

ASSUMPTION AND DISSOLUTION AGREEMENT

This ASSUMPTION AND DISSOLUTION AGREEMENT (“**Agreement**”) is entered into as of the date of the last signature below (“**Effective Date**”) by and between the CITY OF BELLEVUE, King County, Washington, a Washington code city and municipal corporation (“**City**”), and KING COUNTY WATER DISTRICT NO. 1, King County, Washington, a Washington water-sewer district and municipal corporation (“**District**”) (each a “**Party**” and collectively the “**Parties**” to this Agreement).

1. RECITALS

1.1 The District. The District is a Washington water-sewer district organized under Title 57 RCW that provides water supply and distribution services to a geographic area entirely within the territory of the Town of Yarrow Point and geographically portrayed on **Exhibit A**, and as legally described on **Exhibit B**, attached and incorporated by this reference. The District serves approximately 210 homes that are: (1) west of 92nd Avenue NE and north of NE 42nd Street; and (2) east of 92nd Avenue NE, and (3) north of NE 38th Street. The District owns a water system, the facilities and assets of which are more particularly described in Section 2.5 (“**District System**”).

1.2 Interlocal Agreement with the City. In 2004, the District and the City entered into an Interlocal Agreement for Purchase of Water Supply, System Improvements and Maintenance & Operations, dated January 29, 2004 (and twice amended, dated June 28, 2005, and September 28, 2015) (“**Interlocal Agreement**”), for water supply and the maintenance, operation and eventual assumption of the District System. Starting July 1, 2005, under the Interlocal Agreement, the City began supplying water to the District System and assumed operations and maintenance of the District System in all respects. The Interlocal Agreement specifies the District will continue to exist as a municipal corporation and own the District System until all District cash assets are disbursed. At that time, the Interlocal Agreement provides that the District will be assumed by the City and the Parties will jointly petition for dissolution of the District.

1.3 Proposed Assumption. The City is authorized by chapter 35.13A RCW, specifically RCW 35.13A.111, to assume jurisdiction and ownership of District properties, facilities, and equipment, and to assume and pay all District obligations upon mutual agreement by the City and the District. The City and District are further authorized pursuant to RCW 35.13A.070 to enter into contracts relating to the rights, powers, duties and obligations of the City and the District, with regard to the use and ownership of District property and other matters relating to the assumption of the District by the City. Under the Water System Plan of the City, adopted by the City Council by Resolution No. 9104 in June 2016, adopted by the King County Council by Ordinance No. 18436 in December 2016, and approved by the Washington State Department of Health in January 2017 (“**City Water System Plan**”), the District is included within the water utility service area of the City. The proposed assumption of the District System by the City is consistent with the Growth Management Act which supports the City as the most appropriate provider of urban services including water supply and distribution services.

1.4 Transfer of District Cash Assets. On May 18, 2022, the District disbursed and transferred substantially all of its cash assets to the Town of Yarrow Point, subject to the restrictions imposed

by Yarrow Point Resolution No. 362, approved May 10, 2022, District Resolution No. 2022-02, approved April 26, 2022, and the contract between the Town of Yarrow Point and the District, signed May 11, 2022.

1.5 Purpose. Consistent with the Interlocal Agreement, this Agreement provides for the City's assumption of the District System and District obligations and the dissolution of the District pursuant to chapter 35.13A RCW.

2. ASSUMPTION OF DISTRICT BY CITY

2.1 Preparation for Assumption. The City and the District agree to the assumption of the District, in its entirety, by the City consistent with and pursuant to the terms of this Agreement, any amendments thereto, and chapter 35.13A RCW, subject to the approval of such assumption, to the extent required by law, by the Washington State Boundary Review Board ("**BRB**") of King County on substantially the terms and conditions contained herein.

2.2 Boundary Review Board Notice of Intent. In accordance with the Interlocal Agreement and consistent with the City Water System Plan, the City and the District agree to cooperatively pursue the assumption of the District by the City in accordance with the terms set forth in this Agreement and the procedures set forth in chapter 35.13A RCW, chapter 36.93, RCW and other applicable statutes. To the extent required by chapter 36.93 RCW, the City will file with the BRB a notice of intent to assume the District. The District agrees that it will not request that the BRB invoke jurisdiction and will not file a request for review of the assumption with the BRB, on the condition that the assumption proceeds in accordance with the terms of this Agreement and any amendments. Following the filing of the City's notice of intent as referenced above, in the event that BRB jurisdiction to review the proposed assumption is invoked, the City and the District will coordinate, prepare, and present testimony to the BRB regarding the proposed assumption and take all actions necessary to obtain timely BRB approval of the assumption of the District by the City.

2.3 Assumption Date. The date of assumption of the District by the City ("Assumption Date") will be determined, as follows: (1) in the event the BRB invokes jurisdiction and subsequently approves the assumption of the District, the Assumption Date for the purposes of this Agreement will be the date established by the BRB; and (2) in the event the BRB does not invoke jurisdiction, the Assumption Date is ninety (90) days from adoption of the City's Ordinance approving the assumption and this Agreement.

2.4 Assumption of Responsibility. On the Assumption Date, the City will assume, as owner of the District System, all responsibility for water service for those residents which are within the limits of the District. Such responsibilities include providing domestic water service in accordance with the policies and practices of the City and as required by law.

2.5 Transfer of District System. On the Assumption Date, the District System as defined in this Section 2.5, including the District Assets (defined below), the Contracts and Intangibles (defined below) and all liabilities of the District, will be transferred to the City. The City will assume the District System at no direct cost, with the mutual covenants of this Agreement constituting good and sufficient consideration for the conveyances contemplated by this Agreement.

2.5.1 Description of the District Assets. The assets of the District include all property, tangible and intangible, facilities, improvements and equipment of the District, including such assets that are presently used in the provision of water service within the District and currently operated and maintained by the City under the Interlocal Agreement, including: all real and personal property, any remaining water rights, including without limitation those under claim 158498, pipelines, connections, ducts, vaults, vents, meters, cabinets, conduits, wires, pump stations, force mains, valves and other necessary and convenient equipment and appurtenances now existing on the Effective Date and owned by the District (collectively, “**District Assets**”). *See Exhibit C.*

2.5.2 Assignment of Contracts and Intangibles to be Furnished by the District. To the extent currently existing, transferable by the District, and not already transferred by the District to the City under the Interlocal Agreement, the District assigns and delivers to the City all current, historical, and archived contracts, books, records, documents and other information related to the operation and maintenance of the District and the real and personal property described in this Section 2.5, including without limitation (as available to the District and in existence): (i) all engineering contracts, drawings, plans and specifications (including as-built), consulting agreements, engineer’s reports, soils reports, environmental reports, stormwater management reports, plans and recommendations, design contracts, construction contracts, construction subcontracts and supply agreements with subcontractors, suppliers and materialmen, together with copies of all change orders or modifications thereto; (ii) all records, source logs, flow records; (iii) all records, manuals and information relating to the District System including pipes, pumps, meters and appurtenances thereto; (iv) all lists of inventory and supplies; (v) copies of all easements, franchises and water rights; (vi) customer lists, including names and addresses and billing records; (vii) all warranties and guarantees; (viii) all ownership permits, operations permits, licenses and approvals; and, (ix) all rights and duties under any other existing contracts (collectively, “**Contracts and Intangibles**”). Any cost pertaining to the transfer or duplication of such records will be borne by the District.

2.5.3 Conveyance Documentation. The Parties will approve and execute any and all documents including bills of sale, deeds, assignments of interests and rights as necessary to convey, transfer or assign the District Assets, Contracts and Intangibles, and any other liabilities, rights or interests to the City as provided in this Agreement. All conveyances shall be completed before dissolution of the District as described below.

2.5.4 Condition of Assets. The City acknowledges it has examined the District System and accepts the same in its present condition, “as is and where is,” except as specifically set forth in this Agreement.

2.6 Utility Rates, Charges and Regulations. The Parties agree that from and after the Assumption Date, the City will provide water service within the District, on the same basis as water service is provided to other City customers in accordance with the City’s respective ordinances, resolutions, regulations and codes relating to the provision of water service as adopted and enforced by the City. The City will impose service charges, assessments, connection charges or other miscellaneous fees within the District’s service area at no higher rate than the rate charged for the same “class of service” rendered within or without portions of the City. The term “class of

service” has the meaning as set forth in RCW 35.92.010 or as such statute may be amended. On or about the Assumption Date, the City will bill each individual District customer account.

2.7 Representations and Warranties of the District. The District represents and warrants to the City as follows:

2.7.1 Organization and Authority. The District is a Washington water-sewer district duly organized, validly existing and in good standing under Title 57 RCW. The District has the right, power and authority to enter into this Agreement, to execute all documents and instruments contemplated by this Agreement, to consummate this transaction and to perform all other obligations to be performed by the District under this Agreement. The execution, delivery and performance of this Agreement and all agreements, documents and instruments contemplated by this Agreement have been duly authorized by all necessary action on the part of the District.

2.7.2 Title to Assets. As of the Effective Date, the District has good and marketable title to District Assets, and none of the same are subject to any mortgage, pledge, lien, conditional sale, title redemption agreement, lease, encumbrance or other claim or charge.

2.7.3 No Litigation. There are no suits, claims, proceedings, judgments or pending actions against the District which could involve or presently involve the District in litigation.

2.7.4 No Outstanding Contracts or Agreements. The District has no knowledge of any: (a) outstanding contracts, of any kind; (b) outstanding contracts that cannot be terminated with 30 days written notice and without liability, penalty, or premium; (c) collective bargaining agreements; or (d) employment agreements that contain severance or termination pay liability or other obligations. The District agrees that it will notify the City of any outstanding contracts and agreements in writing and further agree that all open and current contracts or agreement shall be terminated and closed-out prior to the assumption date.

2.7.5 No Outstanding Charges. The District has no defaults in complying with the terms of any contract, and all taxes, governmental assessments, insurance premiums, water, sewer and municipal charges, leasehold payments or ground rents, and any other outstanding balances that became due and owing have been paid, or an escrow of funds has been established in an amount sufficient to pay for every such item that remains unpaid, and which has been assessed but is not yet due and payable.

2.7.6 No Outstanding Loans or Other Indebtedness. The District has no outstanding loans, advances, guarantees, or indebtedness of any kind, having discharged the same as a precondition of executing this agreement.

2.7.7 No Employees. The District has no full time equivalent employees, which might require the City to employ the same and retain any outstanding paid leave as required under RCW 35.13A.090.

2.7.8 No Violation. Neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby, nor the performance by the District of, and compliance by the District with, this Agreement will violate federal, state or local laws, regulations, approvals or permits.

2.8 Representations and Warranties of the City. The City represents and warrants to the District as follows:

2.8.1 Organization and Authority. The City is a Washington municipal corporation duly organized, validly existing and in good standing under Title 35A RCW. The City has the right, power and authority to enter into this Agreement, to execute all documents and instruments contemplated by this Agreement, to consummate this transaction and to perform all other obligations to be performed by the City under this Agreement. The execution, delivery and performance of this Agreement and all agreements, documents and instruments contemplated hereby have been duly authorized by all necessary action on the part of the City.

2.8.2 No Violation. Neither the execution and delivery of this Agreement, the consummation of the transaction contemplated hereby, nor the performance by the City of, and compliance by the City with, this Agreement will violate federal, state or local laws, regulations, approvals or permits.

2.8.3 No Litigation. There are no suits, claims, proceedings, judgments or pending actions against the City relating to its interest in or operation of the District System.

2.9 Costs of Assumption. It is understood and agreed by and between the Parties that each Party will assume and pay its own costs in reviewing and analyzing issues relating to the assumption of the District by the City and in finalizing the assumption process.

3. DISSOLUTION OF DISTRICT

3.1 Dissolution of District. No later than 30 days after the Assumption Date, the Parties will petition the Superior Court of the State of Washington in and for King County under RCW 35.13A.080 for entry of an order dissolving the District. It is the intention of the Parties that the dissolution of the District as contemplated by this Agreement should occur as soon as reasonably possible; provided the District has executed all of its responsibilities under this Agreement. To the extent required by chapter 36.93 RCW, the District will file with the BRB a notice of intent to dissolve the District. Upon dissolution, the City shall have all rights, powers, privileges, and responsibilities, as provided by law, with respect to the District System, District Assets, and provisions of water service within the former District.

3.2 Conduct Prior to Dissolution. After the Assumption Date and until the dissolution of the District, the District Board of Commissioners will continue to operate and function to effect the dissolution of the District.

4. TERMINATION OF THE INTERLOCAL AGREEMENT

4.1 Once the City assumes the District, the Interlocal Agreement (dated 1/29/2004), and the amendments thereto, shall be unnecessary. Therefore, the parties agree that no later than 30 days after the Assumption date, but prior to the dissolution of the District, the Parties will draft an amendment to the Interlocal Agreement to terminate the same upon the dissolution of the District.

5. GENERAL

5.1 Indemnification.

5.1.1 To the extent permitted by law, the District agrees to defend, indemnify and hold harmless the City and its Councilmembers, officers, employees and agents from all claims, demands, suits, penalties, losses, damages, judgments, liabilities, expenses, costs and reasonable attorneys' fees arising out of or in any way resulting from a breach of the District's duties, obligations, representations or warranties under this Agreement. Should a court of competent jurisdiction determine this Agreement is subject to RCW 4.24.115, then in the event of liability for damages caused by the negligence or concurrent negligence of the City, the District's obligation to indemnify the City will extend only to the extent of the District's negligence. The Parties specifically and expressly understand that this indemnification constitutes the District's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification and only with respect to the City. The Parties acknowledge that this waiver has been mutually negotiated.

5.1.2 To the extent permitted by law, the City agrees to defend, indemnify and hold harmless the District and its Commissioners, officers, employees and agents from all claims, demands, suits, penalties, losses, damages, judgments, liabilities, expenses, costs and reasonable attorneys' fees arising out of or in any way resulting from a breach of the City's duties, obligations, representations or warranties under this Agreement. Should a court of competent jurisdiction determine this Agreement is subject to RCW 4.24.115, then in the event of liability for damages caused by the negligence or concurrent negligence of the District, the City's obligation to indemnify the District will extend only to the extent of the City's negligence. The Parties specifically and expressly understand that this indemnification constitutes the City's waiver of immunity under Industrial Insurance, Title 51 RCW, solely for the purposes of this indemnification and only with respect to the District. The Parties acknowledge that this waiver has been mutually negotiated.

5.1.3 The provisions of this Section survive any expiration or termination of this Agreement with respect to any event occurring prior to such expiration or termination.

5.2 Notices.

5.2.1 *The District.* All official notices or communications to the District under this Agreement must be submitted to the following representative or to such other representative as the District provides:

Charles Porter
Commissioner & President

King County Water District No. 1
4615 92nd Ave NE
Yarrow Point, WA 98004
Phone: (425) 502-8847
Email: KCWD1.Porter@comcast.net

5.2.2 *The City*. All official notices or communications to the District under this Agreement must be submitted to the following representative or to such other representative as the District provides:

Nav Otal
Director of Utilities
City of Bellevue
450 – 110th Avenue NE; PO Box 90012
Bellevue, WA 98009
Phone: (425) 452-2401
Email: notal@bellevuewa.gov

5.3 Entire Agreement. This Agreement constitutes the entire understanding between the Parties and supersedes any prior understandings with respect to the subject matter hereof. No amendment of or supplement to this Agreement is valid or effective unless made in writing and executed by the Parties.

5.4 Governing Law. This Agreement is governed by and construed according to the laws of the State of Washington. As against the other Party, each Party may file suit to enforce this Agreement only in the Superior Court of the State of Washington for King County.

5.5 Successors and Assigns. All of the provisions, terms, conditions and requirements contained in this Agreement are binding upon the successors of the Parties. A Party may not assign its rights and duties under this Agreement without the consent of the other Party, which may not be unreasonably withheld.

5.6 Severability. The provisions of this Agreement are separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, holds any provision of this Agreement invalid or unenforceable as to any person or circumstance, the offending provision, if feasible, is modified to be within the limits of enforceability or validity. If the offending provision cannot be modified, it is null and void with respect to the particular person or circumstance. All other provisions of this Agreement in all other respects, and the offending provision with respect to all other persons and all other circumstances, remain valid and enforceable.

5.7 Captions. Captions given to the various provisions of this Agreement are for convenience only and are not intended to modify or affect the meaning of any provision.

5.8 Counterparts. This Agreement may be executed and delivered in counterparts, each of which is considered an original and all of which together constitute one and the same agreement.

5.9 Authority. The individuals signing below represent and warrant that they have the requisite authority to bind the Parties on whose behalf they are signing.

This Agreement is executed by each Party as set forth below:

KING COUNTY WATER DISTRICT NO. 1

CITY OF BELLEVUE

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

Approved as to form:

Kathryn L. Gerla, City Attorney

Brian Wendt, Assistant City Attorney

EXHIBIT A
Service Area for King County Water District No. 1

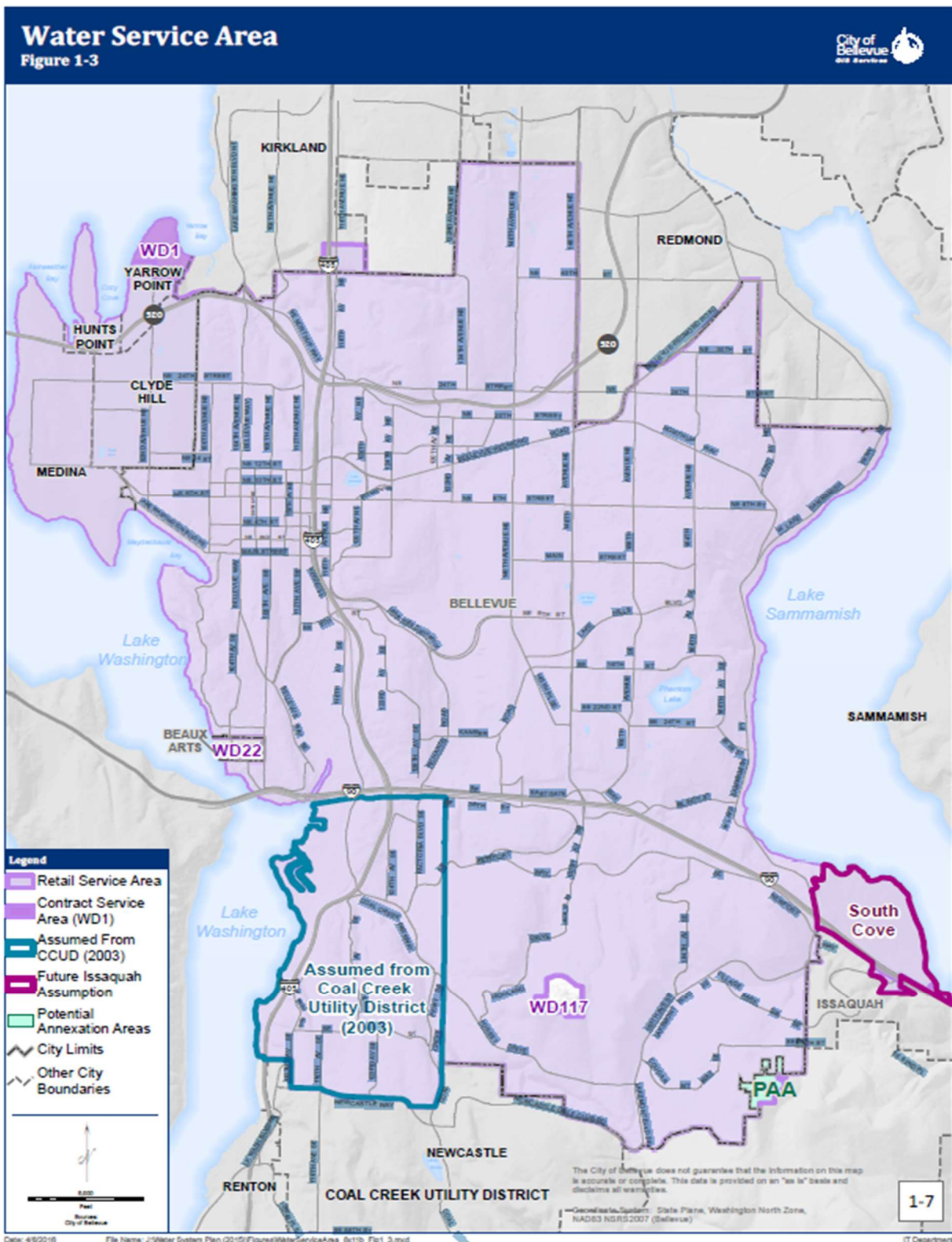


EXHIBIT B**Legal Description for King County Water District No. 1**

The North half of Lot Seven (7) in Section nineteen (19); all of Lots one (1), two (2) and three (3), in Section eighteen (18) in Township twenty-five (25), North, Range five (5), East W.M., except the following described portions of said Lots two (2) and three (3): (a) Beginning at the Southeast corner of Lot three (3) in Section eighteen (18) running thence west along the South line of said Lot three (3), twenty (20) rods; thence North four (4) rods; thence East twenty (20) rods; ~~thence North four (4) rods; thence East twenty (20) rods;~~ thence Southerly along the meander line of the shore of Lake Washington to place of beginning; (b) That portion of said Lot two (2), lying south of a line three hundred and seventy four (374) feet North from and parallel with the section line forming the south boundary line of said Lot two (2), the said distance of three hundred and seventy four (374) feet being measured North along the East Boundary line of said Lot to (2).

Also all shore lands lying in front of all the above described property, said tracts of land, with the shore lands in front, having been heretofore platted as "Yarrow", King County, Washington, by plat filed July 1, 1907, and recorded in said County in Volume 15 of Plats, pages 92 and 92½, and portions of the same having been re-platted by plat entitled "Replat of portions of Yarrow", filed May 13, 1913, and recorded in said County, in Volume 21 of Plats pages 11 and 11-A.

See King County Water District No. 1, Resolution (dated 12/6/1915).

EXHIBIT C**Assets of King County Water District No. 1**

Asset	Quantity	Average Year Installed	Condition
Water Mains and Appurtenances*	12,000 linear feet	1981	Meets Standards
Pressure Reducing Valve Stations	2	2005	Meets Standards
Water Meters	212	2005	Meets Standards

*Water mains and appurtenances include hydrants, valves, blowoffs, service lines and other such components needed for the public water system.