

INTERLOCAL PHASE II AGREEMENT FOR THE CLEARVIEW WATER PROJECT

WHEREAS, the undersigned municipal corporations (the "Parties" or the "Municipalities") provide water service to residents in Southwest Snohomish County; and

WHEREAS, comprehensive planning by the Parties indicates population growth in Southwest Snohomish County that will require construction of water transmission, storage and pumping facilities from the Everett regional water system's Pipeline No. 5 to the Clearview area of Snohomish County to convey water from the City of Everett's water supply system; ("the Clearview Project"); and

WHEREAS, the Parties will benefit from construction of these facilities; and

WHEREAS, the purpose of this Interlocal Agreement is to provide joint management, administration and funding for the planning, design, engineering, financing and construction of the Clearview Project; and

WHEREAS, this Agreement is entered into by the undersigned Parties, municipal corporations organized under the laws of the State of Washington, pursuant to the Interlocal Cooperation Act, Chapter 39.34 RCW, and after authorization by the legislative bodies of each of the Parties;

NOW THEREFORE, IT IS HEREBY AGREED BY THE PARTIES AS FOLLOWS:

1. JOINT POWERS. Pursuant to Chapter 39.34 RCW, this Agreement shall be a joint powers agreement to create and confer powers, privileges, and authority upon the CLEARVIEW GROUP as provided in this Agreement. The duration of this agreement shall be completion of construction or three (3) years, whichever is longer.

2. PURPOSE. The purpose of this Agreement is to bring together interested Parties which are benefited by the proposed Clearview Project to provide a mechanism for the accumulation of financial resources to retain professional assistance to accomplish the planning, design, engineering and construction thereof and to develop mechanisms to finance those facilities and to operate and maintain them after they are placed in operation. It is the intent that this Agreement will take the Project through Final-design, and Construction.

3. ORGANIZATION. This Agreement does not establish a separate legal entity but rather creates an administrative entity to be known as the CLEARVIEW GROUP, which shall act at the direction of a board

comprised of representatives from each of the Parties to this Agreement. The CLEARVIEW GROUP shall perform purely administrative functions and, except as otherwise noted herein, no power or authority to act on behalf of, or in the stead of, the undersigned Parties is delegated to the CLEARVIEW GROUP. The members listed hereafter in Section 4 shall constitute the CLEARVIEW GROUP subject to reasonable and equitable latecomer provisions as established by agreement of all members. Additional Parties may be added by unanimous amendment of this Agreement which will be based, at a minimum, on financial participation in the Clearview Project.

4. GOVERNANCE. Governance of the CLEARVIEW GROUP shall be initially vested in a Board of Directors consisting of one (1) member representing each Party designated in writing, as follows:

- A. Alderwood Water District (AWD) - any person designated by the Board.
- B. Silver Lake Water and Sewer District (SLWD) - any person designated by the Board.
- C. Cross Valley Water District (CVWD) - any person designated by the Board.

By execution of this Agreement, each Party fully authorizes its designated Board Member to act on its behalf regarding all matters decided by the Board relating to the Clearview Project. Each Party or designated Board member may designate an alternate representative in writing; provided that, alternates shall be designated in writing prior to any Board meeting at which said alternate attends and acts on behalf of a Party.

The representative of AWD shall serve as Executive Secretary of the CLEARVIEW GROUP and shall be authorized to execute all Board actions, including execution of all contracts, imminent domain, authorized by the Board of Directors. AWD shall serve as the lead agency for SEPA and other permits, and administer the construction project.

5. BOARD MEETINGS. The Board of Directors shall meet at least quarterly; provided that any Party through its designated Board Member hereof may call a Board meeting by 48 hour prior written notice of the time and place thereof to all other Board members or to the Party. Board members shall be responsible for notice of meetings to other Parties interested in Clearview Project matters. AWD agrees to provide services for notice of meetings and meeting facilities unless otherwise authorized by the Board. Subject to Section 7, a quorum shall constitute a majority of the members.

6. TECHNICAL COMMITTEES. A Technical Committee or Technical Committees are authorized to be established by the Board of Directors for day-to-day management of the Clearview Project on such terms as the Board shall direct.

7. VOTING. Except as otherwise provided in this Agreement, all actions of the Board of Directors authorizing contracts, expenditure of funds, and/or major decisions affecting the Clearview Project shall be by weighted vote of the Parties. Actions or decisions shall require a super majority vote of not less than 90% of the total weighted vote of the Parties. Each weighted vote shall be calculated based on each Parties' percentage of the budget listed in Section 8 for pipeline "A".

8. BUDGET AND FINANCIAL COMMITMENT. By execution of this Agreement each Party agrees to an initial budget for the Clearview Project as outlined in attached Schedule A. Said budget may be increased or decreased by action of the Board. Each Party commits to funding said budget in shares (based on consumptive use of Clearview Project facilities estimated in million gallons per day (MGD) as shown in components in Exhibit "A").

9. PAYMENT. Each Party upon execution of this Agreement shall forward to AWD a check or warrant payable to AWD - CLEARVIEW PROJECT FUND for the purpose of establishing the CLEARVIEW PROJECT FUND, as provided in Section 10 hereof. It is agreed that said FUND shall be initiated by payment of the following shares upon signing of this Agreement:

AWD	\$ 165,660
SLWD	\$ 80,610
CVWD	\$ <u>53,730</u>
Total	\$ 300,000

Payment by each Party shall be based upon their respective capacity share as a percentage of the whole for each of the following project components as shown in Exhibit "A" attached.

Pump Station. The project pump station shall be Option C outlined in the Montgomery Watson Americas' Clearview Water Supply Project Pump Room Layout Options.

River Crossing. Subject to Section 8, the river crossing shall be constructed to the proposed 2040 capacity of 48.5 MGD.

Pipeline "A". The section of the proposed transmission line extending from Everett's pipeline No. 5 to the point of takeout by the Silver Lake Water District at approximately the 148th Street SE Extension; excepting the river crossing.

Pipeline "B". The section of the proposed transmission line from the takeout point of Silver Lake Water District to the Clearview Reservoir.

Reservoir. Facilities on the proposed Reservoir site including both 12 MG reservoirs.

The costs for the disinfection facilities study and design, if required, will be paid by those benefited based upon their actual proportional use.

Upon authorization of contracts for services, materials and expenses by the Board, each Party agrees to pay its share of the CLEARVIEW PROJECT FUND as agreed in Section 8 hereof. Except as specifically authorized by the Board, each Party shall bear its own technical and management staff costs. AWD agrees to manage the CLEARVIEW PROJECT FUND as provided in Section 10 hereof. Project administration costs incurred by Alderwood Water District shall be reimbursed based upon component cost shares. It is understood that AWD will advance funds toward initial costs of the Clearview Project. Members hereby agree that AWD shall be reimbursed from the CLEARVIEW PROJECT FUND for said initial costs.

Bills shall be payable to AWD - CLEARVIEW PROJECT FUND within thirty days of receipt. Parties agree to pay interest on late payments at the rate of 0.03% per day.

10. CLEARVIEW PROJECT FUND. Upon receipt of a fully executed agreement from all Parties and payment to AWD of their allocated shares, as provided in Sections 8 and 9, AWD shall, with its contribution as provided in Section 9, execute this Agreement and shall establish the PROJECT FUND which shall be maintained separately from all other AWD funds. Interest on the balance of funds on hand shall accrue to the benefit of the FUND. AWD shall maintain all accounting records related to the FUND and may charge the FUND for the reasonable costs of accounting services. AWD will provide all Parties with a monthly accounting of all FUND income and expenses and the balance on hand. The Board may authorize assessments if it deems it necessary to increase the balance on hand in the FUND provided that the Party shall not be assessed, and shall not be required to pay any amount in excess of its total commitment provided in Exhibit A hereof unless all Parties agree to increase the initial budget or adjust the shares.

11. OWNERSHIP. Each party will have an ownership interest commensurate with their share of Project costs. Provided, any Party may convey it's unused capacity to other Parties to this agreement or any municipal purveyor. In the event excess capacity is obtained, that being capacity greater than show in Exhibit "A" table 1 for initial capacity, table 2 for final capacity actually activated, the percentages shown in Exhibit "A", shall apply to total capacity available.

One Party's excess capacity may be conveyed to another Party without all Parties approval. Excess capacity may be conveyed to a municipal purveyor with simple majority approval of the Parties, not withstanding Section 7.

12. LIFE OF THE PROJECT. For purposes of establishing funding and depreciation, the project life of the five components is listed as follows:

A. Pump Station	50 Years
B. River Crossing	75 Years
C. Pipeline "A"	75 Years
D. Pipeline "B"	75 Years
E. Reservoir	50 Years

13. OPERATION. Within 120 days from execution of the engineering consultant's contract, the Clearview Group shall select the system operator.

14. GRANTS. If the Clearview Project receives any grant funding, the grant funds shall be distributed equally over components of the Project, and each Party's cost share shall be reduced proportionally according to their percentage cost share for each respective component.

15. PROJECT COST SHARING FOR PURCHASE OF CLEARVIEW PROJECT INTEREST IN THE PUMP STATION SITE AND RESERVOIR SITE RESPECTIVELY OWNED BY THE CROSS VALLEY WATER DISTRICT AND ALDERWOOD WATER DISTRICT. The title shall remain vested in the current respective ownership. The CLEARVIEW GROUP shall acquire a long-term lease from the respective owners, in accordance with state law, for an initial fee based upon an appraisal of the site plus annual lease payments of one dollar.

The initial fee shall be determined by an appraised value of the land. The cost share of each agency being based upon their respective component percentage.

The lease amount to be paid to CVWD shall be based upon their retention of a 100-foot diameter parcel for a future reservoir. This amounts to 18% of the site. Thus, AWD and SLWD shall pay a fee based upon 82% of the mid range appraised value, being \$70,000, at their respective pump station capacity percentages of 55.22% and 26.87%. The amounts are:

Alderwood Water District	\$33,006.00
Silver Lake Water District	\$16,061.00

The lease amount to be paid to AWD for the reservoir site shall be based upon the full site, less the portion in the northeast corner currently leased for communication facilities, at the mid range appraisal value, being \$255,000, with the respective percentage values for Phase I being the initial reservoir shown in Exhibit "A". AWD agrees that additional construction cost included within Phase I construction to facilitate Phase II, being the second reservoir, shall be paid by AWD. Any future participating parties to Phase II construction shall reimburse AWD for their share of these costs.

Silver Lake Water District	\$49,290.00
Cross Valley Water District	\$41,079.00

16. INCREMENTAL UPSIZING OF PROJECT COMPONENTS.

A. General. Any member of the Clearview Group may be granted authorization by the Clearview Group to pay for incremental increase in the capacity of any component of the project. The initial incremental costs shall be paid in full by the requesting party, such that the remaining parties shall not incur any additional project cost due to the additional costs of the incremental increase in component size. When the Clearview Group member who has purchased incremental upsizing of any component requests activation of the additional component capacity, the requesting party shall pay the additional capacity costs based upon the reallocation of member percentage cost shares. The revised percentage cost share of each member shall be determined by each member's percentage capacity of the total component capacity. Table 2 of Exhibit "A" sets forth each Parties respective total capacity and shares for each Project component after such additional component capacity has been activated. When the additional capacity of any incrementally upsized component is requested, the total additional capacity of that component shall be added. Except as otherwise provided herein, at the time the additional capacity to the component is activated, and the percentage cost shares are reallocated, the member who paid the incremental upsizing costs shall receive credit for the incremental upsizing costs.

B. Incremental Upsizing of Project Component Parts Component parts shall be upsized in accordance with Table 2 of Ex. "A". The additional pipeline incremental costs shall be 12.93 percent of the pipeline "A" and "B" total construction costs. The allocation of the additional costs shall be Cross Valley Water District 80 percent and Silver Lake Water District 20 percent. This is based upon the additional capacity of 12 MGD for Cross Valley Water District and 3 MGD for Silver Lake Water District upon activation of the capacity provided by the incremental upsizing of the pipeline. The additional pump station incremental costs shall be 02.5 percent of the table 1 construction costs. Allocation of the additional pump station costs shall be Cross Valley Water District 80 percent and Silver Lake Water District 20 percent. It is anticipated that Alderwood Water District shall construct a second reservoir at the reservoir site. When such construction is completed reallocation shall occur in accordance with the percentages set forth in Ex. "A": For reallocation and reimbursement, all costs shall be indexed using the Engineering News Record index, with dates of April 30, 1998 for phase 1 costs and the date of use and operation of the project for phase 2 costs.

17. At no time shall any party exceed its capacity of any Project component as set forth in Ex. "A" without the express written agreement of all other parties.

18. DISPUTE RESOLUTION. A majority of the Board members may authorize employment of the services of a mediator through WAMS or JAMS to conduct alternative dispute resolution procedures.

19. TERMINATION AND WITHDRAWAL. This Agreement may be terminated at any time by action of the Board. Upon termination, all obligations shall be paid pursuant to the percentage of shares provided in Section 8.

Any Party may withdraw from this Agreement by giving at least 90 days written notice to the Board of Directors. Upon withdrawal, a Party shall be responsible for payment of its percentage share of Clearview Project expenses as of the effective date of withdrawal. Any balance on hand in the FUND on the effective date of withdrawal that has been contributed by the withdrawing Party, less any expenses associated with the withdrawal, shall be returned to the Party. If a Party withdraws, the ownership shall be adjusted proportionally to each Party's share of the total project cost.

Withdrawal of a Party shall constitute termination unless the remaining Parties amend this agreement to re-allocate shares.

20. LEGAL COMPLIANCE All parties are bound by existing federal, state, and local law.

21. SEVERABILITY. Should any part or provision of this agreement be declared by a court of competent jurisdiction to be invalid, the same shall not affect the validity of the agreement as a whole, or any part thereof other than the part declared to be invalid.

22. LEGAL RELATIONSHIP. Officers and employees of each Party shall be deemed to act only on behalf of the Party it represents or for which it is employed.

23. FILING. This Agreement shall be effective upon filing with the Snohomish County Auditor, the Secretary of State, and the clerk of each member hereto.

24. COUNTERPARTS. This Agreement may be signed in counterparts and, if so signed, shall be deemed one integrated Agreement.

IN WITNESS WHEREOF, this Agreement has been executed by the undersigned Party on the date set forth.

ALDERWOOD WATER DISTRICT

SILVER LAKE WATER DISTRICT

Donna J. Cass

Red Keppeler

Jeff Nelson

Don A. Fisher

Bill Anderson

Date: December 21, 1998

Date: 12-22-98

CROSS VALLEY WATER DISTRICT

Wayne Smith

Mike Deering

Arthur Sigurdson

Date: 1/19/98

EXHIBIT "A"
 Clearview Phase II

Table I
 Initial Construction Capacities

Agency	Pump Station			River Crossing			Pipeline A			Pipeline B			Reservoir		
	Capacity	% Share	Cost	Capacity	% Share	Cost	Capacity	% Share	Cost	Capacity	% Share	Cost	Capacity	% Share	Cost
Aldenwood	18.5	55.22%	\$3,241,842	18.5	40.66%	\$1,406,813	18.5	55.22%	\$8,492,588	18.5	71.96%	\$983,869	7.5	63.03%	\$3,831,933
Silver Lake	9	26.87%	\$1,577,015	9	19.78%	\$ 684,396	9	26.87%	\$4,131,528	1.2	4.67%	\$63,818	2.4	20.17%	\$1,225,218
Cross Valley	6	17.91%	\$1,051,343	18	39.56%	\$1,368,791	6	17.91%	\$2,754,353	8	23.35%	\$319,093	2	16.81%	\$1,021,849
total	33.5	100.00%	\$5,870,000	45.5	100.00%	\$3,460,000	33.5	100.00%	\$15,378,470	25.7	100.00%	\$1,366,780	11.9	100.00%	\$6,080,000

Table II
 Future Capacities

Agency	Pump Station			River Crossing			Pipeline A			Pipeline B			Reservoir		
	Capacity	% Share	Incremental capacity	Capacity	% Share	Incremental capacity	Capacity	% Share	Incremental capacity	Capacity	% Share	Incremental capacity	Capacity	% Share	Incremental capacity
Aldenwood	18.5	38.14%	0	18.5	38.14%	0	18.5	38.14%	0	18.5	45.45%	0	13.9	58.40%	6.4
Silver Lake	12	24.74%	3	12	24.74%	3	12	24.74%	3	4.2	10.32%	3	2.4	10.08%	0
Cross Valley	18	37.11%	12	18	37.11%	0	18	37.11%	12	18	44.23%	12	7.5	31.51%	5.5
total	48.5	100.00%	15	48.5	100.00%	3	48.5	100.00%	15	40.7	100.00%	15	23.8	100.00%	11.9

phase 2 shares modified