

**SUPPLEMENT NO. 6**  
**TO THE PROFESSIONAL SERVICES AGREEMENT**  
**BETWEEN WILLDAN FINANCIAL SERVICES AND**  
**THE TOWN OF CAROLINA BEACH, NORTH CAROLINA**

**WATER, WASTEWATER & STORMWATER**  
**REVENUE BOND FINANCIAL ANALYSIS**

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This document represents Supplement No. 6 to the Professional Services Agreement (the “Agreement”) dated on November 20, 2015 by and between Willdan Financial Services (“Willdan” or the “Consultant”) and the Town of Carolina Beach, North Carolina (the “Client” or “Town”). All provisions of the Agreement remain in effect except as specifically defined in this Supplement.

Based on discussions with Town Staff, it is the understanding of Willdan that the Town is in need of utility rate and financial consulting services to support the issuance of bonds to fund various water, wastewater and stormwater utility capital projects. In accordance with the Agreement, this Supplement sets forth the Scope of Services and Professional Service Fees for the financial consulting services to be provided by the Consultant.

**REVENUE BOND FEASIBILITY ANALYSIS**

- Task 1:**      ***Project Initiation*** – Lines of communication will be formalized between Consultant and appropriate Town personnel and working group members in order to finalize the project schedule and to ensure that the project objectives are clearly defined and understood by all parties. In addition, project deliverables and dates will be established based on the project schedule developed by the Town’s financing team.
- Task 2:**      ***Data Collection and Review*** – A data request will be provided to the Town identifying necessary data for the project. The data will be used to develop the projection of revenues, expenses, customer base and other related items necessary for the analysis.
- Task 3:**      ***Projected Revenues*** - The analysis will develop the projected customers, flows and resulting revenues for a 5-fiscal year Projection Period. Historical customer and billing data provided by the Town will be analyzed to identify recent growth trends and historical usage characteristics for each customer class. The historical data will be used to develop system customer growth projections. Further, future revenue projections will be developed based on the projected customer statistics for the Projection Period.
- Task 4:**      ***Projected Expenditures*** – The development of projected expenditures will be performed based on assumptions utilized for system growth, current and future debt service obligations, anticipated capital requirements, historical cost escalation trends, general inflationary forces and discussions with Town staff based on the their first-hand knowledge of specific line-item cost escalations. This will entail a

review of the historical expenditures and operating results provided in recent audited financial statements, as well as the current budget and any available year-to-date financial information. The applicable operating costs contained in the current operating budget will be reviewed and necessary adjustments will be made to ensure consistency with the flow of funds as defined by the bond documents. The projection of operating, non-operating and capital costs to be recovered through the rates will be developed and include debt service payments and coverage requirements, capital outlay, General Fund transfers and renewal and replacement costs, as applicable.

- Task 5:**     ***Five-Year Projected Operating Results*** - The revenue and expenditure projections developed under the previous tasks will be utilized to develop the 5-fiscal year projected operating results to document the estimated cash-flow transactions related to the operation of the water, wastewater and stormwater enterprise systems. The projected operating results will be developed for each enterprise separately, as well as on a combined basis. A review of the bond covenants will be performed to ensure the flow of funds is being followed based upon the methodologies required therein for the correct determination of projected debt service coverage ratios in each fiscal year of the Projection Period to ensure compliance with bond covenant requirements.
- Task 6:**     ***Deliverable*** - A summary Agreed Upon Procedures (“AUP”) letter will be prepared which sets forth the necessary financial projections to support the issuance of the revenue bonds. An electronic PDF copy of the draft AUP will be submitted to staff and other members of the financing team for review. Based on the review comments received from staff and other participants, the draft AUP will be revised to incorporate the agreed upon changes. Iterations will be done as necessary to generate a final AUP letter that is approved by the financing team. Upon completion, an electronic PDF copy of the AUP letter will be delivered to the Town for use as needed to support the issuance of the bonds.
- Task 7:**     ***Meetings and Presentations*** - Projects of this nature often require active participation and communication among the members of the project team to assure timely and satisfactory completion of the bond process. Therefore, the Consultant will participate in web-meetings and/or conference calls as needed with project participants associated with the issuance of the revenue bonds.
- Optional 1:**     In conjunction with the issuance of the revenue bonds, the Consultant may be requested to assist the Town in presenting the financial projections to various bond rating agencies, either at the Town site or at the rating agency offices. Any consulting services provided by the Consultant relating to these presentations will be billed to the Town on an hourly basis at our current hourly rates, and any associated travel-related expenses will be billed to Town at cost.
- Optional 2:**     The Consultant may be requested to attend a public meeting to present the financial projections to the Town Council. If so, such costs will be billed to the Town on an hourly basis at our current hourly rates, and any associated travel-related expenses will be billed to Town at cost.

## GENERAL DISCLOSURE

Willdan is a registered municipal advisory firm with the U.S. Securities and Exchange Commission ("SEC"), as such we are providing the following disclaimer representing that we are not acting as a Municipal Advisor (as defined by the SEC), to the Client, in any capacity as it relates to the project proposed in this Development Impact Fee Study.

- (i) The Client uses the services of one or more municipal advisors registered with the SEC to advise it in connection with municipal financial products and the issuance of municipal securities;
- (ii) The Client is not looking to Willdan to provide, and Client shall not otherwise request or require Willdan to provide, any advice or recommendations with respect to municipal financial products or the issuance of municipal securities (including any advice or recommendations with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues);
- (iii) The provisions of this proposal and the services to be provided hereunder as outlined in the scope of services are not intended (and shall not be construed) to constitute or include any municipal advisory services within the meaning of Section 15B of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations adopted thereunder;
- (iv) For the avoidance of doubt and without limiting the foregoing, in connection with any revenue projections, cash-flow analyses, feasibility studies and/or other analyses Willdan may provide the Client with respect to financial, economic or other matters relating to a prospective, new or existing issuance of municipal securities of the Client, (A) any such projections, studies and analyses shall be based upon assumptions, opinions or views (including, without limitation, any assumptions related to revenue growth) established by the Client, in conjunction with such of its municipal, financial, legal and other advisers as it deems appropriate; and (B) under no circumstances shall Willdan be asked to provide, nor shall it provide, any advice or recommendations or subjective assumptions, opinions or views with respect to the actual or proposed structure, terms, timing, pricing or other similar matters with respect to any municipal financial products or municipal securities issuances, including any revisions or amendments thereto; and
- (v) Notwithstanding all of the foregoing, the Client recognizes that interpretive guidance regarding municipal advisory activities is currently quite limited and is likely to evolve and develop during the term of the potential engagement and, to that end, the Client will work with Willdan throughout the term of the potential Agreement to ensure that the Agreement and the services to be provided by Willdan hereunder, is interpreted by the parties, and if necessary amended, in a manner intended to ensure that the Client is not asking Willdan to provide, and Willdan is not in fact providing or required to provide, any municipal advisory services.

## PROFESSIONAL SERVICE FEES

On the basis of the Scope of Services described herein, Willdan's total labor billings and all out-of-pocket costs and expenses directly chargeable to the work performed and described in the Scope of Services section of this Supplement will be performed for a fixed fee of **\$54,800** unless specifically authorized in writing by the Town. Payment for such services shall be invoiced to the Town monthly based on the percentage of project completion.

***IN WITNESS WHEREOF***, the parties have executed this Supplement on the date(s) indicated below.

### TOWN OF CAROLINA BEACH

By:

\_\_\_\_\_  
(Signature)

By: Bruce Oakley

\_\_\_\_\_  
(Name Printed)

Title: Town Manager

Date:

### WILLDAN FINANCIAL SERVICES

By:

\_\_\_\_\_  
(Signature)

By: Jeff McGarvey

\_\_\_\_\_  
(Name Printed)

Title: Vice President, Managing Principal

Date: