

## REQUEST FOR BOARD ACTION

ITEM NO. 17

**DATE OF MEETING:** September 7, 2010

**REQUESTED BY:** Rick Benton, County Manager

**SHORT TITLE:** Resolution Authorizing Purchase Order to Municipal & Financial Services Group for Financial Services to Rocky Point-Topsail Water and Sewer District

**BACKGROUND:** Discussions have been on-going with Integra Water, LLC in consideration of an agreement to construct public wastewater facilities in Topsail Township in the Rocky Point-Topsail Water and Sewer District. Draft agreements and a financial model have been developed, and staff recommends procurement of a financial consulting firm to assess the ability of Integra Water, LLC to fulfill the agreement; to assess the project financial model; and to advise the District on certain business points. A proposal from Municipal & Financial Services Group is recommended for Board approval, in the amount of \$25,000. A copy of the proposed agreement is attached.

**SPECIFIC ACTION REQUESTED:** To consider a resolution authorizing a purchase order to Municipal & Financial Services Group in the amount of \$25,000 for financial services related to the Integra Water, LLC project.

**COUNTY MANAGER'S RECOMMENDATION**

Respectfully recommend approval.

  
Initial

**RESOLUTION**

**NOW, THEREFORE BE IT RESOLVED** by the Pender County Board of Commissioners that:

the Board hereby authorizes a purchase order to Municipal & Financial Services Group in the amount of \$25,000 for financial services related to the Integra Water, LLC and Rocky Point-Topsail Water and Sewer District project. The Chairman/County Manager is authorized to execute any/all documents necessary to implement this resolution.

Account 84-407491

**AMENDMENTS:**

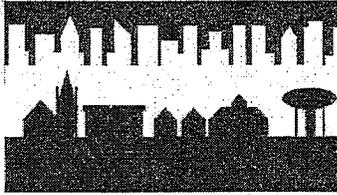
MOVED \_\_\_\_\_ SECONDED \_\_\_\_\_

APPROVED \_\_\_\_\_ DENIED \_\_\_\_\_ UNANIMOUS

YEA VOTES: Tate \_\_\_ Blanchard \_\_\_ Brown \_\_\_ Rivenbark \_\_\_ Williams \_\_\_

\_\_\_\_\_  
Jimmy T. Tate, Chairman                      Date

\_\_\_\_\_  
ATTEST    Date



## **Municipal & Financial Services Group**

26 August 2010

Mr. Rick Benton  
County Manager  
Pender County  
805 South Walker Street  
Burgaw, NC 28425

Dear Mr. Benton:

The Municipal & Financial Services Group ("MFSG") is pleased to have this opportunity to submit a proposal to provide financial and management advice and assistance to Rocky Point-Topsail Water and Sewer District ("the District") related to its pending transaction with Integra Water, LLC, ("Integra") to design, construct and operate certain wastewater the District. Our proposal is based upon certain documents provided us by the District, as well as a face-to-face meeting in your office on 25 August 2010.

### **UNDERSTANDING OF THE SITUATION**

Rocky Point-Topsail Water and Sewer District is located in Pender County. Pender County has been experiencing the development pressure that occurs when a jurisdiction is situated geographically where the County is located, with the climate, available land, transportation facilities and work force that are present in the County. Several developers express interest in immediately constructing fairly large projects along the US 17 corridor in the County, but have been held back by lack of public sewerage service. While the District is capable of developing its own wastewater collection and treatment system in this area in the traditional municipal procurement model, the District is focused on several other major projects at the same time, and has thus entertained a proposal from Integra to design, build, transfer to the District and then operate for the District a sewerage system in the US 17 corridor in Pender County. This sewerage system would be built under the terms of a public-private partnership agreement between the District and Integra. Integra has had several meetings with the District over the past several months, culminating in a draft proposal by Integra which the District is now considering. Integra, under the terms of this proposed agreement, would raise private capital to pay for the construction of the facilities, and then transfer ownership of the facilities to the District. Integra would recover its capital investment by the District's imposition and collection of System Development Fees ("SDFs") by sewer customers as the customers joined the sewer system that had been built by Integra. In addition, the District would impose a user fee, to be paid by all customers of the sewer system, which would be used to reimburse Integra for the costs of operating and maintaining the sewer system.

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410.266.9101 Voice ♦ 410.266.5545 Facsimile ♦ [www.mfsgllc.com](http://www.mfsgllc.com)

## **SCOPE OF WORK**

The District would like to obtain disinterested and competent professional advice and assistance from a qualified independent expert on several items related to the proposed public-private partnership between the District and Integra, including:

- A review of the specific terms and conditions of the proposed agreement between the District and Integra, to provide reasonable assurance that the District is agreeing to reasonable terms and conditions and is not unreasonably enriching Integra – while realizing and acknowledging that Integra is taking on much of the financial risk in the transaction, the District wants to assure its citizens that it is exercising due diligence in negotiating the agreement with Integra. Of particular concern is the amount of the monthly user fees to be paid by sewer customers and the profit / return amounts established as targets for Integra.
- A due diligence review of the financial condition and resources of Integra, to make certain that Integra has available to it now, or can quickly obtain, the needed amounts of capital required for the project, as well as necessary bonding and insurance to protect the District should Integra fail to complete the work or to satisfactorily operate and maintain the sewerage facilities. The District is also interested in determining that Integra has the necessary expertise and staff to execute the agreement that it is proffering to the District.
- A “reverse engineering” of the financial spreadsheet models developed by Integra and provided to the District, to determine that the models accurately reflect the terms and conditions and formulae set forth in the proposed agreement between the District and Integra, and that the models can reasonably be relied upon to produce accurate information and projections during the course of the negotiations and when (if) the proposed project is actually undertaken.

## **BACKGROUND AND CAPABILITIES**

The Municipal and Financial Services Group (MFSG) is a specialized management consulting practice that focuses on the financial and management aspects of infrastructure and environmental programs. The practice was established in 1976, and was for many years part of the Management Consulting Department of KPMG Peat Marwick CPAs or other national and regional accounting or engineering firms. MFSG became an independent women-owned firm during 2002. MFSG is composed of professional staff members with the appropriate functional and programmatic skills, whose services are focused on clients involved in capital-intense infrastructure and construction activities, especially in the public sector and utilities. In addition to the traditional functional services provided to clients, the specialized services MFSG offers include:

- Financial Analysis, Planning and Controls
- Formation of Authorities and Commissions
- Benchmarking and Competitiveness Studies
- Financial Feasibility Studies
- Strategic Financial Planning
- Management Reviews / Audits
- Cost of Service / Rate Studies
- Asset Management Programs
- GASB 34 Compliance and Reporting Programs
- Water Conservation Studies
- Bond-Related Studies
- Organizational, Staffing and Management Studies
- System Development Charges / Impact Fee Studies
- Grant Audit Assistance
- Litigation Support / Expert Witness Testimony
- Construction Claims Assistance
- Specialized Accounting Studies and Procedures
- Financial and Economic Impact Studies and Models
- Information Technology (system specifications, procurement and testing)

In summary, we are well-versed in virtually every management and financial aspect of infrastructure and utility operations. We can and have provided virtually every type of management advice which does not require professional engineering certification. Our client base stretches from Alaska to the Florida Keys, from Southern California to Maine. Our clients provide water, sewer, stormwater or solid waste services to more than 45% of the nation's population, and range in size from New York City to utilities serving a few dozen customers.

Recent clients have included municipal and investor-owned utilities, law firms, investment banking and financial advisory firms and real estate developers. Current clients are located in Alaska, Connecticut, Delaware, Florida, Illinois, Kansas, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania and Virginia.

#### **KEY PERSONNEL**

The work requested by the District will be performed by and under the direction of three key individuals:

- **Edward J. Donahue III, CMC (Principal)** established the Municipal & Financial Services Group more than 35 years ago and has served as its director ever since. His relevant experience includes financial and management advice and assistance for hundreds of clients over the past 35 years, including assignments for cities, counties and special purpose authorities and commissions in Alaska, Connecticut, Delaware, the District of Columbia, Illinois, Kentucky, Maine, Maryland, Massachusetts, New York, North Carolina, Ohio, Pennsylvania, Virginia and others. Recent client work includes consolidation of the water and sewer systems of New Hanover County and the City of Wilmington, North Carolina into a new regional authority; a governance study for the District of Columbia Water & Sewer Authority; organizational and operational advice for the Anchorage Water & Wastewater Utility; a financial feasibility study for the Town of Leesburg, Virginia; cost of service and rate studies for Glenview and Orland Park, Illinois; and water rate work for the Town of Manchester, Connecticut. He has served as chairman of AWWA's Finance, Accounting and Management Controls Committee and currently chairs that organization's GASB 34 Task Force; he is currently serving on a special committee to revise and update *Water Utility Accounting*, a textbook sponsored jointly by AWWA and GFOA. He has been accredited and served as an expert witness in accounting, contract, construction and rate matters.
- **David A. Hyder (Principal Analyst)**, a Senior Manager in the Municipal & Financial Services Group, has eleven years experience in water, wastewater and solid waste systems. He is a dean's list engineering graduate of Michigan State University with an MBA in finance from the Carey School of Business at Johns Hopkins University. He has served as project manager for numerous financial planning studies for the water and wastewater utilities of cities, counties and special purpose authorities and commissions in Connecticut, Delaware, Florida, Illinois, Kansas, Maryland, Massachusetts, Missouri, New Hampshire, New York, North Carolina, Ohio, Pennsylvania and Virginia. He has served as principal analyst for a transaction involving the sale of a \$200 million waste-to-energy facility in Virginia, and is currently leading a "devil's advocate" due diligence review for a \$120 million construction project in Maryland. He recently completed a five-year business plan for the Cleveland Water Division and the Cleveland Division of Water Pollution Control. He is an active Member of AWWA's Rates and Charges Committee.
- **William T. Rule II, Ph.D. (Economic Analysis)** has served as Chief Economist for MFSG since 1983. His work encompasses complex financial simulations to support cost and revenue models, financial feasibility studies, economic impact and economic development studies, bond covenant compliance analyses, arbitrage rebate studies, cash flow and verification analyses, and financial analyses. Among the large municipal utilities for which he has worked are Boston, Denver, Los Angeles, Orlando, New Orleans, New York City and San Francisco. Accredited as an expert witness, he was a member of the Economics Department at Virginia Tech prior to becoming a management consultant. His

Mr. Rick Benton  
26 August 2010  
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experience in econometric forecasting is evidenced by his work developing a supply side model of the US economy for the Treasury Department; by expert witness work for the Denver Water Board in a dispute with its suburban customers; by water conservation studies for New York City's Department of Environmental Protection; and by financial modeling and forecasting for the San Francisco Water Department in regard to water production vs. hydroelectric power sales.

We guarantee the specific performance of these key individuals, who will be supported by the professional staff of MFSG.

### **DELIVERABLES and SCHEDULE**

MFSG will execute a non-disclosure agreement with Integra and the District regarding confidential and proprietary information of Integra. We will deliver a draft final report addressing the three items of interest discussed above within three weeks of receipt of required data from Integra, assuming timely response for guidance from the District and timely advice from the County Attorney (if requested). We will revise the draft final report and deliver a revised report to the District within one week of receipt of comments by the District on the draft report.

### **BUSINESS PROPOSAL**

We estimated that our total costs to perform the work discussed above will not exceed \$25,000, including all fees and expenses. If the District requests additional support or assistance in negotiations or other analytical work, we will provide such assistance on a time and materials basis; if there are future work assignments that can be reasonably defined in advance, we would be pleased to perform such work on a lump sum basis. The district will be notified of any additional work before initiating.

\* \* \* \* \*

We look forward to working with you on this important and interesting project. Our offer as set forth in our proposals is firm and irrevocable for 120 days, and may be extended by written mutual consent. The undersigned is authorized to represent, negotiate for and bind and commit our firm. Please contact me at 410.266.9101 or via e-mail at [edward.donahue@mfsgllc.com](mailto:edward.donahue@mfsgllc.com) if you would like to discuss our project team and approach.

Very truly yours,



Edward J. Donahue III, CMC  
Director  
Municipal & Financial Services Group