisitions**
- ❖ Onsite (septic) system repairs or replacements
- ❖ Storm water quality improvements



## Non-Point Source “Green” projects

- ❖ Incorporate green practices
- ❖ Address climate change
- ❖ Conserve water and energy
- ❖ Implement more sustainable solutions to wet weather flows
- ❖ Advance innovative approaches to water management



# Why a CW SRF Loan?



## Why Clean Water SRF loans?

- ❖ **Great source of:**
  - ❖ Match funding!
  - ❖ Co-funding (budget short fall)
  - ❖ Interim financing (EQIP grant anticipation)
  - ❖ Dependable source of cash – the fund is revolving!
  
- ❖ Below market interest rates
- ❖ Terms up to 30 years
- ❖ Bond Purchase option of 30 years
- ❖ Up to 100% of eligible costs covered, no match
  
- ❖ No pre-payment penalty
  
- ❖ Principle Forgiveness **OR** Sponsorship Option



## Debt Reduction Opportunities

### 1. Principal Forgiveness/ Additional Subsidization

Amount: Up to \$500,000 or a maximum 50 percent of loan.

#### 1<sup>st</sup>: Eligibility

- Determined with the Application.
- Based on:
  - Green/sustainable projects (specific EPA criteria), or
  - Economically disadvantaged communities (MHI).

#### 2<sup>nd</sup>: Award in Loan Agreement

- Readiness to proceed: ready to sign loan agreement (met all loan requirements); plus
- Availability of funds.

#### 3<sup>rd</sup>: Applied to Loan

- When ready to go into repayment, the PF amount is deducted from the loan amount disbursed (principle). This new, lower amount is the “new principle” on which interest is calculated to get the full debt due.



## Debt Reduction Opportunities

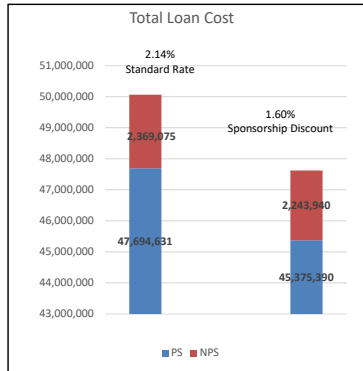
### 2. Sponsorship Option

- ❖ Alternative to Principle Forgiveness.
  - ❖ If don't qualify for PF.
  - ❖ Or, may provide more financial savings than PF.
- ❖ Paired Point Source project loan and a Non-point source project loan.
- ❖ “Sponsoring” enables reduction in overall debt service repayment amounts because of single, decreased interest rate applied to both loans.
- ❖ Projects and loans do not have to be executed or implemented concurrently.



## Sponsorship Option Example 1:

- ❖ PS: Waste Water Facility Improvements: \$37,000,00
- ❖ NPS: Three Creeks Floodplain Enhancement: \$1,800,000



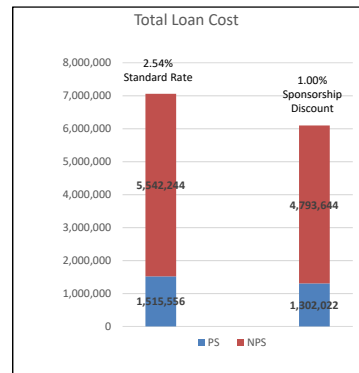
- ❖ If the projects were completed separately, it would cost **\$50 million**.
- ❖ By taking advantage of the **Sponsorship Option**, the overall rate dropped to 1.6 % saving the community **\$2.44 million over the life of the loans**.



## Sponsorship Option Example 2:

- ❖ PS: Pump Station and Sewer Replacement: \$1,000,000
- ❖ NPS: 3 Fish Passage improvement and bio-retention projects: \$4,000,000

- ❖ Individually, each 20-year loan had a 2.54% interest rate, but combined, the overall rate dropped to 1%.
- ❖ This will **save** the community **almost \$1 million over the life of the loans**.



# How: OR Program details



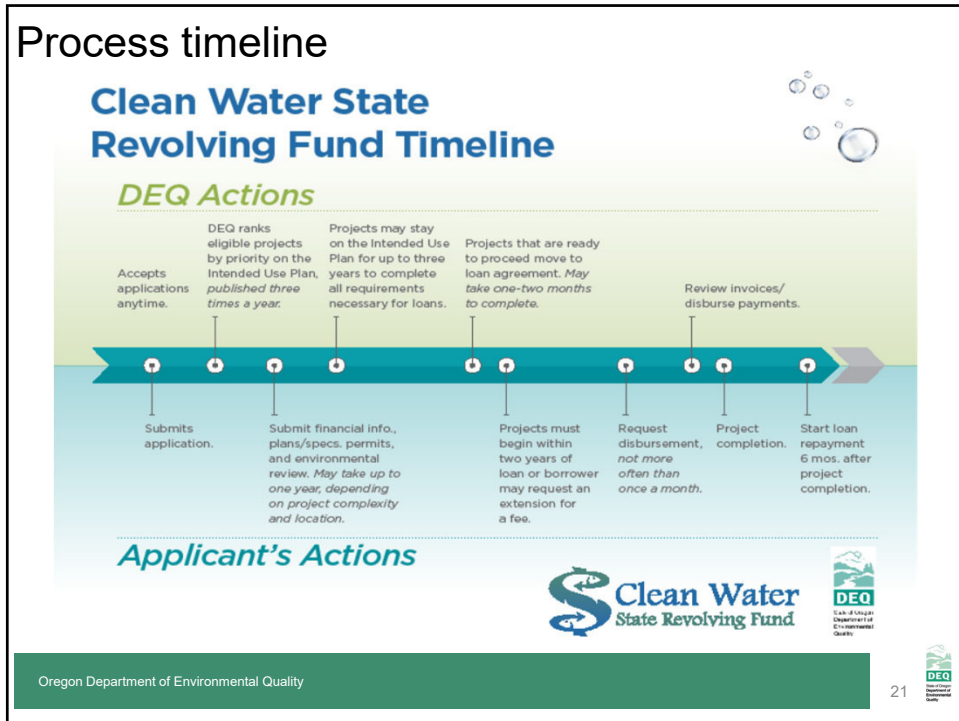
## Types of Loans

- ❖ Planning
- ❖ Point Source
- ❖ Nonpoint Source
- ❖ Local Community Loan

## Application Timing

- ❖ Application Due Dates
  - ❖ By 11:59 p.m. Pacific Time of the due date:
    - ❖ **August 14, 2020**
    - ❖ December 14, 2020





- ## Information and Documents required to develop Loan Agreement
- ❖ Land Use:
    - ❖ Environmental review documents, federal cross-cutters
    - ❖ Land Use Compatibility analysis
  - ❖ Financial:
    - ❖ Authority and revenue/ repayment stream
    - ❖ Loan Reserve
  - ❖ Miscellaneous Loan specific:
    - ❖ **Intergovernmental Agreement between ACSD and ACWD**
    - ❖ Planning and Design
    - ❖ Proof of Other Financial Award(s)
    - ❖ **Real Estate transactional documents**
- Oregon Department of Environmental Quality
- DEQ  
Oregon Department of Environmental Quality
- 22

## Loan Repayment

- ❖ Repayment begins about one year after project start-up.
- ❖ **Principle Forgiveness amount is deducted from the Loan paid out amount, and that lesser total is the “principle” for repayment.**
- ❖ First payment is interest only.
- ❖ Semi-annual Principle and Interest payments.
- ❖ Loan fee of 0.5 percent paid annually.
- ❖ Loan repayment reminders month prior.



## Arch Cape Application

- ❖ Apply for **the August 2020** deadline
  - ❖ For the expected FULL amount(s).
    - ❖ If funds are available, can increase loan amounts at escrow to close gaps.
- ❖ EITHER:
  - ❖ 1 Application for Land Acquisition with Principle Forgiveness use Nonpoint application:
    - ❖ <https://www.oregon.gov/deq/FilterDocs/npsapp.pdf>
- ❖ OR
  - ❖ 2 Applications for Sponsorship Option – Land Acquisition PLUS Point Source project:
    - ❖ Point Source: <https://www.oregon.gov/deq/FilterDocs/psapp.pdf>
    - ❖ Nonpoint Source: <https://www.oregon.gov/deq/FilterDocs/npsapp.pdf>





## Arch Cape SD Land Acquisition Loan Structure

- ❖ Single application will result in 2 loan agreements.
  - ❖ Saves interest accruing between 1<sup>st</sup> and 2<sup>nd</sup> payment(s):
    - ❖ 1<sup>st</sup> loan \$500,000, single payout, into repayment by Dec 2021, or 6 months.
    - ❖ 2<sup>nd</sup> loan – when needed, at the interest rate then available.
  - ❖ If have Principle Forgiveness:
    - ❖ Total can be split to each loan up to maximum awarded- available.
      - ❖ 1<sup>st</sup> loan - ~\$250,000 PF
      - ❖ 2<sup>nd</sup> loan – rest of PF up to \$500k.



## Additional Sources of Information

### • Oregon Clean Water State Revolving Fund:

- *Homepage:*  
<https://www.oregon.gov/deq/wq/cwsrf/Pages/default.aspx>
- *Contacts:*
  - <https://www.oregon.gov/deq/wq/cwsrf/Pages/CWSRF-Contacts.aspx>
- *Loan Application Process:*
  - <https://www.oregon.gov/deq/wq/cwsrf/Pages/CWSRF-Application.aspx>
- *Green Project Resources:*
  - <https://www.oregon.gov/deq/wq/cwsrf/Pages/CWSRF-Sustainability.aspx>
- *Sponsorship Option:*
  - <https://www.oregon.gov/deq/FilterDocs/SponsorshipOptFS.pdf>



**Watershed Acquisition Phasing Plan**

	2020	2021	2022	2023
<u>Watershed Purchase</u>				
Option Agreement	▼			
Blocks Defined		▽	▼	
Appraisal	▽		▼	
Price Established	▽		▼	
Purchase: Block I			▽	▼
Purchase: Block II				▽
<u>Funding</u>				
FLP Grant	▼	▼		
Other grants				
Loans				
Fundraising				
<u>ACWD Business Plan</u>				
Watershed BP	▽	▼		
Acquisition Expense	▽		▽	▽
Budget Update	▼			
Go / No-Go Decision	▼	▼	▼	▼

**Watershed Acquisition Business Plan**

Initial Plan Development

**Non Recurring Cost Assumptions**

Price

Acquisition Funding Plan (Grant, Loan, Internal, Fund)

Planning

- Planning Costs

- Funding Source

**Recurring Assumptions**

Forest management plan

Revenue

- Timber Harvest Projections

- Financial Assumptions

Other Revenue (if any)

Sustaining Costs

- Operating Cost by Task

- Staffing vs. Contracting

- Financing Cost

ACWD Net Financial Plan Impact

ACWD 2020-2021 Budget Development

	Dec	Jan	Feb	Mar	Apr	May	Jun
Price		▽			▽		
Acquisition Funding Plan (Grant, Loan, Internal, Fund)			▽				
Planning			▽				
- Planning Costs			▽				
- Funding Source			▽				
Forest management plan		▽	▽				
Revenue							
- Timber Harvest Projections				▽			
- Financial Assumptions				▽			
Other Revenue (if any)							
Sustaining Costs							
- Operating Cost by Task		▽		▽			
- Staffing vs. Contracting				▽			
- Financing Cost				▽			
ACWD Net Financial Plan Impact				▽			
ACWD 2020-2021 Budget Development						▽	▽

**ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT**

**RESOLUTION 20-06 WD**

**A RESOLUTION REVISING SYSTEM DEVELOPMENT CHARGES (SDC) / EQUIVALENT DWELLING UNIT (EDU) FEES FOR THE ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT (the "District")**

**Whereas**, the District adopted Ordinance 98-4 WD establishing a System Development Charge methodology and rates; and

**Whereas**, Section 4B of the ordinance provides for adoption of SDC rates by resolution; and

**Whereas**, it is felt prudent to update those charges to more properly reflect changes through investment in District infrastructure and current cost indices; and

**Whereas**, it is determined that one SDC is equal to one Equivalent Domestic Unit (EDU); and

**Whereas**, the District allows for the annual adjustment of fees in accordance with the Engineering News-Record Construction Cost Index (ENR CCI); and

**Whereas**, the ENR CCI used in Resolution 19-01 WD was 11,228 and the June 2020 ENR CCI to be applied for the purposes of this Resolution is 11,436 (Index Ratio=11,436/11,228=1.019);

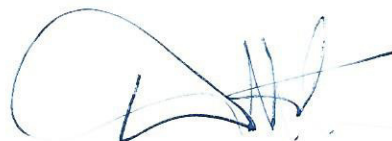
**NOW, THEREFORE**, be it resolved the ARCH CAPE DOMESTIC WATER SUPPLY DISTRICT System Development and Connection Charge herein established become effective July 1st, 2020.

<u>¾ inch meter</u>		<u>1 inch meter</u>	
Improvement Fee	\$1,293	Improvement Fee:	\$ 3,233
Reimbursement Fee	\$4,361	Reimbursement Fee:	\$10,903
Administrative Fee	\$ 55	Administration Fee:	\$ 141
Total SDC/EDU Charge	\$5,709	Total SDC/EDU Charge:	\$14,277

Connection Charge \$ 700

Adopted and signed this 19th day of June, 2020.

Attest  \_\_\_\_\_

  
\_\_\_\_\_  
Daniel J. Seifer, President



June 02, 2020

To Management  
Arch Cape Domestic Water Supply District  
32065 East Shingle Mill Lane  
Arch Cape OR 97102

Dear Steve Hill:

We are pleased to confirm our acceptance and our understanding of the services we will provide for Arch Cape Domestic Water Supply District for the year ended June 30, 2020.

We will perform the following services:

### **Our Responsibilities**

The objective of our engagement is to:

1. Prepare modified cash basis financial statements in accordance with the modified cash basis of accounting based on information provided by you, and
2. Obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the modified cash basis financial statements in order for them to be in accordance with the modified cash basis of accounting.

We will conduct our review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's *Code of Professional Conduct*, and its ethical principles of integrity, objectivity, professional competence, and due care, when preparing the modified cash basis financial statements and performing the review engagement.

A review engagement includes primarily applying analytical procedures to your financial data and making inquiries of management. A review engagement is substantially less in scope than an audit engagement, the objective of which is the expression of an opinion regarding the modified cash basis financial statements as a whole. A review engagement does not contemplate obtaining an understanding of the Company's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; or other procedures ordinarily performed in an audit engagement. Accordingly, we will not express an opinion regarding the modified cash basis financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Company or noncompliance with laws and regulations. However, we will inform the appropriate level of management of any material errors and any evidence or information that comes to our attention during the performance of our review procedures that indicates fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our review procedures regarding noncompliance with laws and regulations that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies or material weaknesses in your internal control as part of this engagement.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities since performing those procedures or taking such action would impair our independence.

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare modified cash basis financial statements in accordance with the modified cash basis of accounting and to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the modified cash basis financial statements in order for the statements to be in accordance with the modified cash basis of accounting. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

1. The selection of the modified cash basis of accounting as the financial reporting framework to be applied in the preparation of the modified cash basis financial statements .
2. The preparation and fair presentation of modified cash basis financial statements in accordance with the modified cash basis of accounting and the inclusion of all informative disclosures that are appropriate for the modified cash basis of accounting.
3. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the modified cash basis financial statements that are free from material misstatement, whether due to fraud or error.

4. The prevention and detection of fraud.
5. To ensure that the Company complies with the laws and regulations applicable to its activities.
6. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
7. To provide us with:
  - Access to all information of which you are aware is relevant to the preparation and fair presentation of the modified cash basis financial statements, such as records, documentation, and other matters.
  - Additional information that we may request from you for the purpose of the review engagement.
  - unrestricted access to persons within the Company of whom we determine it necessary to make inquiries.
8. To provide us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your modified cash basis financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Our Report**

We will issue a written report upon completion of our review of Arch Cape Domestic Water Supply District's modified cash basis financial statements. Our report will be addressed to the management of Arch Cape Domestic Water Supply District. We cannot provide assurance that an unmodified accountant's review report will be issued. Circumstances may arise in which it is necessary for us to report known departures from the modified cash basis of accounting, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If, for any reason, we are unable to complete the review of your modified cash basis financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's review report in any document containing modified cash basis financial statements that indicates that such modified cash basis financial statements have been reviewed by us and, prior to inclusion of the report, to obtain our permission to do so.

Glen Kearns is the engagement partner and is responsible for supervising the engagement and signing the review report or authorizing another individual to sign it.

Fees for our services are based on the value of the services provided plus direct out-of-pocket expenses. We estimate that our fees will be \$3,500. Payments for services are due when rendered and interim billings may be submitted as work progresses and expenses are incurred. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Arch Cape Domestic Water Supply District acknowledges and agrees that we are not required to continue work in the event of failure to pay on a timely basis for the services rendered as required by this engagement letter. Arch Cape Domestic Water Supply District further acknowledges and agrees that in the event we stop work or withdraw from this engagement as a result of failure to pay on a timely basis for services rendered as required by this engagement letter, we shall not be liable to Arch Cape Domestic Water Supply District for any damages that occur as a result of our ceasing to render services.

Venue of all matters arising from this agreement, this engagement, and subsequent engagements shall reside in Albany, Linn County, Oregon.

Any dispute, controversy, or claim arising out of this agreement shall be settled by binding arbitration under the arbitration rules of the Linn County Circuit Court. There shall be one arbitrator selected from the Circuit Court Panel of Arbitrators and the proceeding shall follow the Oregon Rules of Civil Procedure. The arbitrator shall have the authority to award any remedy or relief that an Oregon court could order or grant, including, without limitation, specific performance of any obligation created under this agreement, the issuance of an injunction, or the imposition of sanctions for abuse or frustration of the arbitration process, except that the arbitrator shall not have authority to award punitive damages or any other amount for the purpose of imposing a penalty as opposed to compensating for actual damages suffered or loss incurred. With respect to any action relating to this agreement, the prevailing party shall be entitled to recover from the losing party its reasonable attorney's fees, paralegal fees, expert fees, and all other fees, costs, and expenses actually incurred and reasonably necessary in connection with such action as determined by the arbitrator.

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Tuesday, June 2, 2020 11:50:10 AM

In this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Glen Kearns*

Accuity, LLC

**Acknowledged:**

Arch Cape Domestic Water Supply District

---

Steve Hill

Date

You are digitally signing above document

AGREED TO THE ABOVE DOCUMENT

Manager Report June 19<sup>th</sup>, 2020

WATER:

The water plant distributed 897,000 gallons to town in the month of May. The steady rain in June, so far, has helped keep the creeks charged. We're nearly 25" ahead in rainfall compared to last year at this time.

I've started working on the annual consumer confidence report. This is the drinking water quality report that we are required to produce annually by the Oregon Health Authority. It will be available on the website by the end of the month.

Meter maintenance and brush cutting has started again throughout town. We're starting to catch up on some deferred work the past several weeks.

**MONTHLY LOG : ARCH CAPE WATER & SANITARY DISTRICTS**

**May            2020**

Total Hours	<b>336.00</b>	<b>169.50</b>	<b>166.50</b>
Percentage Split		<b>50%</b>	<b>50%</b>
Total Accounts	<b>635</b>	<b>293</b>	<b>342</b>
Percentage Split		<b>46%</b>	<b>54%</b>