

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Authorizing the City Manager to File Action to Enforce the 2002 Ronald Wastewater District Interlocal Operating Agreement
DEPARTMENT:	City Attorney's Office
PRESENTED BY:	Ian Sievers, City Attorney
ACTION:	<input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Motion <input type="checkbox"/> Discussion <input type="checkbox"/> Public Hearing

PROBLEM/ISSUE STATEMENT:

RCW 35.13A provides that the City of Shoreline can assume the Ronald Wastewater District, and transition the provision of sewer services from the District to the City. Although this is the case, in 2002 the City of Shoreline and Ronald Wastewater District (District) jointly entered into an Interlocal Operating Agreement ("IOA", Attachment A) that delayed this assumption until October 2017, the termination date of the IOA. The IOA specifically provides that the District agrees to take no action to protest or challenge the assumption of the District (Section 4.8), that the City and District would initiate the assumption transition no later than 24 months prior to the end of the IOA (Section 5.6), and that the District would exercise its authority to seek annexation of areas which it serves that are not yet within its corporate boundaries, with exception of the Highland Sewer District (Section 4.5). The City has notified the District three times between August 2011 and May 2013 that it has serious concerns regarding the District's actions and how those actions potentially breach the IOA. Most recently a proposed Memorandum of Understanding between the District and the Town of Woodway providing for the potential sale of District assets and transfer of District service area, within the Shoreline Point Wells future annexation area, to the Town of Woodway is considered by the City a direct breach of the IOA and potentially harmful to the District's current and future ratepayers.

At the District's May 14 meeting, the District's Board agenda included a proposal to enter into a Memorandum of Understanding with the Town of Woodway to have the District transfer and sell its assets and service area, which are within the Point Wells service area (unincorporated Snohomish County), to the Town of Woodway (Attachment B). The City learned about this proposal on the same day that the District was scheduled to discuss it. When the City Manager contacted the District's General Manager, on May 14, he did not know if the Board would act on the MOU on the same evening. The City Manager attended the Board's meeting and presented a letter stating the City's concerns regarding the negotiations and potential MOU between the District and the Town of Woodway (Attachment C).

On May 14 the District Board decided to delay the execution of the MOU, and requested that the District General Manager provide additional analysis on the impact of the MOU on District operations and ratepayers. Given that the City has a vested interest in ensuring that the District provides efficient and effective sewer services for its ratepayers, which are also City residents, the City would anticipate an opportunity to review such analysis. At the current time the District has not provided the City any analysis beyond the MOU letter itself.

Even though the preferred course of action by the City Council and City staff is for the District to comply voluntarily with the provisions of the IOA, as that is the best protection for its ratepayers, the recent actions by the District have created such concern that staff is recommending that the City Council authorize the City Manager to take legal steps to ensure that the District cease its negotiations with the Town of Woodway and not take any further steps to sell or transfer any of the District assets or service area in the unincorporated area to Woodway.

Given the City's concerns that the District's potential actions would significantly harm the Shoreline ratepayers, which are also the City's residents, the lack of transparency or communication from the District, and that the potential MOU would be in violation to the terms of the IOA, City staff believes it is in the interest of Shoreline residents to file a Temporary Restraining Order to stop the negotiations of and potential sale or transfer of District assets and/or service area to the Town of Woodway. Given the urgency of this matter and the speed in which the District and Town of Woodway had been proceeding with the MOU, City staff felt it urgent for the Council to take immediate action at a special City Council meeting scheduled for this evening. The next regularly scheduled City Council meeting is June 3.

RESOURCE/FINANCIAL IMPACT:

Given that the City has not been provided any analysis of the potential sale or transfer of District assets and/or service area to the Town of Woodway, staff cannot provide an estimate of any potential impact to District ratepayers. Although that is the case, since over 60 percent of the District area and assessed valuation is included within Shoreline, the City may assume by ordinance the full and complete management and control of that portion of the District not in another city. Given that Point Wells is a future City of Shoreline annexation area, if District facilities in this area are transferred to the Town of Woodway, District ratepayers would have to pay to reacquire the sewer system in that area after annexation of Point Wells by the City of Shoreline. Allowing the Town of Woodway to assume or acquire the District and its facilities at Point Wells ignores the long-term impacts to the current Shoreline District ratepayer.

Additionally, the District's potential actions could enable the Town of Woodway to annex Point Wells which would negatively impact the City and its residents. If Woodway annexes Point Wells, it removes the funding source (property tax) necessary to fund on-going long-term impacts to Shoreline and its road network. The City believes that the future residents of Point Wells should pay their fair share of long-term impacts; if Woodway annexes, the ability to make this happen is much more difficult and may not be possible.

RECOMMENDATION

Staff recommends that Council move to authorize the City Manager to file legal action to declare the transfers contemplated in the Ronald-Woodway MOU in breach of the IOA and to seek an injunction against transfers pending that determination.

Approved By: City Manager _____ City Attorney _____

BACKGROUND

In 1985, the Washington Legislature created the Local Governance Study Commission, whose task was to analyze the problems of local governments and make recommendations to the Governor and Legislature for their solution. There were three (3) problems the Commission felt were widespread and serious, and required in depth analysis and recommendations. The first of those issues was citizens expect urban levels of services in certain unincorporated areas and “. . . , special purpose districts, limited to a single service, can become so numerous and overlapping that in the aggregate they lack accountability and efficiency”¹. The Commission concluded that the lack of coordination between districts and general-purpose governments had impeded growth planning and the goals of cost-effectiveness, coordination, and accountability should have precedence for the future.

Consolidation of redundant local government was recognized as a public policy in state law before the Local Governance Study Commission call for action. In a case brought by a water district challenging a City of Des Moines assumption², the Washington Supreme Court stated:

"This case presents an example of the authority of the state legislature to alter the forms of local government by reducing the number of fragmented and overlapping jurisdictions, to make local government more efficient and more responsive..."

After discussing the history of the special purpose districts in Washington the court added:

"The proliferation of special districts, however, generated problems of overlapping boundaries, increased tax burdens and 'short sighted and inefficient government' because their functions are often not coordinated with overlapping or adjoining government entities."..."In this state, the legislature has found rapid increase in the number of local government units ' affects(s) adversely the quality and quantity and cost of municipal services furnished, the financial integrity of certain municipalities, the consistency of local regulations, and many other incidents of local government. RCW 3.93.010."

The State legislature has clarified in the Growth Management Act that cities should be the primary provider of urban services to provide the best coordination of capital improvements to support growth. The Growth Management Act states, "In general, cities are the units of local government most appropriate to provide urban governmental services." RCW 36.70A.110(3). This language provides strong backing to cities like the City of Shoreline that have moved forward with plans to assume utility service provision from other public utilities and special purpose districts. The text of this policy was originally stated in the first GMA adoption as: "[f]urther, it is appropriate that urban government services be provided by cities, and urban government service should not be

¹ The Quiet Crisis of Local Governance in Washington, Final report of the Local Governance Study Commission, vol. 2, 1985.

² *King Co. Water District No. 54 v. King county Boundary Review Board*, 87 Wn.2d 536, 539, 554 P.3d 1060 (1976).

provided in rural areas.”³ This section was the subject of one of the first Growth Management Hearing Board appeals. That case involved a Kitsap County attempt to perpetuate urban service delivery through its existing system of special purpose districts with a countywide planning policy that read:

"Provision of Urban Services. Based on an overview of experience statewide, the Legislature concluded, "it is appropriate that urban services be provided by cities." Based on our experience here in Kitsap County with the services provided by the County, Fire Districts, Regional Library, Public Utility District, Ports, Water and Sewer Districts, we have found that in some cases it is also appropriate that urban services be provided by entities in addition to cities."

The Board invalidated this policy, finding that GMA contemplated a “different future”:

"[t]he long term purpose of county-wide planning policies is to facilitate the transformation of local governance in urban growth areas so that urban governmental services are provided by cities and rural and regional services are provided by counties. That which is urban should be municipal."..." In such a system, special districts and the County would be secondary providers of urban governmental services. Thus, special districts and the County would play a continuing, albeit diminishing, role as providers of urban governmental services."

Bremerton v. Kitsap Co., CPSGMHB No. 92-3-009 (1992).

Finally, current King County County-wide Planning Policies has a framework policy implementing the expected transformation of urban service delivery to cities:

Cities are the appropriate provider of local urban services to Urban Areas either directly or by contract. Counties are the appropriate provider of most Countywide services. Urban services shall not be extended through the use of special purpose districts without the approval of the city in whose potential annexation area the extension is proposed. Within the Urban Area, as time and conditions warrant, cities should assume local urban services provided by special purpose districts.

Clearly, the King County Countywide Planning Policies provide direction to cities within King County that over time, assumption of urban services provided by special purpose districts should be a goal of cities.

Interlocal Operating Agreement

When Shoreline residents incorporated the City in 1995 it was in large part to receive better, more efficient services for their tax dollars. One way for the City to provide more efficient services includes unifying some of the water and sewer utilities with City operations, and in essence, to create one-stop shopping for City residents and businesses. Early City Councils realized that consolidating utility services in Shoreline would reduce inefficiencies associated with multiple governmental entities operating in the same jurisdiction. One of the utilities considered for consolidation was the Ronald Wastewater (sewer) District.

³ Section 29(3) ReSHB1025

To further the goal of consolidating services, the City and District entered into an Interlocal Operating Agreement (IOA) in 2002, signed and agreed to by both organizations, to unify sewer services with City operations. The IOA outlines the unification process between the City and the District which is to occur in October 2017. The City will acquire the sewer utility through an assumption, which means all assets, reserve funds, employees, equipment and any District debt will be assumed by the City and the Ronald Wastewater District will cease to exist as a separate government entity. Procedures for an orderly and predictable transition of the sewer utility from District to City ownership are outlined in the 2002 agreement. Although RCW 35.13A would have allowed the City to commence assumption of the District in 2002, it was determined that it benefited the District ratepayers and City residents to delay the assumption to allow time to plan for the transition. In order to facilitate a smooth consolidation, the City and District agreed to a 15-year timeframe for the transition. During that time, the District has and will continue to operate as a special purpose district in Shoreline under the guidance of a franchise agreement with the City.

Honoring the Interlocal Operating Agreement

The City Council and staff are most interested in a cooperative working relationship with the District in implementing the IOA. The City fully believes that the District's ratepayers and Shoreline residents are best served by cooperation and mutual execution of the responsibilities outlined in the IOA.

Over the last few years, the District has made several gestures to amend the agreement. For example, the District asked the Council to consider extending the term beyond 15 years. Attached is a letter from the City to the District dated August 12, 2011 regarding such a request (Attachment D). In addition, the District created "Frequently Asked Questions" regarding the assumption, which stated "No" to the question of whether Ronald Wastewater District agreed to be assumed by the City. Again, the City sent the District a letter dated May 11, 2012 asking them to act in accordance to the agreement (Attachment E).

Section 4.8 of the IOA specifically states that the District agrees to take no action to protest or challenge the assumption of the District. Section 4.5 of the agreement specifically requires that the District consolidate its service area, including such areas as Point Wells which is in the City's future annexation area. As such, the City has a definite interest and investment in any and all assets of the District in the City or its future annexation areas.

On May 14 the City learned that the District's Commission meeting agenda included a proposal to enter into a Memorandum of Understanding with the Town of Woodway to have the District transfer and sell its assets, which are within the Point Wells service area, to the Town of Woodway (Attachment B). When the City Manager contacted the District's General Manager on May 14, he did not know if the Board would act on the MOU on the same evening. The City Manager attended the Board's meeting and presented a letter stating the City's concerns regarding the negotiations and potential MOU between the District and the Town of Woodway (Attachment C).

The proposed MOU between the District and Woodway is in direct conflict with Section 4.5 of the IOA. The City believes it is more than appropriate to have the District work with the City to implement the existing agreement and not to make any decisions to sell, give away or otherwise transfer, any District asset or service area in unincorporated Snohomish County.

Given that the City has a vested interest in ensuring that the District provides efficient sewer services for its ratepayers, which are also City residents, the City would anticipate an opportunity to review and comment on any analysis regarding the sale or transfer of District facilities. At the current time the District has not provided any analysis for City review beyond the MOU letter itself.

Even though the preferred course of action of the City Council and City staff is for the District to comply voluntarily with the provisions of the IOA, as that is the best protection for ratepayers, the recent actions by the District have created such concern that staff is recommending that the City Council authorize the City Manager to take legal steps to ensure that the District cease its negotiations with the Town of Woodway and not take any further steps to sell or transfer any of the District assets or service area within unincorporated Snohomish County to Woodway.

Potential System Impacts

To date, the District has not provided any analysis to the City of potential impacts to the District's system that could occur as a result of the transfer of facilities or service area to Woodway. Staff would expect an opportunity to understand why it would make sense to transfer a District asset or service area, which is located in a future Shoreline annexation area within unincorporated Snohomish County to the Town of Woodway.

RESOURCE/FINANCIAL IMPACT

Given that the City has not been provided any analysis of the potential sale or transfer of District assets and/or service area to the Town of Woodway, staff cannot provide an estimate of any potential impact to District ratepayers. Although that is the case, since over 60 percent of the District area and assessed valuation is included within Shoreline, the City may assume by ordinance the full and complete management and control of that portion of the District not in another city. Given that Point Wells is a future City of Shoreline annexation area, if District facilities in this area are transferred to the Town of Woodway, District ratepayers would have to pay to reacquire the sewer system in that area after annexation of Point Wells by the City of Shoreline. Allowing the Town of Woodway to assume or acquire the District and its facilities at Point Wells ignores the long-term impacts to the current Shoreline District ratepayer.

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RECOMMENDATION

Staff recommends that Council move to authorize the City Manager to file legal action to declare the transfers contemplated in the Ronald-Woodway MOU in breach of the IOA and to seek an injunction against transfers pending that determination.

ATTACHMENTS

- Attachment A: Interlocal operating agreement between City of Shoreline and Ronald Wastewater District
- Attachment B: Letter Regarding Memorandum of Understanding with the Town of Woodway to have the District transfer and sell its assets to the Town of Woodway
- Attachment C: City of Shoreline's Letter to the RWD Board regarding the Proposed MOU with the Town of Woodway (May 14, 2013)
- Attachment D: Letter from the City sent to the District dated August 12, 2011
- Attachment E: Letter from the City sent to the District dated May 11, 2012

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RESOLUTION NO. 197

A RESOLUTION OF THE CITY OF SHORELINE, WASHINGTON AUTHORIZING AN INTERLOCAL OPERATING AGREEMENT RELATING TO PROVISION OF SANITARY SEWER SERVICES

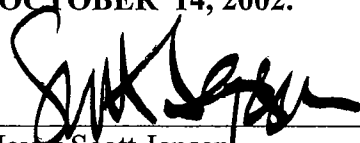
WHEREAS, City and Ronald Wastewater District are authorized under chapter 39.34 RCW, the Interlocal Cooperation Act, and RCW 35.13A.070 to contract for the coordinated exercise of powers and sharing of resources for the efficient delivery of services to their residents; and

WHEREAS, the City and District have negotiated a Franchise and concomitant Interlocal Operating Agreement to coordinate the provision of sanitary sewer services in the City of Shoreline; now therefore

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHORELINE,
WASHINGTON THAT**

1. The City Manager is authorized to execute the INTERLOCAL OPERATING AGREEMENT BETWEEN THE CITY OF SHORELINE AND RONALD WASTEWATER DISTRICT RELATING TO SANITARY SEWER SERVICES WITHIN SHORELINE'S CITY LIMITS attached hereto as Exhibit 1.

ADOPTED BY THE CITY COUNCIL ON OCTOBER 14, 2002.



Mayor Scott Jepsen

ATTEST:



Sharon Mattioli, CMC
City Clerk

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CITY OF SHORELINE
Clerk's Receiving
No: 1956
Date: 10/22/02

Exhibit 1

INTERLOCAL OPERATING AGREEMENT BETWEEN THE CITY OF SHORELINE AND RONALD WASTEWATER DISTRICT RELATING TO SANITARY SEWER SERVICES WITHIN SHORELINE'S CITY LIMITS

THIS AGREEMENT is made and entered into this 22nd day of October, 2002, by and between the city of Shoreline, a Washington Non-Charter Optional Municipal Code City (the "City") and Ronald Wastewater District, a Special Purpose Municipal Corporation (the "District").

WHEREAS, the City is the local government with authority and jurisdiction with respect to the territory within its corporate boundaries; and

WHEREAS, the District provides sanitary sewer service to properties located in the District and properties lying in the City's corporate boundaries and also to properties not located in the District or the City; and

WHEREAS, the City does not own or operate a sanitary sewer system; and

WHEREAS, the District and the City agree that the District has provided its service area, including the area now located within the City of Shoreline, with sanitary sewer service for over 42 years and that the District has the skills, assets, willingness and ability to provide the entire City with sanitary sewer service; and

WHEREAS, the City desires to assure its residents of continued unified sanitary sewer service which will comply with federal, state and local law, which will protect the public's health, safety, and welfare, and will provide uniform standards of service; and

WHEREAS, the City and the District have separately negotiated a 15 year Franchise Agreement to establish the terms and conditions under which the District is granted the authority to maintain its sanitary sewer system within the City's Rights of Way to be simultaneously executed and

WHEREAS, the City and District are authorized under chapter 39.34 RCW, the Interlocal Cooperation Act, and RCW 35.13A.070 to contract for the coordinated exercise of powers and sharing of resources for the efficient delivery of services to their residents, and the governing bodies of both parties have passed resolutions approving the execution of this Agreement;

12/15/19

NOW THEREFORE, in consideration of the terms and provisions contained herein, and the Franchise Agreement executed contemporaneously by the parties, the City and the District agree as follows:

Section 1. Purpose. It is the purpose of this Agreement to guide the activities, resources and efforts of the City and the District to provide the citizens of the entire City and the ratepayers served by the District with an efficient, high quality and well maintained sanitary sewerage wastewater system at a reasonable cost and to provide an orderly and predictable transition of the wastewater utility from District to City ownership.

Section 2. Term of Agreement. The term of this Interlocal Operating Agreement shall be fifteen (15) years from the date of its execution.

Section 3. City Responsibilities:

3.1 Franchise Grant to the District. The City shall grant a non-exclusive franchise to the District in the form attached hereto as Exhibit "A" for a concurrent term of 15 years and terminating on the termination date of this Agreement.

3.2 Assumption by the City. The City agrees that in consideration of the "Interlocal Operating Agreement Fee" to be paid by the District to the City as set forth herein in section 4 of this Agreement, and the other terms and conditions of this Agreement, it shall not, during the 15 year term of this Agreement and the concurrent Franchise Agreement granted to the District, attempt to exercise its statutory authority (RCW chapter 35.13A, as currently in effect or amended in the future) to assume jurisdiction over the District or any District responsibilities, property, facilities or equipment within the City's corporate limits, including future annexed areas.

3.3 Fees and Charges. The City shall not, during the term of this Agreement impose any new fees on the District for City costs and services addressed and compensated for in the Franchise Agreement or this Interlocal Operating Agreement, as herein below described.

3.4 Future Statute Authorizing a City Utility Tax on the District. In the event that the State of Washington Legislature should in the future authorize a City to impose a Utility Tax upon a District based upon the District's revenues, or upon any other basis, the payments hereinbelow provided as the District's contractual consideration for this Agreement shall be credited against such Utility Tax as the City may impose and the District shall be obligated to pay only the statutorily supported tax liability in excess thereof; provided however, this section shall not allow a credit against consideration of this Agreement for

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generally applicable regulatory fees or revenue-generating charges or taxes that may be authorized by law as applicable to the District and adopted by the City during the term of this Agreement other than a utility tax. For purposes of this section "utility tax" refers a city tax on business activities subject to the tax imposed by chapter 82.16 RCW.

3.4.1 Pass Through of Excess Utility Tax. In the event a Utility Tax on the District by the City is in the future authorized by law, the District shall pay such additional monies and may pass such additional tax liability on to the District's ratepayers as a separate billing item.

3.5 Requirement to Connect to Sanitary Sewer. The City shall, within the first year of this Agreement, study the adoption of rules and regulations related to the requirement that residences and other buildings or improvements located within the City not receiving sanitary sewer service (those using septic tanks or other on site systems), shall, under certain terms and conditions, be required to connect the sewer facilities located in or on such properties to the District's Sanitary Sewer System.

3.5.1. The City shall enforce such rules and regulations if adopted.

3.5.2 The District shall cooperate with the City in such enforcement action.

3.6 City's Option to Extend this Agreement The City, at its sole option, may no less than twelve (12) calendar months prior to the end of the term of this Agreement inform the District, in writing, of its desire to extend this Agreement for an additional five (5) years under terms and conditions as may be mutually agreed to by the Parties.

3.6.1 Should the City give such notice to the District and the District be interested in such a proposal, the Parties shall enter into Good Faith Negotiations to complete and execute a mutually acceptable extension Agreement, within six (6) months from the City's Notice.

3.7 Protection of District Employees upon Assumption by the City. The Parties agree that a fair and equitable transition of the employees of the District at the time of assumption by the City is critical to maintain the efficient operations of the wastewater services. The employees at the District represent a valuable asset to the City as they assume operations of the District. Therefore, in addition to compliance with RCW 35.13A.090, the City agrees to the following protections for employees of the District at the time of the transfer of the utility system:

3.7.1 All full-time regular non-probationary employees of the District at the time of assumption shall be offered the same or equivalent positions in the City's job classification system, which are consistent with the knowledge, skills, abilities, experience, and technical requirements of the District's employees.

3.7.2 The City agrees not to reduce the salary of a District transferred employee. However, the City reserves the right to freeze a District transferred employee's rate of compensation within a job classification until the City's rate of compensation is equal to or exceeds the transferred employee's rate of compensation.

3.7.3 City agrees it shall not lay off a transferred District employee for at least one year following the date of the transfer to City employment, however, the City reserves the right to terminate District transferred employee for cause.

3.7.4 Service credit for City purposes will be calculated based upon the initial full-time employment date of the transferred employee with Ronald Wastewater District.

3.7.5 Transferred employees will continue participation with the appropriate public employees' retirement system as provided for in RCW35.13A.090 (1).

3.7.6 The City currently allows employees retiring under the PERS Retirement System to purchase health insurance. The transferred employees will be able to participate in that benefit so long as this is still a benefit offered to City employees at the time of assumption of the District.

3.7.7 The City agrees to abide by the Washington Wastewater Collection Personnel Association certification requirements or equivalent for all sewer maintenance workers.

3.7.8 District agrees that an employment agreement for any employee shall not be extended beyond the City assumption date without review and approval of the City Manager.

3.7.9 The Parties recognize that all agreements with bargaining units will terminate upon transfer to the City.

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3.7.10 District agrees that at the time of transfer it shall pay off any accrued sick leave owed to transferred District employees, based on District sick leave policy then in effect.

3.7.11 The Parties agree that District employees transferred to the city shall not carry over more vacation accrual than allowed by City vacation leave policy then in effect, and the District shall pay off vacation in excess of the City's accrual limit upon transfer.

3.8 Obligations On Assumption:

3.8.1 City shall assume all liabilities and contractual obligations of the District or pay those obligations in full where required by contract, bond covenant or other agreements. The District will negotiate all new contracts and loan agreements during the term of this agreement including any mutually agreed upon extension so that the obligations of the District may be assumed by the City upon assumption of the District without cost or penalty. It is agreed that the district's Parity Revenue Bond covenants, as now written, can not, and will not change during this Agreement, therefore, any such Parity Revenue bond obligations of the District will require full defeasance or transfer of the obligation of the District according to the bond covenants at the time of the transfer of assets.

3.8.2 All District assets, personal, real and intangible property will be transferred to the City.

Section 4. The District Responsibilities. In consideration of the City's commitments above and the concomitant Franchise Agreement, the District shall:

4.1 Interlocal Operating Agreement Fee. In consideration of and compensation for the City's forbearance of its rights to assume the District under RCW 35.13A, as it now exists or may be amended, and the rights granted the District under this Agreement to operate its existing and future sewer facilities within the City's corporate limits, including any future annexed areas, the District agrees to pay the City an "Interlocal Operating Fee" pursuant to the payment schedule set forth herein.

4.2 Schedule of Payments. The schedule of payments shall be as follows:

Year	Amount
2002	\$500,000*
2003	\$550,000

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2004	\$600,000
2005	\$618,000
2006	\$637,000
2007	\$656,000
2008	\$676,000
2009	\$696,000
2010	\$717,000
2011	\$739,000
2012	\$761,000
2013	\$784,000
2014	\$808,000
2015	\$832,000
2016	\$857,000
2017	\$883,000

*In the year 2002, the \$500,000 Interlocal Agreement Fee will be paid in full by Ronald Wastewater District prior to December 31, 2002, less any previously paid fees paid during the year 2002 under the Seattle Public Utilities Franchise Agreement assumed by the District.

In all years subsequent to 2002 through 2016, the Interlocal Agreement Fee will be paid by the District to the City with quarterly payments being made on or before March 15, June 15, September 15, and December 15 of each year.

In the final year, 2017, the District's payment to the City will be pro-rated to the date of the Contract Termination.

The fee paid by the District under this section is a business expense that will not be separately identified on customer billings.

4.3 Storm Water and Water Supply System. The District shall not provide a storm water system or a water supply system within the City without the approval of the City being first obtained.

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4.4 Standard Sewer Billing Rate Structure. It shall be the goal of the District to perform a Comprehensive Sewer Rate and Cost of Service Analysis in order to develop a uniform rate schedule following the District's acquisition of the Seattle Public Utilities/Lake City Sewer District Sanitary Sewer System which study shall include but not be limited to the following:

4.4.1 The impact of the overall rate revenue requirements, which analysis shall reflect the impact of diverting the costs and revenue of sewer system customers within the City of Lake Forest Park, if and when service to those customers is taken over by the City of Lake Forest Park.

4.4.2 An evaluation of reasonable options and impacts of phasing in a blending of sewer rates, revising the sewer rates and costs of maintenance and operation, both pre and post Seattle Public Utilities/Lake City Sewer District acquisition of customer segments.

4.4.3 Develop a strategy to expedite a blending of sewer rates to a single set of rate structures that will have the least negative impact on all District ratepayers, now and in the future.

4.4.4 Attempt to create a level billing rate structure for each class of customer throughout the District and the City unless the level of service provided any segment of those properties served requires a "special benefit" surcharge.

4.5 Agreement to Annex. The District shall exercise its legislative authority to seek annexation of those areas which it serves which are not yet within its corporate boundaries and those areas which are within the City's corporate boundaries except areas served by the Highland Sewer District. The District shall proceed with the annexation process as soon as the City of Lake Forest Park exercises its right to annex those areas within its corporate boundaries, and which are presently served by the District's Sanitary Sewer System.

4.5.1 City's Cooperation With Annexation. The City shall promote, cooperate with, and use its best efforts to assist the District in the annexation process articulated in Section _____ of this agreement.

4.6 Seattle Public Utilities Service System Reliability. The District shall prepare plans to upgrade the systems acquired from Seattle Public Utilities to conform to the District's overall operational and maintenance standards.

4.7 Advisory Board. Members of the Board of Commissioners of the District in office at the time of this Agreement who wish to do so, may at their

option, sit as an advisory Board to the Shoreline City Council for a three (3) year period beyond the term of this Agreement.

- 4.8 Cooperation with Assumption and Dissolution. The District agrees to take no action to protest or challenge the assumption of the District following the term of this agreement or any extension thereof. By its execution of this Agreement below the District grants to the City a limited power of attorney to execute a joint petition to Superior Court for dissolution of the District pursuant to RCW 35.13A.080 when authorized by the City Council following the term of this Agreement provided the City is not in breach of this Agreement including terms that survive the term of the Agreement

Section 5. Mutual Responsibilities. In satisfaction of the intent of the parties, the City and District shall have the following responsibilities:

5.1 Common Goals and Interests. The parties shall agree to identify potentially desirable common activities and projects of mutual interest and benefit, which shall include, but not be limited to the following:

5.1.1 Common Vehicle and equipment storage facilities

5.1.2 Common vehicle and equipment maintenance

5.1.3 Emergency/after hours call center

5.1.4 Combined permitting/licensing offices

5.1.5 Joint but separate communications - emergency radio/telephone

5.1.6 Creation of a joint committee to discuss, evaluate and select cost-effective common programs relating to:

- i. Energy management
- ii. Equipment sharing
- iii. Information technology
- iv. Staff training, where possible
- v. Joint insurance programs

5.2 Inter-Agency Communications. A committee consisting of the City's City Manager and Public Work's Director, and the District's General Manager and Maintenance Manager will meet annually to evaluate projects which may be agreed upon to have a mutual benefit, and which may be jointly undertaken.

5.3 Capital Improvement Plan: Each of the Parties shall provide the other with a copy of their respective present Capital Improvement Plan to better facilitate the use of the streets, sidewalks and rights of way and the areas under them.

5.4 Coordination of City and District's Comprehensive Plans. The City's Manager and District's General Manager shall meet annually to coordinate activities related to their respective Comprehensive Plans and their respective Capital Improvement Plans. The parties shall address revisions to their respective Comprehensive Plans at the earliest opportunity to reflect the transition of wastewater service delivery by the City at the end of this Agreement.

5.5 Information and Document Exchange. The Parties shall exchange information and documents relating to the location of the facilities which they each operate within the affected rights of way.

5.6 Assumption Transition. No later than 24 months prior to the end of the term of this Agreement, the City and District shall negotiate in good faith the terms of final transition. Transition terms shall include plans that the City and the District agree to implement to ensure a smooth transition from District to City operations. These plans would include operational issues, financial issues, and employee transition issues. Transition terms shall include but not be limited to the following:

5.6.1 Defeasance or call of all bonded debt principal outstanding and interest owed if required by bond covenants.

5.6.2 Assumption of all indebtedness and other liabilities subject to the terms and conditions of related agreements and contracts.

5.6.3 Terms for application and future use of any cash reserves at the time of the transfer of the system then restricted as to use for system rehabilitation and replacement per District Resolution

5.6.4 District agrees to maintain its reserve funds in the same manner as current policy, and shall maintain adequate reserve levels subject to periodic review by the District's Board of Commissioners in establishing policies related to the financial needs of the District.

Section 6. Termination. In addition to all other rights and powers to remedy default including specific performance, both Parties reserve the right to revoke and terminate

this Agreement in the event of a substantial violation or breach of its terms and conditions.

Section 7. Indemnification. The parties shall indemnify and hold harmless each other and their respective officers, agents, and employees from all costs, claims or liabilities of any nature, including attorneys' fees, costs and expenses for or on account of injuries or damage by any persons or property resulting from the negligent activities or omissions of that Party or their respective agents or employees arising from the performance of this agreement.

Section 8. Definitions. The terms used in this Agreement, if not defined herein, shall have their meanings as defined in any other documents executed contemporaneously or in conjunction with this Agreement.

Section 9. Remedies. In addition to the remedies provided by law, this Agreement shall be specifically enforceable by any Party.

Section 10. Venues. In the event of litigation pertaining to this Agreement, the exclusive venues and places of jurisdiction shall be in King County, Washington.

Section 11. Alternative Dispute Resolution-Arbitration. Except as otherwise provided under applicable state law, any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, shall be submitted to, and settled by, arbitration to be held in King County, Washington in accordance with the provisions of Chapter 7.04 of the Revised Code of Washington, as amended, and with respect to matters not covered in such statute, by the rules of the American Arbitration Association; provided, however, that in the event of any conflict between such statute and such rules, the provisions of the statute shall control; and provided further, that notwithstanding anything in such statute or rules to the contrary: (a) the arbitrator's decision and award shall be made according to the terms and provisions of this Agreement and the applicable law, and such award shall set forth findings of fact and conclusions of law of the arbitrator upon which the award is based in the same manner as is required in a trial before a judge of the Superior Court of the State of Washington; (b) the arbitrator shall award attorney's fees to the prevailing party; and (c) in any such arbitration, there shall be a single arbitrator and any decision made shall be final, binding and conclusive on the parties. The fees of the arbitrator shall be borne equally by the parties except that, in the discretion of the arbitrator, any award may include a party's share of such fee if the arbitrator determines that the dispute, controversy or claim was submitted to arbitration as a dilatory tactic.

Section 12. Binding. This Agreement shall inure to the benefit of and be binding upon the Parties, their successors and assigns.

ORIGINAL

Section 13. Enforceability. If any provision of this Agreement shall be held by a court of competent jurisdiction to be illegal, invalid or unenforceable, the remaining provisions shall remain in full force and effect.

Section 14. Applicable Law: This Agreement shall be construed under the laws of the State of Washington.

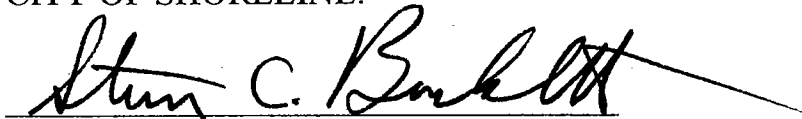
Section 15. Attorneys Fees. If either party employs an attorney to enforce any rights arising out of or relating to this Agreement, the prevailing party shall in such dispute be entitled to recover its reasonable attorneys' fees.

Section 16. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to its subject matter. It shall not be modified except by a written agreement signed by both parties. None of the provisions of this Agreement shall be deemed to have been waived by any act of acquiescence on the part of either Party, its agents, or employees, but only by an instrument in writing signed by an authorized officer of the Party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision(s) or of the same provisions on another occasion.

Section 17. Survival. All of the provisions, conditions and requirements of Sections 3.7, 3.8, 4.7, 4.8, 7, 8, 9, 10, 11, 12, 13, 14, 15, and 16 shall survive the fifteen (15) year term of this Agreement.

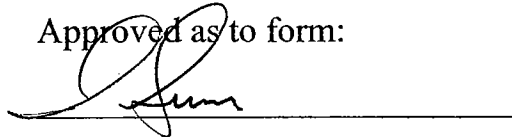
Section 18. Effective Date and Term of Contract. This agreement shall be in full force and effect and binding upon the parties hereto upon the execution of the Agreement and shall continue in full force and effect fifteen (15) years from the effective date.

CITY OF SHORELINE:



Steven C. Burkett, City Manager

Approved as to form:



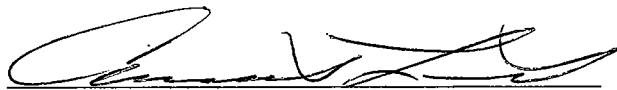
Ian R. Sievers, City Attorney

RONALD WASTEWATER DISTRICT:



President, Board of Commissioners

Attest:

A handwritten signature in black ink, appearing to be "C. Smith", written over a horizontal line.

Secretary, Board of Commissioners

ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

06/11/04

PRODUCER USI Northwest of Washington 1001 Fourth Avenue, Suite 1800 Seattle, WA 98154 206 695-3100	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED Ronald Wastewater District P.O. Box 33490 Shoreline, WA 98133	INSURERS AFFORDING COVERAGE INSURER A: American Casualty Company of Reading INSURER B: INSURER C: INSURER D: INSURER E:	NAIC # 20427

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR PD Ded:5,000 GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	2048417840	01/01/04	01/01/05	EACH OCCURRENCE \$1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$300,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
A		AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	2048417790	01/01/04	01/01/05	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN EA ACC \$ AUTO ONLY: AGG \$
		EXCESS/UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE <input type="checkbox"/> DEDUCTIBLE <input type="checkbox"/> RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
A		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	2048417840 WA STOP GAP ONLY	01/01/04	01/01/05	<input type="checkbox"/> WC STATU-TORY LIMITS <input checked="" type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE - EA EMPLOYEE \$1,000,000 E.L. DISEASE - POLICY LIMIT \$1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Covering "All Operations" of the named insured, subject to all policy conditions, limitations and exclusions.

CERTIFICATE HOLDER

City of Shoreline
 Attn: Debbie Tarry
 17544 Midvale Ave. N.
 Shoreline, WA 98133-4921

RECEIVED
JUN 14 2004
FINANCE

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 45 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Debbie R. Henderson

IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.



FAX

DATE: July 14, 2004

NUMBER OF PAGES (including cover sheet): 3

FROM: Beau Sinkler, Administrative Assistant III for Debbie Tarry, Finance Director
City of Shoreline Finance Department
17544 Midvale Ave N., Shoreline, WA 98133-4921
Phone # (206) 546-0790 Fax # (206) 546-7870

TO: ATTENTION: **KATHY** 425-277-7242

Dear Kathy:

Per your phone conversation with Debbie, attached is the Certificate of Liability for the Ronald Wastewater District.

If you have any questions, please call Debbie at 206-546-0787.
Thanks!

Beau Sinkler
Finance Department, City of Shoreline
206 546 0790
fax: 206-546-7870

*** TX REPORT ***

TRANSMISSION OK

TX/RX NO 2169
CONNECTION TEL 914252777242
SUBADDRESS
CONNECTION ID
ST. TIME 07/14 09:56
USAGE T 01'34
PGS. SENT 3
RESULT OK



FAX

DATE: July 14, 2004

NUMBER OF PAGES (including cover sheet): 3

FROM: Beau Sinkler, Administrative Assistant III for Debbie Tarry, Finance Director
City of Shoreline Finance Department
17544 Midvale Ave N., Shoreline, WA 98133-4921
Phone # (206) 546-0790 Fax # (206) 546-7870

TO: ATTENTION: **KATHY** 425-277-7242

Dear Kathy:

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If you have any questions, please call Debbie at 206-546-0787.

Thanks!

Beau Sinkler

ACORD™ CERTIFICATE OF LIABILITY INSURANCEDATE (MM/DD/YY)
05/24/02

PRODUCER USI Northwest 20415 NW 72d Ave. South Suite 300 Kent, WA 98032	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.
	INSURERS AFFORDING COVERAGE
INSURED Ronald Wastewater District P.O. Box 33490 Shoreline, WA 98133	INSURER A: Transcontinental Insurance Company
	INSURER B: Continental Casualty Co
	INSURER C:
	INSURER D:
	INSURER E:

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> Per Project Agg <input checked="" type="checkbox"/> Stop Gap GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	248417840	01/01/02	01/01/03	EACH OCCURRENCE \$1,000,000 FIRE DAMAGE (Any one fire) \$300,000 MED EXP (Any one person) \$5,000 PERSONAL & ADV INJURY \$1,000,000 GENERAL AGGREGATE \$2,000,000 PRODUCTS - COMP/OP AGG \$2,000,000
B	AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	248417790	01/01/02	01/01/03	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$ OTHER THAN AUTO ONLY: EA ACC \$ AGG \$
	EXCESS LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE \$ RETENTION \$				EACH OCCURRENCE \$ AGGREGATE \$ \$ \$ \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY				WC STATU-TORY LIMITS OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
	OTHER				

RECEIVED
MAY 28 2002
FINANCE

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS

The certificate holder is added as primary & non-contributory additional insured as respects work performed by the named insured on behalf of the certificate holder per attached form G-17957-F.

CERTIFICATE HOLDER City of Shoreline 17544 Midvale Ave N. Shoreline, WA 98133-4921	ADDITIONAL INSURED; INSURER LETTER:	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE <i>Diana L. Phillips</i>
--	--	--

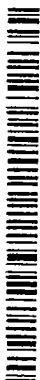
THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.
CONTRACTOR'S BLANKET ADDITIONAL INSURED ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

- A. WHO IS AN INSURED (Section II)** is amended to include as an insured any person or organization (called additional insured) whom you are required to add as an additional insured on this policy under:
1. A written contract or agreement; or
 2. An oral contract or agreement where a certificate of insurance showing that person or organization as an additional insured has been issued; but the written or oral contract or agreement must be:
 1. Currently in effect or becoming effective during the term of this policy; and
 2. Executed prior to the "bodily injury," "property damage," "personal injury" or "advertising injury."
- B. The insurance provided to the additional insured is limited as follows:**
1. That person or organization is only an additional insured with respect to liability arising out of:
 - a. Your premises;
 - b. "Your work" for that additional insured; or
 - c. Acts or omissions of the additional insured in connection with the general supervision of "your work."
 2. The Limits of Insurance applicable to the additional insured are those specified in the written contract or agreement or in the Declarations for this policy, whichever is less. These Limits of Insurance are inclusive and not in addition to the Limits of Insurance shown in the Declarations.
 3. Except when required by contract or agreement, the coverage provided to the additional insured by this endorsement does not apply to:
 - a. "Bodily injury" or "property damage" occurring after:
 - (1) All work on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured at the site of the covered operations has been completed; or
 - (2) That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as part of the same project.
 - b. "Bodily injury" or "property damage" arising out of acts or omissions of the additional Insured other than in connection with the general supervision of "your work."
 4. The insurance provided to the additional insured does not apply to "bodily injury," "property damage," "personal injury," or "advertising injury" arising out of an architect's, engineer's, or surveyor's rendering of or failure to render any professional services including:
 - a. The preparing, approving, or failing to prepare or approve maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; and
 - b. Supervisory, or inspection activities performed as part of any related architectural or engineering activities.
- C. As respects the coverage provided under this endorsement, Paragraph 4.b. SECTION IV – COMMERCIAL GENERAL LIABILITY CONDITIONS is amended with the addition of the following:**
- 4. Other Insurance**
- b. Excess Insurance
- This insurance is excess over:
- Any other valid and collectible insurance available to the additional insured whether primary, excess, contingent or on any other basis unless a contract specifically requires that this insurance be either primary or primary and noncontributing. Where required by contract, we will consider any other insurance maintained by the additional insured for injury or damage covered by this endorsement to be excess and noncontributing with this insurance.

5002074894050030002826714701





FAX

DATE: June 11, 2004

NUMBER OF PAGES (including cover sheet): 3

FROM: Beau Sinkler, Administrative Assistant III for Debbie Tarry, Finance Director
City of Shoreline Finance Department
17544 Midvale Ave N., Shoreline, WA 98133-4921
Phone # (206) 546-0790 Fax # (206) 546-7870

TO: **ATTENTION:** **AL**
Phone #: Fax #: 206-546-8110

Dear Al,

Per your phone conversation with Debbie this morning, attached is your last year's Certificate of Liability for the Ronald Wastewater District. We look forward to receiving your current certificate soon!

Many thanks!

Beau Sinkler
Finance Department, City of Shoreline
206 546 0790
fax: 206-546-7870

*** TX REPORT ***

TRANSMISSION OK

TX/RX NO 2124
CONNECTION TEL 92065468110
SUBADDRESS
CONNECTION ID
ST. TIME 06/11 09:18
USAGE T 02'19
PGS. SENT 3
RESULT OK



FAX

DATE: June 11, 2004

NUMBER OF PAGES (including cover sheet): 3

FROM: Beau Sinkler, Administrative Assistant III for Debbie Tarry, Finance Director
City of Shoreline Finance Department
17544 Midvale Ave N., Shoreline, WA 98133-4921
Phone # (206) 546-0790 Fax # (206) 546-7870

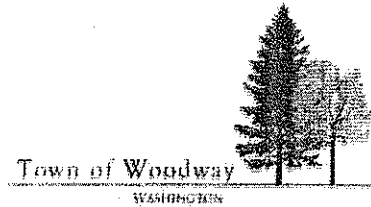
TO: **ATTENTION:** **AL**
Phone #: Fax #: 206-546-8110

Dear Al,

Per your phone conversation with Debbie this morning, attached is your last year's Certificate of Liability for the Ronald Wastewater District. We look forward to receiving your current certificate soon!

Many thanks!

Beau Sinkler



May 6, 2013

Town of Woodway
23920 113th Place West
Woodway, WA 98020

Ronald Wastewater District
17505 Linden Avenue North,
Shoreline, WA 98133-0490

RE: Memorandum of Understanding concerning sewer services in Woodway and its MUGA

The Town of Woodway (the "Town") has reached an agreement in principal with Ronald Wastewater District (the "District") concerning the provision of sewer services within the Town of Woodway and the Town's Municipal Urban Growth Area ("MUGA"). This Memorandum of Understanding reflects the general terms anticipated to be included in a final agreement and the intent of the parties to negotiate such an agreement in good faith.

The final agreement is intended to addresses issues such as:

1. The assumption by the Town of that portion of the District contained within the Town limits;
2. The transfer to the Town of District assets within the Town and its MUGA, and the Town's payment for such assets;
3. The transfer to the Town of the District's service area currently within the Town's MUGA; and
4. The Town's ongoing payment to the District for sewer services, including the payment of District connection charges.

The final agreement, within the context of the Town's planned assumption of Olympic View Water & Sewer District services within the Town and its MUGA, is intended to facilitate more efficient service delivery, including unified billing and water & sewer services planning.

Eric A. Faison
Town Administrator
Town of Woodway

Michael Derrick
General Manager
Ronald Wastewater District



SHORELINE
CITY COUNCIL

Keith A. McGlashan
Mayor

Chris Eggen
Deputy Mayor

Will Hall

Doris McConnell

Chris Roberts

Jesse Salomon

Shari Winstead

May 14, 2013

Brian T. Carroll, Chair
Ronald District Commissioners
Ronald Wastewater District
17505 Linden Ave N
Shoreline, WA 98133-0490

Dear Chair Carroll,

The City of Shoreline would like to express our grave concerns about Agenda Item Seven (7) on tonight's agenda, the discussion of a Memorandum of Understanding between the District and the Town of Woodway regarding the transfer of the District and its facilities in Point Wells to the Town of Woodway.

As you are clearly aware, in 2002 the City and the District jointly executed an Interlocal Agreement for the City to assume the District in 2017. That agreement, in section 4.5, specifically requires that the District consolidate its service area, including such areas as Point Wells which is in the City's future annexation area. As such, the City has a definite interest and investment in any and all assets of the District. The proposed MOU between the District and Woodway is in direct conflict with this requirement. We feel it is more than appropriate to work with the City to implement the existing Interlocal Agreement and not make any decisions to sell, give away or otherwise transfer, any District asset or service area.

As you also are aware, the City of Shoreline has been negotiating with BSRE, the Point Wells developer, for some time regarding funding the long term traffic impacts and providing urban services to Point Wells as the community will bear the direct impacts from future Point Wells residents. The most appropriate method to achieve this goal is annexation of Point Wells to the City of Shoreline.

Therefore, it is not prudent to sell the district's assets and service area given that the City will be both assuming the District and potentially annexing the property. Put in simplest terms, since over 60 percent of the District area and assessed valuation is included within Shoreline, we may assume by ordinance the full and complete management and control of that portion of the District not in another city. However, if the facilities are transferred to the Town of Woodway, we will have to pay to reacquire the sewer system in that area after annexation of Pt. Wells. Allowing the Town of Woodway to assume or acquire the District and its facilities at Point Wells ignores the long-term impacts to the current Shoreline District ratepayer.

Additionally, your potential actions could enable the Town of Woodway to annex Point Wells which would significantly negatively impact the City and its residents, which are Ronald ratepayers as well. If Woodway annexes Point Wells, it removes the funding source (property tax) necessary to mitigate the long-term impacts to Shoreline and its road network. We believe the future residents of Point Wells should pay their fair share; if Woodway annexes, that is not possible.

This issue is of critical importance; we believe that your potential actions significantly harm the Shoreline ratepayers, which are also the City's residents. We respectfully request that you cease discussion, negotiations or otherwise with Woodway regarding the Point Wells property or any other district assets in Snohomish County.

Cordially,

A handwritten signature in black ink, appearing to read "Julie Underwood", with a long horizontal flourish extending to the right.

Julie T. Underwood
Shoreline City Manager



SHORELINE
CITY COUNCIL

Keith A. McGlashan
Mayor

Will Hall
Deputy Mayor

Chris Eggen

Doris McConnell

Christopher Roberts

Terry Scott

Shari Winstead

August 12, 2011

The Honorable Arthur L. Wadekamper
President
Ronald Wastewater District Board of Commissioners
17505 Linden Avenue N.
Shoreline, WA 98133

Dear President Wadekamper:

In March Deputy Mayor Will Hall, City Manager Julie Underwood, and I met with you and General Manager Michael Derrick to discuss the interlocal operating agreement dated October 22, 2002 between the City and Ronald Wastewater District.

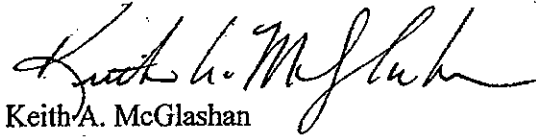
As promised, the Deputy Mayor and I discussed your request with the Council to reconsider the terms of the agreement, which negotiated a 15-year timeframe for the transition of the wastewater utility from the District to the City. There was no interest in initiating changes to the current agreement, which remains consistent with long-term City goals and capital planning.

Given where we are, we are hopeful that the District will continue to uphold the agreement and refrain from taking any action to protest or challenge the assumption as outlined in the agreement. Potential impacts to District employees have already been addressed in the agreement, and our intent for the 15-year timeframe was to provide District employees with sufficient time to transition. We have an organizational culture that values our employees. In fact, our bi-annual employee satisfaction survey demonstrates our commitment to shaping a positive, rewarding workplace. We will welcome District employees to our team.

The City looks forward to continuing the District's service to Shoreline residents under our utilities division. We believe increased efficiencies can be achieved from greater economies of scale and reducing the duplication of costs, improved coordination and planning, and enhanced visibility and transparency. Ultimately, we believe this merger will result in lower costs, improved services, and greater involvement for ratepayers. This justification was mutually agreed upon when the agreement was originally negotiated in good faith and remains true today.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Keith A. McGlashan".

Keith A. McGlashan
Mayor

cc: Shoreline City Council
Ronald Wastewater District Board of Commissioners
Julie T. Underwood, City Manager
Michael Derrick, General Manager, Ronald Wastewater District



SHORELINE
CITY COUNCIL

Keith A. McGlashan
Mayor

Chris Eggen
Deputy Mayor

Will Hall

Doris McConnell

Chris Roberts

Jesse Salomon

Shari Winstead

May 11, 2012

The Honorable Brian T. Carroll
President
Ronald Wastewater District Board of Commissioners
17505 Linden Avenue N.
Shoreline, WA 98133

Dear President Carroll:

It has come to the City's attention that recent actions of the Ronald Wastewater District (RWD) are in violation of Section 4.8 of the City/RWD Interlocal Operating Agreement, which states, "The District agrees to take no action to protest or challenge the assumption of the District following the term of this agreement or any extension thereof."

In reading the Ronald Wastewater District's Frequently Asked Questions (FAQs) regarding the possible assumption of the Ronald Wastewater District, the District clearly states "No" to the question of whether Ronald Wastewater District agreed to be assumed by the City of Shoreline. These FAQs are misleading and factually inaccurate. The City is extremely concerned that Ronald Wastewater District is willfully misleading Shoreline residents and businesses.

As is clearly stated in Section 4.8 of the IOA, noted above and titled *Cooperation with Assumption and Dissolution*, assumption will occur at the close of the term of the agreement at the City's option. The District has already given its authorization for the City to petition for dissolution of the District if authorized by the City Council at the end of the agreement. Other sections of the IOA clearly provide for the transition of district employees upon assumption by the City and the appropriate consolidation of assets and liabilities of the District at the time of assumption.

In March 2011 then Deputy Mayor Will Hall, City Manager Julie Underwood, and myself met with then District Board President Art Wadekamper and District General Manager Michael Derrick to discuss the District's request to reconsider the terms of the IOA. The District made this request so that the District would not be bound by the assumption proceedings noted in the IOA at the close of the agreement term. On August 12, 2011,

Mayor McGlashan sent the attached letter clearly stating that the City would not reconsider the terms of the agreement.

The District's request is important to note, as it is not consistent with the District's current position that the IOA does not provide for assumption. Given that the IOA was legally executed by both the Ronald Wastewater District and the City in 2002, the City is at a loss to understand why District Board of Commissioners, most notably Commissioner Wadekamper, would not understand the terms of the IOA.

It is the expectation of the City that the Ronald Wastewater District abide by and support all aspects of the IOA; most notably the understanding that the District will cooperate with City assumption at the close of the current IOA term in October 2017 including transition coordination leading up to that date under section 5.6 beginning in October 2015. Until those dates, the City fully expects compliance with Section 4.8 of the IOA, and that the District take "no action to protest or challenge the assumption." The City considers any District expenditure of our ratepayer funds to challenge City assumption a violation of this section. Given that posting of the "FAQs" infers that the District is challenging the assumption, the City respectfully requests that the District remove the "FAQs" from the RWD website and from your office lobby. The City further requests that District personnel refrain from speaking against or casting doubt on the IOA or assumption of the District by the City at any public meeting, District Board meeting, or to any District rate payer/Shoreline citizen unless it is clear they do not represent the position of the District and are compensated for their time.

Sincerely,



Keith A. McGlashan
Mayor

cc: Shoreline City Council
Ronald Wastewater District Board of Commissioners
Julie T. Underwood, City Manager
Ian Sievers, City Attorney
John Norris, City Manager's Office Management Analyst
Michael Derrick, General Manager, Ronald Wastewater District
Joseph Bennett, District Attorney, Ronald Wastewater District

Enclosures