

SILVER LAKE WATER DISTRICT
CROSS VALLEY WATER DISTRICT
INTERLOCAL AGREEMENT

This Agreement entered into this 16 day of OCTOBER, 2001 between the Cross Valley Water District (hereinafter referred to as "Cross Valley" and the Silver Lake Water District (hereinafter referred to as "Silver Lake"),

W I T N E S S E T H:

WHEREAS, the District's entered into this agreement in 1994, and;

WHEREAS, the Districts have determined to re-execute this agreement to clarify the legal authority to provide water and sewer service in each others district; and

WHEREAS, the Districts are special purpose municipal corporations in Snohomish County, Washington, organized under the laws of the State of Washington; and

WHEREAS, the Districts desire to enter into this Agreement pursuant to the authority granted in Chapter 39.34 of the Revised Code of Washington and RCW 57.08.007; and

WHEREAS, each District has the authority to construct, condemn and purchase, acquire, add to, alter, maintain and operate waterworks, and sewer systems, within or without their corporate limits, for the purpose of furnishing its inhabitants or any other persons with an ample supply of water and for the purpose of disposing of wastewater; and

WHEREAS, the Districts wish to protect and promote their interests and the interests of their rate payers and to provide water service and sewer service to certain customers located within their respective Districts by both using water lines and sewer lines owned and operated by the other District and by providing for the wholesale of water between the Districts; and

WHEREAS, Cross Valley has provided service to certain properties within the City Farms area of the Silver Lake as a private and public water purveyor; and

WHEREAS, state law does not allow a special purpose water and sewer district to extend service to customers located within the boundaries of a different water and sewer district without such district's consent and approval; and

WHEREAS, both Districts desire to cooperate in providing water and sewer service to certain properties near or adjacent to the Districts common boundary lines; and

WHEREAS, both Districts recognize that the other District has the sole lawful authority to provide water and sewer service to properties within its jurisdiction; and

WHEREAS, in accordance with RCW 57.08.007, and by interlocal agreement the Districts may provide for water and sewer service by one District in the other District's area.

NOW, THEREFORE, the Districts do hereby agree as follows:

Section 1. Purpose.

The purpose of this Agreement is to provide delivery of water service to properties within the City Farms area as shown on Exhibit "A" attached hereto (hereinafter Area "A") of Silver Lake Water using water systems owned and operated by Cross Valley. It is the further purpose of this agreement to provide future wholesale of water by Silver Lake to Cross Valley for water service to properties within an area of Cross Valley as shown on Exhibit "B" attached hereto (hereinafter Area "B") and to provide for future sewer service by Silver Lake to properties within Area "B". All deliveries of water by Cross Valley from existing facilities owned and operated by Cross Valley within Area "A", shall be allowed by Silver Lake pursuant to the terms, conditions, and limitations of this Agreement. All deliveries of sewer by Silver Lake within Area "B", shall be allowed by Cross Valley pursuant to the terms, conditions, and limitations of this Agreement.

Section 2. Area "A" New Customers - Interim Service.

Cross Valley shall have the right and permission of Silver Lake to provide service to existing customers and to extend service to new customers and properties within Area "A". As a condition of any such new service extension, Cross Valley shall collect from property

owners within Area "A" as a condition of water service to such property owner by Cross Valley all then existing Silver Lake water connection charges, capital improvement charges and other fees, except meter installation charges which will be retained by Cross Valley, which would be collected by Silver Lake for water service in accordance with its Resolutions and regulations. Such Silver Lake charges collected by Cross Valley are to be paid to Silver Lake within thirty days of the date collected by Cross Valley.

Section 3. Area "A" Maintenance and Repair.

All maintenance, operation, and repair costs and expenses of the water system shall be the sole responsibility of Cross Valley. Any and all construction, repair, reconstruction, replacement or other work on the existing system shall be done by Cross Valley. All new service line installation shall be constructed in accordance with Silver Lake standards and specifications. Any extension of the water system within Area "A" caused by a subdivision of property or new development within Area "A" shall be constructed in accordance with Silver Lake standards and specification. Any construction or improvement of the water facilities within Area "A" for existing general system improvements by Cross Valley may be constructed to Cross Valley standards and specification. The existing water system lines set forth on Exhibit "A", which is incorporated herein as a part of this agreement, are integral to the integrity of operation of Cross Valley's system and shall be retained by Cross Valley.

For those projects requiring construction in accordance with Silver Lake standards and specifications, Cross Valley shall submit engineering plans to Silver Lake for approval at least 60 days prior to construction, and shall notify Silver Lake at least seven days prior to beginning actual construction work.

Section 4. Transfer of Customers Area "A".

At its sole discretion and election, Silver Lake may give notice to Cross Valley that Silver Lake intends to take over the customers within Area "A" 60 days from such notice. Cross Valley shall provide to Silver Lake a current list of the names and addresses of all Cross Valley water customers within the Agreement

area. Silver Lake shall send notice of take over to all customers being served by Cross Valley advising them of their new water purveyor and that billing and payment of future water bills shall be handled by Silver Lake.

At such time of notice Cross Valley shall wholesale to Silver Lake sufficient water to serve all properties within Area "A" whether then being served or not should Silver Lake decide to purchase water from Cross Valley. Nothing herein shall require Silver Lake to purchase water from Cross Valley.

At the time of take over of the water system, Silver Lake shall be responsible for maintenance and operation of the water system within Area "A", except for those lines set forth on Exhibit "A".

Section 5. Area "B" New Sewer Customers.

Silver Lake shall have the right and permission of Cross Valley to extend sewer service to customers and properties within Area "B". Any and all construction of sewer facilities within Area "B", shall be constructed in accordance with Silver Lake standards and specifications. Silver Lake shall maintain and operate such sewer system. Silver Lake may collect any and all connection charges, capital improvement charges, monthly rates and charges and other fees which would be collected by Silver Lake in accordance with its Resolutions and regulations. Nothing herein shall preclude Silver Lake from entering into a sewer service extension agreement with individual property owners within Area "B".

Section 6. Silver Lake Wholesale of Water to Cross Valley - Area "B".

Subject to the provisions of Section 8, Silver Lake agrees to wholesale water to Cross Valley sufficient to serve all customers and properties within Area "B". Any and all costs of construction, maintenance and repair of facilities required to wholesale water to Cross Valley, such as master meter(s), shall be paid solely by Cross Valley. Such facilities shall be constructed in accordance with Silver lake standards and specification. Nothing herein shall require Cross Valley to purchase water from Silver Lake. Provided, however, that both water and sewer shall be provided by Silver Lake

for that area delineated by the number 1 within Area "B" set forth on Exhibit "C" incorporated herein, which comprises approximately 20 lots of Waldenwood Subdivision, Phase II.

Section 7. Water Quality.

Each District warrants that it will purvey water meeting the state water quality standards and requirements to the other District and to all residents within the other District. Each District agrees to protect, hold harmless, indemnify and defend the other for any claim, demand or suit arising out of purveying water to customers within the other District or the wholesaling of water to the other District.

Section 8. Delinquent Account Collection. In order to ensure that each District can protect revenue sources and protect bond covenants as well as the operational integrity of its system, every customer of both water and sewer service in Area "B" shall be treated as though that customer was receiving both water and sewer service from Silver Lake. Any and all remedies for non-payment of utility bills, including but not limited to cut off of service as authorized by RCW 57.08.090, shall pertain to Silver Lake. At all times that Silver Lake is providing sewer service to a customer within Area "B" that is being provided water service by Cross Valley, Cross Valley shall apply any water bill payment first to any Silver Lake sewer bill for the same customer that is 30 days past due. Such Cross Valley payment shall be forwarded to Silver Lake within 30 days. Should delinquency by any such customer continue, Cross Valley shall turn off that customer's water service as provided by state law.

Section 9. Water Service to Cathcart Landfill. Both Districts understand that in order to provide water to the Snohomish County Cathcart Landfill, Cross Valley has purveyed water to Cathcart even though it is in Silver Lake. Both Districts agree and understand that at such time that Silver Lake can serve water to Cathcart, Silver Lake may give notice to Cross Valley that Silver Lake will take over service of water to Cathcart and Cross Valley will cease water delivery to Cathcart.

Section 10. Miscellaneous.

a. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and assigns.

b. This document constitutes the entire agreement of the parties with respect to the subject matter hereof and may be modified only by an agreement in writing signed by all the parties hereto.

c. Waiver by any party of any term or condition of this Agreement shall not be deemed or construed as a waiver of any other term or condition, nor shall a waiver of any subsequent breach, whether of the same or of a different provision of this Agreement.

d. If any provision of this Agreement is held invalid or unenforceable, the remainder of the Agreement shall not be affected and shall remain in full-force and effect.

e. Any notices required or permitted under this Agreement shall be delivered to the District's business office.

Section 11. Arbitration.

Any controversy or claim arising out of or related to this contract or the breach thereof shall be settled by a Board of three arbitrators one of whom shall be selected by Cross Valley and one by Silver Lake and the third selected jointly by the first two, and the parties hereto agree that any decision of the arbitrators shall be binding upon both parties hereto and judgment upon the award rendered may be entered in any court having jurisdiction thereof, all in accordance with Chapter 7.04 RCW. Any costs, expenses, and legal fees incurred in arbitration or other legal action shall be awarded to the prevailing party.

Section 12. Effective Date, Duration, and Termination.

This Agreement shall become effective on the date on which this Agreement has been duly authorized and executed by the Districts. As to Area "A", this Agreement shall terminate at such time as Silver Lake's system is able to serve the properties within Area "A" receiving water from Cross Valley and Silver Lake has accomplished take over of water service in Area "A". This agreement maybe terminated at an earlier date by mutual agreement of the Districts.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 16th day of OCTOBER, 2001.

SILVER LAKE WATER DISTRICT:

Roel Koppeler
President

Bill Anderson
Commissioner

Roger Sumner
Commissioner

ATTESTED TO:

Roger Sumner
Secretary-Commissioner

CROSS VALLEY WATER DISTRICT

[Signature]
President

Paul Deierling
Commissioner

George Dery
Commissioner

ATTESTED TO:

Paul Deierling
Secretary-Commissioner

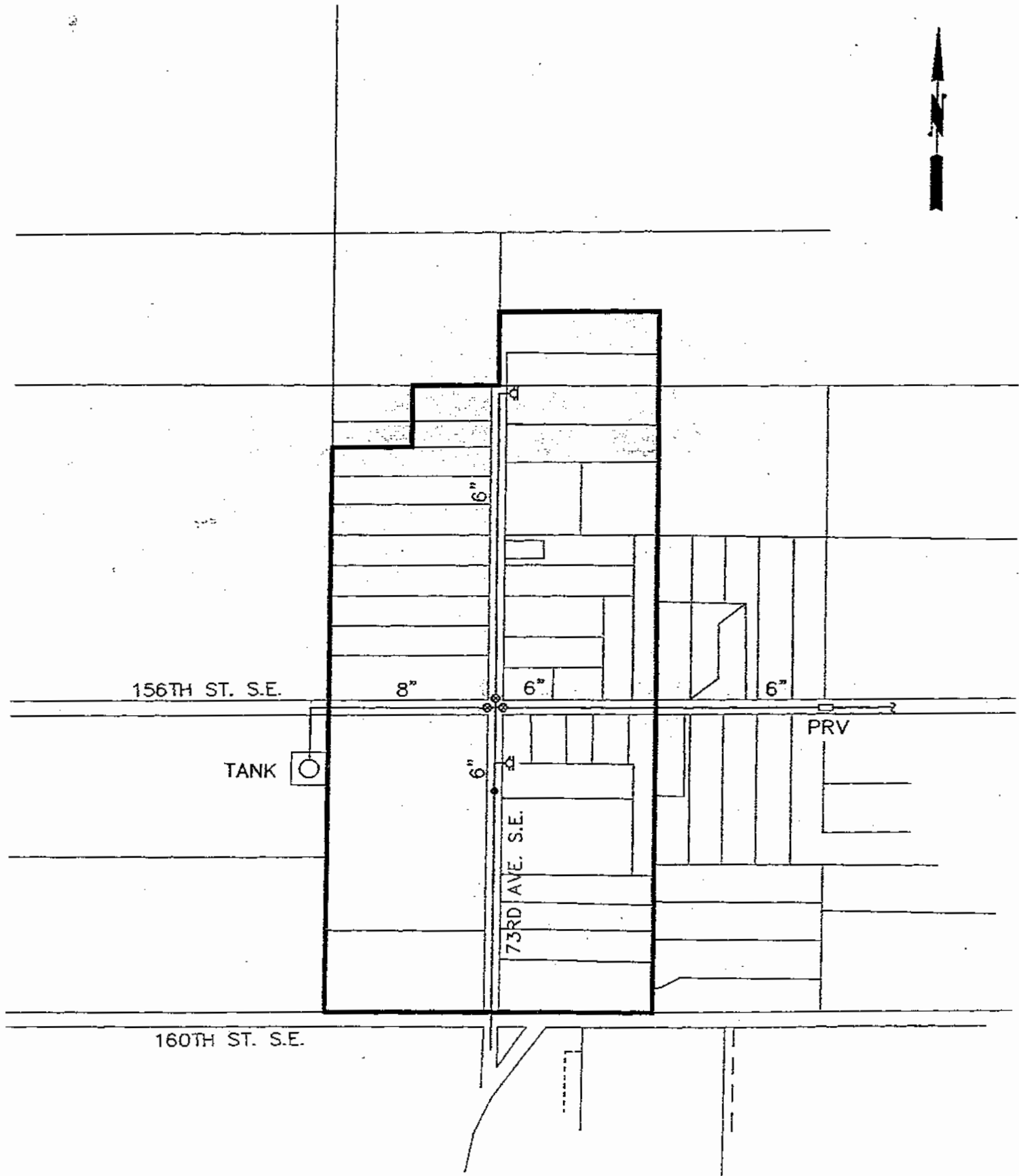


EXHIBIT A

SILVER LAKE WATER DISTRICT

LEGAL DESCRIPTION

EXHIBIT A

That portion of the West 1/2, Section 2, Township 27, Range 5 East described as follows:

Beginning at the SW corner of Lot 57 of the Plat of City Farms, thence Northerly along the West line of said Plat to the SW corner of Lot 49 of said Plat, thence Easterly along the South line of said Lot 49 to the SE corner of the West 1/2 of said Lot 49 thence Northerly along the East line of the West 1/2 of said Lot 49 and Lot 48 to the South line of Lot 47 of said Plat, thence Easterly along the South line of said Lot 47 to the SW corner of Lot 46 of said Plat, thence Northerly along the West line of said Lot 46 to the NW corner of said Lot 46, thence Easterly along the North line of said Lot 46 to the NE corner of said Lot 46 and the North-South centerline of said Section 2, thence Southerly along said North-South centerline to the North margin of 160th Street S.E., thence Westerly along said North margin to the West line of the NE 1/4 of the SW 1/4 of said Section 2, thence Northerly along said West line to the SW corner of said Lot 57 and the true point of beginning.

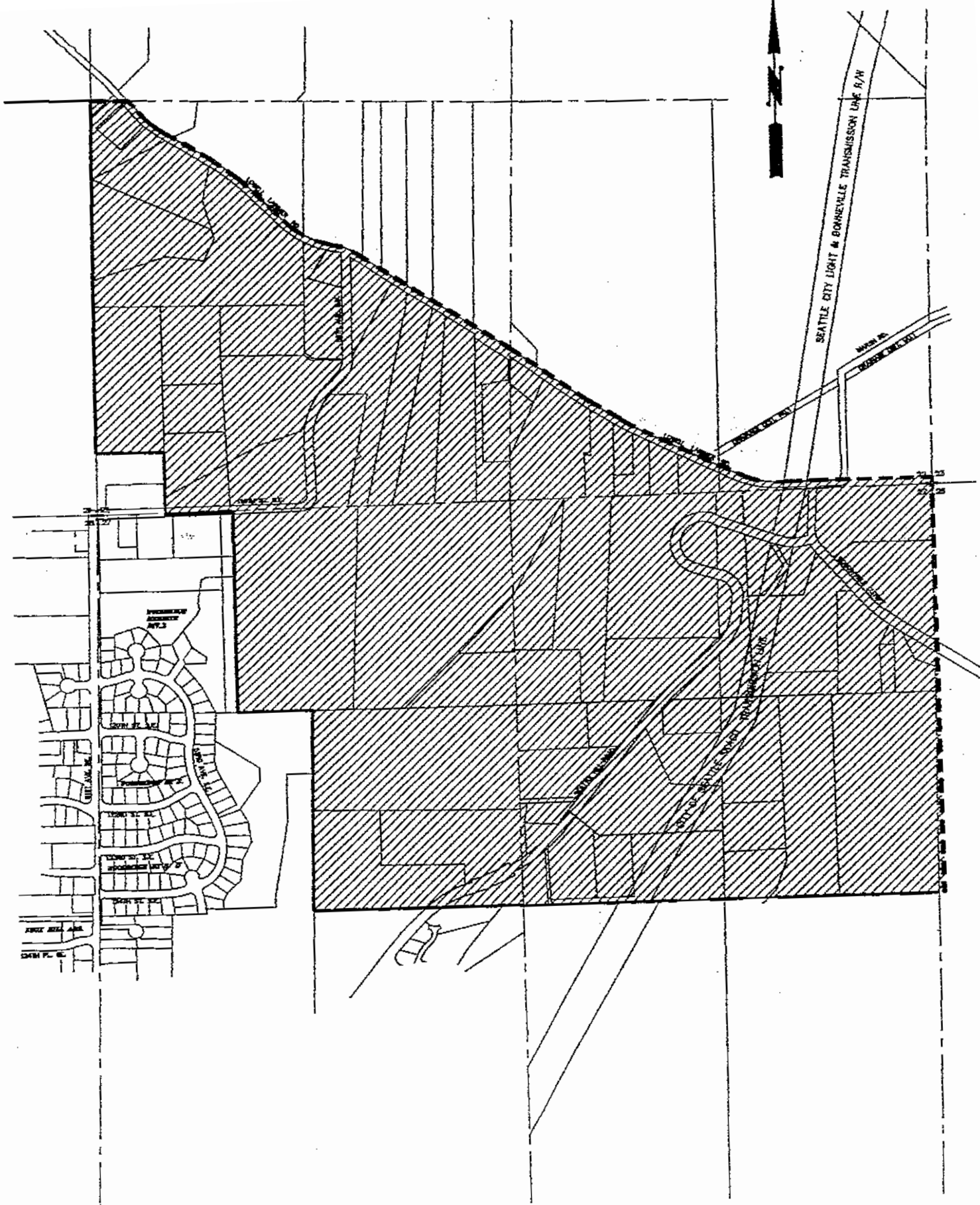


EXHIBIT B

SILVER LAKE WATER DISTRICT

LEGAL DESCRIPTION

EXHIBIT B

Beginning at the southeast corner of Lot 9 Plat of Woodridge Heights Division 1 being the true point of beginning; thence northerly along the east line of said Plat to the northeast corner of Tract 999 of said Plat; thence westerly along the north line of said Tract 999 to a point lying 800.25 feet east of the west line of Section 27, Township 28 N, Range 5 E, W.M.; thence northerly to a point on the southerly margin of 116th Street S.E. said point lying 825 feet east and 30 feet south of the northwest corner of said Section 27; thence westerly along the southerly margin of 116th Street S.E. a distance of 420 feet; thence northerly across 116th Street S.E. a distance of 60 feet to a point on the northerly margin of 116th Street S.E. said point lying 405 feet east of the west line of Section 22, Township 28 N, Range 5 E, W.M.; thence continuing northerly a distance of 400 feet to a point lying 405 feet east of the west line of said Section 22; thence westerly a distance of 405 feet to a point on the west line of said Section 22 said point lying 430 feet north of the southwest corner of said Section 22; thence northerly along the west line of said Section 22 to the northeasterly margin of Lowell-Larimer Road; thence southeasterly along said northeasterly margin of Lowell-Larimer Road to the intersection of the easterly margin of Marsh Road and East Lowell-Larimer Road; thence continuing easterly to the east line of said Section 22; thence southerly along the east line of said Sections 22 and 27 to the southeast corner of said Section 27; thence westerly along the south line of said Section 27 to the southeast corner of Lot 9 Plat of Woodridge Heights Division 1 and the true point of beginning.

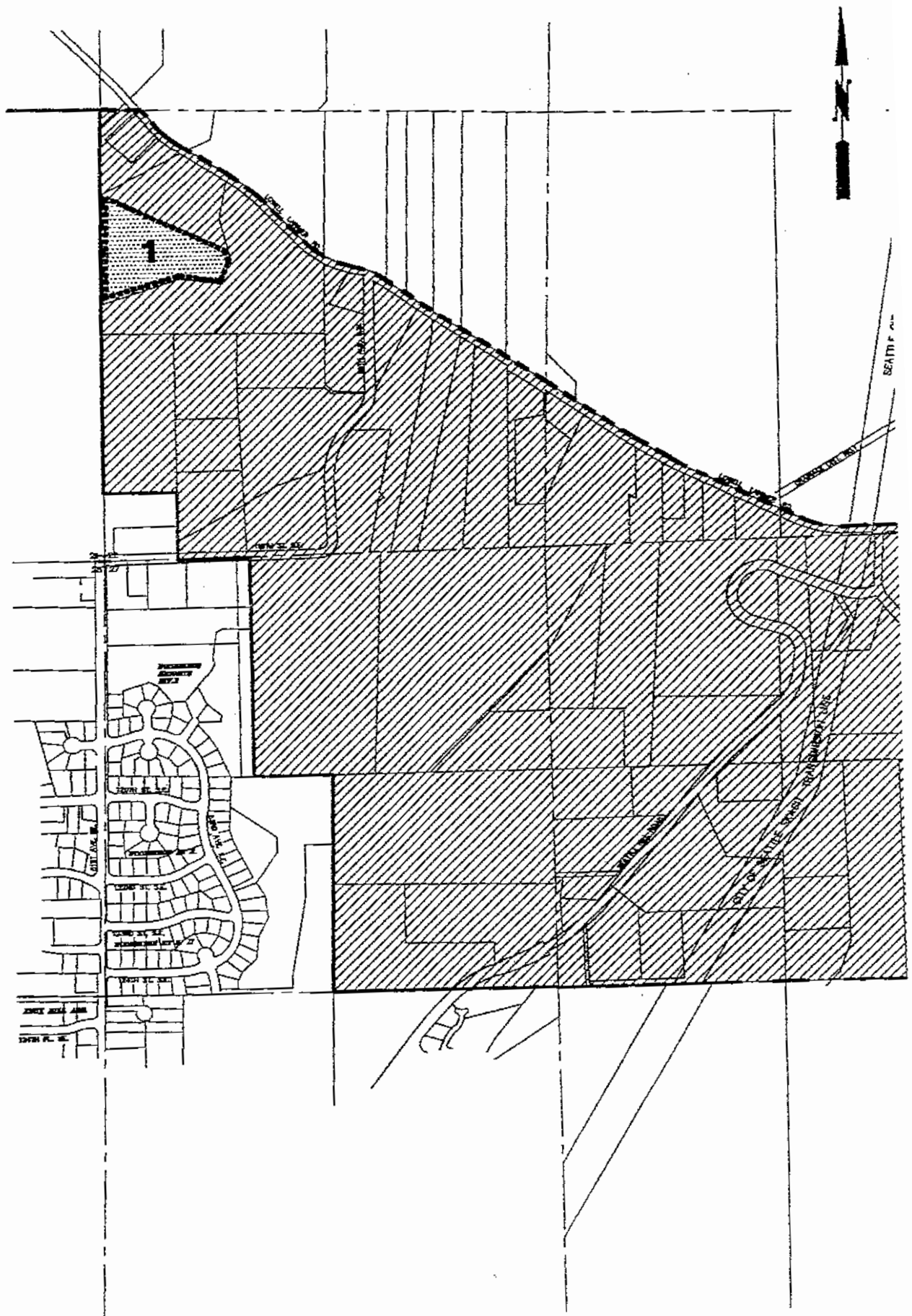


EXHIBIT C

SILVER LAKE WATER DISTRICT

LEGAL DESCRIPTION

PARCEL 1, EXHIBIT C

That portion of Section 22, Township 28 N, Range 5 E, W.M. described as follows:

BEGINNING AT A POINT 504.38 FEET SOUTH OF THE NORTHWEST CORNER OF THE N.W. 1/4 S.W 1/4; THENCE S $65^{\circ} 57' 15''$ E A DISTANCE OF 827.05 FEET; THENCE S $14^{\circ} 27' 30''$ E A DISTANCE OF 55.97 FEET; THENCE S $22^{\circ} 24' 00''$ W A DISTANCE OF 160.80 FEET; THENCE N $82^{\circ} 59' 00''$ W A DISTANCE OF 243.70 FEET; THENCE S $72^{\circ} 06' 00''$ W A DISTANCE OF 232.90 FEET; THENCE S $76^{\circ} 00' 00''$ W A DISTANCE OF 269.40 FEET TO THE WEST LINE OF SECTION 22; THENCE NORTH TO THE POINT OF BEGINNING.