

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

THIS FIRST AMENDMENT OF INTERLOCAL OPERATING AGREEMENT ("First Amendment") is made and entered into this 22nd day of June, 2017 ("Effective Date") 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**, on October 22, 2002, the City and the District entered the *Interlocal Operating Agreement Between the City of Shoreline and Ronald Wastewater District Relating to Sanitary Sewer Services Within Shoreline's City Limits* (the "2002 Interlocal Operating Agreement"); and

**WHEREAS**, the purpose of the 2002 Interlocal Operating Agreement is 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; and

**WHEREAS**, the 2002 Interlocal Operating Agreement provided for a 15-year term to complete the transition and the assumption process, which caused the District and the City to work toward the mutual goal of having the City fully "assume" and incorporate the entire District into the City by October 23, 2017 (the "2017 Target Date"); and

**WHEREAS**, the parties continue to perform the 2002 Interlocal Operating Agreement in good faith and intend to complete the orderly transition of the wastewater utility, including assumption proceedings before the Boundary Review Board of both King County and Snohomish County where the District is located, but entities in Snohomish County have questioned and challenged the District's and the City's right to provide sewer service to its entire service area including the Point Wells Service Area; and

**WHEREAS**, the recent and continuing actions of third parties to oppose the District's service and corporate boundaries in Snohomish County and the City's-planned assumption of the entire District located in both King and Snohomish County, consistent with the 2002 Interlocal Operating Agreement, have the effect of frustrating the parties' goal to complete the assumption of the District by the 2017 Target Date; and

**WHEREAS**, as a result, an amendment to the 2002 Interlocal Operating Agreement is necessary and appropriate to provide for the City to implement part of the assumption by the 2017 Target Date, for the District to continue to exercise its rights, powers and functions during the transition, and for the City to take jurisdiction over all of the District after conclusion of administrative proceedings and litigation opposing the assumption; 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 approved the execution of this Agreement;

**NOW THEREFORE**, in consideration of the foregoing recitals, which are incorporated herein as is fully set forth below, and the terms and provisions contained herein, the City and the District agree as follows:

Section 1. Prior Agreement and Intent of Amendment. The City and the District agree to amend the 2002 Interlocal Operating Agreement as expressly set forth herein. Except as expressly set forth herein, the 2002 Interlocal Operating Agreement, as amended, will remain in full force and effect for the term and duration of this First Amendment.

1.1 All terms and provisions of the 2002 Interlocal Operating Agreement are incorporated herein and, specifically and without limitation, sections 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, and 17 of the 2002 Interlocal Operating Agreement also apply to this First Amendment.

1.2 This First Amendment and the 2002 Interlocal Operating Agreement constitute the entire agreement between the parties with respect to its subject matter.

Section 2. Term of First Amendment.

2.1 This First Amendment shall be in full force and effect and binding upon the parties hereto upon its execution (“Effective Date”) and shall continue in full force and effect two (2) years from the effective date, unless terminated sooner pursuant to its terms or written agreement of the parties.

2.2 The City, at its sole option, may no less than three (3) months prior to the end of the term of this First Amendment extend this First Amendment for an additional two (2) years by providing written notice to the District.

Section 3. Actions as of the 2017 Target Date. The City and the District agree that the following actions or steps will now be taken and accomplished on or before the 2017 Target Date, notwithstanding any reference to assumption or transfer of system in the 2002 Agreement:

3.1 All District employees will transfer to City employment consistent with paragraph 3.7 of the 2002 Interlocal Operating Agreement.

3.2 All District contracts with vendors (not including professional services contracts and other appropriate contracts) will be transitioned or transferred to the City by assignment, renewal, or other appropriate mechanism.

3.3 The District and the City will have entered a Wastewater Utility Operating Services Agreement (the “Services Agreement”) to provide, without limitation, for the following:

3.3.1 The District to contract with the City for all services and functions in operating, maintaining, and improving the sanitary sewer system.

3.3.2 The District to contract with the City for all administrative services and functions, including utility billing, customer service, and account management; provided, however, that the District may retain an independent contractor(s) to support the Board.

3.3.3 City use of District facilities and real estate.

3.3.4 Coordination and pursuit of capital projects or public works projects that are identified in the District's Capital Improvement Plan.

3.3.5 Coordination and performance of the District's utility relocation agreement with Sound Transit.

3.3.6 Provide for notice and communication regarding any Major Action, as defined below.

3.3.7 Other matters necessary and appropriate to include in a utility operating service agreement under the circumstances.

3.4 With regard to schedule for completion of the Services Agreement identified in paragraph 3.3 above, the parties intend to negotiate the proposed Services Agreement by July 31, 2017 and to approve and sign the final Services Agreement by September 15, 2017.

3.5 The City will act to extend the term of the franchise, granted to the District under paragraph 3.1 the 2002 Interlocal Operating Agreement, consistent with the term of this First Amendment.

3.6 The District and the City may provide for additional items in the Services Agreement including, but not necessarily limited to, seeking the approval of King County, pursuant to RCW 57.20.135, to designate the City as the treasurer for the District. In that event, the District agrees to take such actions to allow for such approvals, including approving and signing all documentation reasonable and necessary to seek and obtain the transfer of the treasury function. In the event that the City is designated as the District's treasurer, the City and District will prepare a separate memorandum of agreement on the subject.

Section 4. District Status and Operating Procedure After the 2017 Target Date.

4.1 The District Board of Commissioners will continue to exist, meet, and exercise its rights, privileges, powers, and functions as to levying and collecting special assessments, rates, charges, service charges, and connection fees; to pay invoices and contractual obligations; to carry out the provisions of its comprehensive plan; and to hold, manage, and protect all District property, funds, and assets.

4.2 The District agrees to coordinate with the City regarding the proposal, timing, and consideration of any potential District Board actions relating to capital expenditures, new public works projects, incurring debt, new contracts in excess of \$50,000.00 in total cost, customer sewer rates and charges, or the wastewater flow and treatment agreement with the City of Edmonds ("Major Actions"); provided, however, that District Board action relating to existing projects, sewer system

maintenance and repairs in the normal course of business, response to conditions that interrupt customer service, or emergencies do not constitute a Major Action(s).

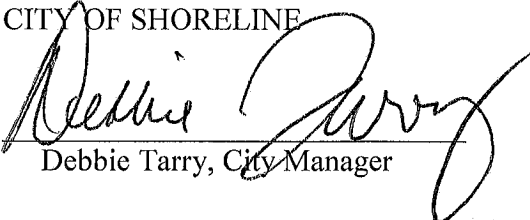
4.3 Except as may be provided in the Services Agreement, the District will include a prominent notice of any Major Action on the agendas for two (2) regular meeting of the District Board of Commissioners before the District Board may take action to approve the Major Action.

Section 5. Interlocal Operating Agreement Fee. Paragraph 4.2 of the 2002 Interlocal Operating Agreement is amended to provide the following schedule of payments:

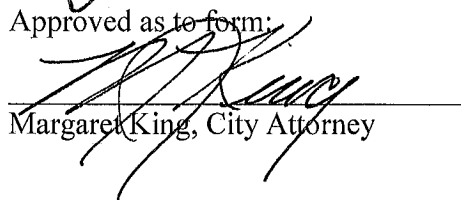
Year	Amount
2017	\$883,000
2018	\$909,000
2019	\$936,000

Section 6. Dissolution Petition. Notwithstanding any provision to the contrary, the City, in its sole discretion, retains all rights under paragraph 4.8 of the 2002 Interlocal Operating Agreement to execute and file a joint petition for dissolution after authorization by the City Council.


CITY OF SHORELINE

  
Debbie Tarry, City Manager

Approved as to form:

  
Margaret King, City Attorney

RONALD WASTEWATER DISTRICT:

  
Gretchen A. Atkinson  
President, Board of Commissioners

Attest:

A handwritten signature in black ink, appearing to read "Chris J. Eggen", written over a horizontal line.

Chris J. Eggen  
Secretary, Board of Commissioners