

HIGHLINE WATER DISTRICT King County, Washington

RESOLUTION 25-4-2F

RESOLUTION AUTHORIZING AN INTERLOCAL AGREEMENT BETWEEN HIGHLINE WATER DISTRICT AND KING COUNTY WATER DISTRICT 54 REGARDING A CONSOLIDATION FEASIBILITY STUDY.

WHEREAS, King County Water District 54 (WD 54) is a water district located within the City of Des Moines which serves approximately 770 connections located in portions of Des Moines and Normandy Park; and,

WHEREAS, Highline Water District (Highline) is a water district located south of Seattle which serves approximately 19,000 connections located in portions of Burien, Des Moines, Federal Way, Kent, Normandy Park, SeaTac and Tukwila; and,

WHEREAS, WD 54 has approached Highline about its interest in having Highline perform a feasibility study that would analyze the potential of consolidating or merging the two Districts and water systems in accordance with Chapters 57.32 (Consolidation) or 57.36 (Merger) (referred to herein as the "Feasibility Study") pursuant to which Highline would assume ownership of WD 54's water facilities and assume responsibility for serving the area formerly served by WD 54; and,

WHEREAS, Highline and WD 54 have a mutual desire to undertake a Feasibility Study to determine whether the consolidation or merger of the two districts is conducive to the public health, welfare and convenience of the Parties; and,

WHEREAS, the purpose of this Agreement entered into pursuant to Chapter 39.34 RCW is to establish the terms and conditions relating to the Feasibility Study and to authorize Highline to undertake the work necessary to complete the Feasibility Study.

NOW, THEREFORE, BE IT RESOLVED:


1. The Board of Commissioners authorizes the General Manager or designee to execute the Interlocal Agreement with King County Water District 54 (**Attachment #1** incorporated herein).
2. The General Manager and/or the District's legal counsel are authorized to make minor changes to the Interlocal Agreement if required.
3. The President of the Board of Commissioners is authorized to sign a letter of commitment (**Attachment #2** incorporated herein).

HIGHLINE WATER DISTRICT King County, Washington

RESOLUTION 25-4-2F

ADOPTED BY THE BOARD OF COMMISSIONERS of Highline Water District, King County, Washington, at an open public meeting held this **2nd** day of **April 2025**.

BOARD OF COMMISSIONERS

DocuSigned by:

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Vince Koester, President

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Polly Daigle, Commissioner

Signed by:


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Kathleen Quong-Vermeire, Commissioner

Signed by:

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Todd Fultz, Secretary

Signed by:

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Daniel Johnson, Commissioner

**INTERLOCAL AGREEMENT BETWEEN HIGHLINE WATER DISTRICT AND
KING COUNTY WATER DISTRICT NO. 54
REGARDING CONSOLIDATION FEASIBILITY STUDY**

THIS INTERLOCAL AGREEMENT ("Agreement") is made and entered into this _____ day of April 2025, by and between HIGHLINE WATER DISTRICT ("Highline") and KING COUNTY WATER DISTRICT NO. 54 ("WD 54"), each party being a Washington municipal corporation and referred to herein collectively as "Parties" or individually as a "Party."

RECITALS

A. WD 54 is a water district located within the City of Des Moines which serves customers located in portions of Des Moines and a small area of Normandy Park. WD 54 serves approximately 770 connections to a population of approximately 5,000 residents.

B. Highline is a water district located south of Seattle which serves customers located in the cities of Burien, Des Moines, Federal Way, Kent, Normandy Park, SeaTac and Tukwila. Highline serves approximately 19,000 connections to a population of approximately 76,000 residents.

C. WD 54 has approached Highline about its interest in having Highline perform a feasibility study that would review and analyze the potential of consolidating or merging the two Districts and water systems in accordance with Chapters 57.32 (Consolidation) or 57.36 (Merger) (referred to herein as the "Feasibility Study") pursuant to which Highline would assume ownership of WD 54's water facilities and take over responsibility for serving the area formerly served by WD 54.

D. Highline and WD 54 have a mutual desire to undertake a Feasibility Study to determine whether the consolidation or merger of the two districts is conducive to the public health, welfare and convenience of the Parties.

E. The purpose of this Agreement entered into pursuant to Chapter 39.34 RCW is to establish the terms and conditions relating to the Feasibility Study and to authorize Highline to undertake the work necessary to complete the Feasibility Study.

AGREEMENT

The Parties agree as follows:

1. Study Lead Agency: The Parties authorize and appoint Highline to serve as lead agency for the preparation and administration of the Feasibility Study.

2. Scope of Work; Execution of Consultant Contract. The scope of work for the Feasibility Study is described in **Exhibit A** attached hereto and incorporated herein by this reference. The District may enter into one or more consultant contracts for

services deemed necessary for the completion of the Feasibility Study as more fully described in **Exhibit A**.

3. Application for Feasibility Grant. The Department of Health (DOH) administers a grant program through the Drinking Water State Revolving Fund which provides funding relating to efforts to determine the feasibility of consolidating small public water systems. WD 54 authorizes Highline to prepare an application for a consolidation feasibility study grant ("Grant") which will be submitted to DOH. WD 54 agrees to reimburse Highline for its costs and expenses relating to the preparation of the Grant application at a not-to-exceed (NTE) amount of \$2,500, unless otherwise agreed to by the Parties in writing. Highline shall invoice WD 54 for the costs and expenses associated with applying for the Grant which shall be paid by WD 54 within 30 days of receipt of an invoice. Interest shall accrue on any unpaid amount at the rate of twelve percent (12%) per annum from the date due until payment in full.

4. Cost of Feasibility Study. The Parties acknowledge and agree that it is currently uncertain whether DOH will approve and award a Grant to Highline and WD 54 relating to this Feasibility Study or the specific amount of the Grant that may be awarded. Based on DOH Grant guidelines, if a Grant is awarded, the minimum amount of a Grant award is \$10,000 and a maximum Grant award is \$50,000.

In order to avoid any delays in proceeding with the work necessary to complete the Feasibility Study, WD 54 authorizes an amount up to \$25,000 which will be used to reimburse Highline for the costs and expenses Highline incurs in connection with the Feasibility Study as described in **Exhibit A**. Highline shall invoice WD 54 for the costs and expenses it incurs in connection with the Feasibility Study which shall be paid by WD 54 within 30 days of receipt of an invoice. Interest shall accrue on any unpaid amount at the rate of twelve percent (12%) per annum from the date due until payment in full.

Once the Parties determine whether they have been awarded a Grant by DOH, the Parties will discuss and enter into an amendment to the Agreement to address how the Grant funds will be applied and any further cost and reimbursement limitations that might be applicable to Highline's efforts to perform the Feasibility Study. However, it is generally recognized by the Parties that the costs incurred by Highline in connection will be paid for by WD 54 and through any Grant funds that may be awarded by DOH for the Feasibility Study.

5. Entire Agreement. This Agreement contains the entire written agreement of the parties and supersedes all prior discussions. This Agreement may be amended only in writing, signed by the Parties.

6. Amendments. The Parties expressly reserve the right to modify this Agreement, from time to time, by mutual agreement. No modification or amendment of this Agreement shall be effective unless in writing and signed by the authorized representatives of the Parties.

7. Governing Law and Venue. This Agreement shall be governed by the laws of the State of Washington. Any action arising out of this Agreement shall be brought in King County Superior Court - Kent.

8. Interlocal Cooperation. Pursuant to RCW 39.34.040, this Agreement shall be filed with the King County Auditor upon full execution or listed by subject on the Highline's and WD 54's respective web sites.

9. Integration/Entire Agreement. This Agreement constitutes the entire embodiment of the agreement between the Parties, and, unless modified in writing by an amendment to this Agreement signed by the Parties, shall be implemented as described above. This Agreement supersedes any oral representations that are inconsistent with or modify its terms and conditions.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their authorized representatives on the date first above written.

HIGHLINE WATER DISTRICT

KING COUNTY WATER DISTRICT NO. 54

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

EXHIBIT A

FEASIBILITY STUDY – SCOPE OF WORK

KCWD 54 CONSOLIDATION FEASIBILITY EVALUATION SCOPE OF WORK

Task 100 Application of DWSRF Consolidation Grant

The Washington State Department of Health offers a grant opportunity up to \$50,000 to promote the consolidation of small water systems into larger entities with greater technical, managerial, and financial capacity. Consolidation is either (1) physically joining two or more separate water systems into an existing Group A water system, or (2) changing ownership of a water system where the prospective new owner is a public entity, also referred to as restructuring.

Consolidation grant activities include, but are not limited to, water system planning, feasibility studies, public outreach and meetings, and engineering design, that identify infrastructure improvements necessary to address or prevent violation of applicable federal, state, and local drinking water requirements.

HWD must apply for the grant on behalf of KCWD 54. Acceptance of the grant does not require the agencies to complete the consolidation.

Level of Effort: 16 hours. WD 54 has agreed to reimburse up to \$2,500

Time Estimate: Two weeks for preparation, review, and submission.

Deliverable: Completion of the DWSRF Grant Application and Submission

Task 200 Interlocal Agreement for Payment Reimbursement

Task 200 involves the development of a reimbursement agreement between the agencies to cover expenses incurred by HWD in the development of the consolidation feasibility. HWD Legal will need to develop the agreement and will require the approval of both Board of Commissioners. WD 54 has authorized a not-to-exceed amount of \$25,000 for efforts in advance of the DWSRF Grant.

Time Estimate: One month for coordination between agencies for approval

Deliverable: Executable ILA between the parties

Task 300 Data Request

Task 300 involves obtaining data and verifying information of the WD 54 infrastructure, financial position, and operational systems. HWD will prepare a data list of information needed in the evaluation of the system. Work will also include an assessment of the data's integrity.

Level of Effort: 16 Hours

Time Estimate: One month for data list preparation, coordination, and evaluation of information received

Deliverable: Data request identifying needed records and data from WD 54.

Task 400 Evaluation of WD 54 Infrastructure

Task 400 involves a comprehensive evaluation of WD54's infrastructure to determine its effective age, identify immediate deficiencies, level-of-service, and assess future capital needs over a 20-year planning horizon. This analysis will be conducted using Highline's asset management and level-of-service criteria to ensure consistency in evaluation standards.

As part of this task, Highline's effective infrastructure age will also be determined to serve as a baseline for financial and capital investment comparisons between the two agencies. The outcome will be an assessment of total capital investments required to reduce WD54's effective age to match Highline's. This alignment is critical to ensure that Highline customers do not subsidize WD54's infrastructure needs.

Level of Effort: 120 Hours (or more) depending on quality of data obtained from WD 54

Time Estimate: Four to Six Weeks after data acquisition

Deliverable: Summary of the evaluation effort, determination of the effective age for the HWD and WD 54 systems, basic asset management assessment of WD 54 based on HWD criteria to be incorporated into the draft and final technical memorandum.

Work up to and through Task 400 will likely exhaust the pre-grant budget authorized by WD 54 for advance reimbursement.

Task 500 Deficiency or Operational Mitigation

Task 500 includes identifying any immediate capital or operational needs prior to restructuring to meet Highline standards and requirements. Work will build on the effort of Task 400 to identify the specific projects where the capital investments are to be appropriated. The outcome will be a listing of capital and operational deficiencies with identified mitigation projects and capital costs.

Level of Effort: TBD depending on quality of data obtained from WD 54

Time Estimate: TBD

Deliverable: The outcome will be a listing of capital and operational deficiencies with identified mitigation projects and capital costs. The information will be incorporated into the draft and final technical memorandum of Task 600

Task 600 Financial Analysis

Task 600 includes the development of a cost analysis for WD54 to merge/reorganize into HWD. The analysis will identify the initial costs and charges to reorganize WD54 into HWD, creation of a proposed rate structure (and any surcharges) and identification of any new connection or facility charges. Work will build on the work product from Task 500 and will include an analysis of any WD54 assets available for surplus to mitigate initial cost recovery.

Level of Effort: TBD after Grant Award and initial system analysis.

The task will likely require the services of outside consultants in engineering/finance. DOH may require an independent third party to complete portions of the evaluation to increase confidence in the report.

Time Estimate: TBD

Deliverable: Draft and Final Technical Report of summarizing feasibility.

Task 700 Legal

Task 500 includes third party legal review of proposals, development of agreements and other legal support. Services would be performed by HWD Legal Counsel at Inslee Best.

Level of Effort: TBD but will likely be needed throughout the feasibility.

Goal would be to complete Tasks 100 – 400 within three (3) months and to complete Tasks 500-700 within six (6) months after Grant Award.

Future Tasks after Feasibility (not in scope):

- Creation of an Implementation Plan
- Stakeholder Involvement and Community Outreach
- Capital Improvements implementation identified in Feasibility
- Operational coordination, staffing, and procedures
- Meter and Billing Integration
- Governing Structure development as required by DWSRF Grant



April 2, 2025

Serving the Southwest Metropolitan Area since 1946

Board of Commissioners
King County Water District 54
922 South 219th Street
Des Moines, WA 98198

Subject: Letter of Support for WD 54 Feasibility Study

Dear King County Water District 54 Board of Commissioners,

Highline Water District (Highline) acknowledges receipt of your letter dated March 7, 2025, requesting that we explore the feasibility of consolidating King County Water District 54 (WD54) into Highline. On behalf of the Highline Board of Commissioners, we express our support and commitment to partnering with WD54 in this feasibility study.

We recognize the operational and water quality challenges WD54 has faced, particularly following the 2023 water main break and subsequent E. coli detection. We commend your efforts to address these concerns in the best interest of your customers. Since that time, Highline has been proud to provide source water to WD54 through the intertie between our agencies, ensuring continued safe and reliable service.

We agree that a thorough and transparent feasibility study is essential to evaluating the long-term benefits, costs, and operational considerations of a potential consolidation. Highline is prepared to lead and facilitate this study in close collaboration with WD54, providing the necessary expertise and coordination to ensure a comprehensive assessment.

Our top priority remains the delivery of safe, high-quality, and sustainable water service to all customers in our region. We appreciate WD54's willingness to explore these options and look forward to working together in the best interest of our communities.

Please do not hesitate to reach out to our General Manager if additional information or coordination is needed as we move forward in this process.

Sincerely,

Vince Koester
President, Board of Commissioners
Highline Water District

C.C. Jeremy DelMar, General Manager – Highline Water District