KARCHER CREEK SEWER DISTRICT
KITSAP COUNTY, WASHINGTON

RESOLUTION NO. 1169-07

A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF KARCHER CREEK SEWER DISTRICT
CERTIFYING THE CONSOLIDATION AGREEMENT
WITH ANNAPOLIS WATER DISTRICT
TO THE KITSAP COUNTY AUDITOR

Previously, the Commission Boards for ANNAPOLIS WATER DISTRICT ("ANNAPOLIS WATER") and KARCHER CREEK SEWER DISTRICT ("KARCHER CREEK"), following public hearings, each entered into resolutions determining to consolidate their respective districts into one district pursuant to the provisions of Chapter 57.32 RCW. ANNAPOLIS WATER unanimously entered into its said Resolution No. 1028 on March 28, 2007, and KARCHER CREEK unanimously entered into its said Resolution No. 1159-07 on April 2, 2007. Hereinafter, ANNAPOLIS WATER and KARCHER CREEK will also be collectively referred to as "Districts".

Following entry of their respective resolutions determining to consolidate, the Districts successfully negotiated an agreement pursuant to RCW 57.32.021 entitled "Consolidation Agreement of Annapolis Water District & Karcher Creek Sewer District" (hereinafter simply called "Consolidation Agreement"). The Consolidation Agreement was entered into by ANNAPOLIS WATER on March 28, 2007, and by KARCHER CREEK on April 2, 2007. Therein, among other provisions, it was determined if the elections in both districts to consolidate the Districts were successful, the name of the new consolidated district would be "WEST SOUND UTILITY DISTRICT NO. 1".

RCW 57.32.022 directs the Districts to now certify the Consolidation Agreement to the Kitsap County Auditor. This statute then directs the Kitsap County Auditor to call a special election for the purpose of submitting to the voters of each consolidating district the proposition of whether or not the Districts should be consolidated into one district.

Now, therefore, based upon the foregoing recitals, it is hereby

REOLVED as follows:

1. Certification of Consolidation Agreement: ANNAPOLIS WATER hereby certifies to the Kitsap County Auditor that the Consolidation Agreement was duly entered into between ANNAPOLIS WATER and KARCHER CREEK in accordance with law and the rules and regulations of ANNAPOLIS WATER. A true and correct copy of the Consolidation Agreement is attached hereto, marked "EXHIBIT A", and by this reference incorporated herein and made a part hereof.
2. **Special Election to Determine if Consolidation should Occur.** The Kitsap County Auditor is now requested to call a special election in accordance with RCW 57.32.022, for the purpose of submitting to the voters of ANNAPOulis WATER and KARCHER CREEK, whether or not the two Districts shall be consolidated into one district to be known as "WEST SOUND UTILITY DISTRICT NO. 1".

3. **Dealings with District.** The Kitsap County Auditor is further requested to work with the General Manager for both Districts, namely, LAWRENCE J. CURLES, in establishing the actual election date and any other issues that may arise regarding the election and aftermath thereof.

**ADOPTED AT A REGULAR MEETING** of the Board of Commissioners of KARCEHR CREEK SEWER DISTRICT, by unanimous vote, on the 4TH day of June, 2007.

KARCHER CREEK SEWER DISTRICT  
Kitsap County, Washington

[Signature]
Chairperson, William Huntington

[Signature]
Secretary, James Jay Hart

[Signature]
Commissioner, Susan Way
CONSOLIDATION AGREEMENT
OF
ANAPOLIS WATER DISTRICT
&
KARCHER CREEK SEWER DISTRICT

THIS IS AN AGREEMENT entered into between ANAPOLIS WATER DISTRICT, a Washington municipal corporation, hereinafter also called “ANAPOLIS WATER”, and KARCHER CREEK SEWER DISTRICT, a Washington municipal corporation, hereinafter also called “KARCHER CREEK”.

RCW 57.32.010 authorizes water and sewer districts to consolidate into combined districts if such combination “shall be conducive to the public health, welfare, and convenience and be of special benefit to the lands of the districts.”

Presently, ANAPOLIS WATER and KARCHER CREEK co-own joint administration facilities equally. ANAPOLIS WATER’s general manager, LAWRENCE J. CURLES, is also presently serving as KARCHER CREEK’s general manager pursuant to agreement reached between the two districts last year. Presently, the same two commissioners also serve on the boards of each district.

During the past year, the districts have studied whether it would be to their mutual benefit, and in the best interests of the customers each serves, to combine into one district. The results of that study indicate such a combination would create greater operating efficiencies, better service to the public each serves, and generate cost savings by avoiding duplication in administrative services and certain property owned by each.

Previously, pursuant to RCW 57.32.010, each district considered and studied the issue of consolidation, and each held public hearings to receive input from the public concerning this issue. At the conclusion of this process, each district specifically determined consolidation of the
two districts would be conducive to the public health, welfare, and convenience, and be of
special benefit to the lands of the districts, and each entered into resolutions to this effect.

RCW 57.32.021 directs, that after the district commissions have entered into the said
resolution, they shall enter into an agreement providing for consolidation. After its entry,
pursuant to RCW 57.32.022, the agreement shall then be certified to the auditor of the county
where the districts are located, and the auditor shall then call a special election in each district
asking the voters of each district to determine if district consolidation should occur.

The purpose of this Agreement is to comply with RCW 57.32.021 by setting forth all
substantive terms regarding consolidation between the two districts, including: the method and
manner of consolidation; the comprehensive plans of the combined districts; and all other
necessary matters so the districts may efficiently integrate into one consolidated district.

NOW, THEREFORE, IN CONSIDERATION of the foregoing recitals, and the
promises and covenants of the parties hereafter set forth, they agree as follows:

1. Name of Consolidated District. Pursuant to RCW 57.32.023, if the voters of each
district approve the consolidation of ANNAPOLIS WATER and KARCHER CREEK, the
consolidation will occur and the name of the new consolidated district shall be WEST SOUND
UTILITY DISTRICT NO. 1.

2. Effective Date. The terms of this Agreement shall be enacted, and the districts
deemed consolidated, immediately upon certification of the election results for both districts
evidencing a majority of the electorate in each district voted in favor of consolidation. At such
time, both districts shall cease to exist as separate entities and shall thereafter operate as a single
consolidated district known as WEST SOUND UTILITY DISTRICT NO. 1. A single budget
and cost accounting for the consolidated district shall commence on January 1 of the year
following consolidation.

3. Boundaries of Consolidated District. Presently, the jurisdictional boundaries of the
two districts differ. The boundaries of the consolidated district shall be comprised of the
combined jurisdictional boundaries of both districts. The legal description of the consolidated
district is set forth in part one of the attached "EXHIBIT A". Part two of EXHIBIT A contains a
map, for illustrative purposes, showing the present jurisdictional boundaries of ANNAPOLIS

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WATER, and part three of EXHIBIT A contains a map, for illustrative purposes, showing the present jurisdictional boundaries of KARCHER CREEK. By this reference, EXHIBIT A, is incorporated herein and made a part hereof.

4. **Planning / Comprehensive Plans.** Presently, in accordance with state law, each district has in effect a comprehensive plan. After consolidation, the comprehensive plan currently in effect for ANNAPOULIS WATER, shall continue to govern the district’s water supply operations, and the comprehensive plan currently in effect for KARCHER CREEK, shall continue to govern the district’s wastewater collections and operations, and the said present comprehensive plans for each district are, by this reference, incorporated herein and made a part hereof. As those comprehensive plans expire, new plans shall be developed, but the new comprehensive waste water plan and the new comprehensive water system plan shall be developed and kept separate, unless the consolidated district commissioners make a specific determination in the future that it will be in the consolidated district’s best interests to develop one comprehensive plan for wastewater and water supply operations. The consolidated district may, however, engage in joint water and waste water planning for specific projects that may arise, but not for state mandated comprehensive planning purposes, except as otherwise stated herein.

5. **Personnel.**

   A. **Personnel Retention.** No employee of either district shall be terminated from his or her employment based solely on the occurrence of consolidation; each shall become an employee of the consolidated district.

   B. **Personnel Manual.** Upon consolidation, the employee manual for each prior district shall be organized, and thereafter consolidated with appropriate amendments, additions, and changes being made, into one uniform personnel manual covering all employees of the consolidated district.

   C. **Employee Duties & Wages.** Upon consolidation, the district’s general manager shall evaluate the duties of each employee for the prior districts; shall determine how those duties should be altered, if at all, to best meet the needs of the consolidated district; and shall study a new chain of command among employees of the combined district. Thereafter, in
consultation with the district’s board of commissioners, he shall have the authority to develop a new employee command structure, and alter job classifications and duties for particular employees to best meet the needs of the combined district.

After reclassification of an employee’s job description and/or duties, the general manager, after consultation with the district’s board of commissioners, shall also have the authority to alter an employee’s wages to reflect the employee’s changed duties for the consolidated district. He shall also investigate standardization of the prior wages paid by each district so a uniform pay scale for all employees of the consolidated district may be developed.

D. Employee Benefits. After consolidation, employee benefits, such as, but not limited to, leave, retirement, and employee allowances, shall be reviewed and modified by the general manager, in consultation with the district’s board of commissioners, to achieve consistency of benefits among all employees of the consolidated district. No such benefit changes, however, shall affect benefits accrued by employees prior to consolidation.

6. District Operations. After consolidation, the district shall maintain specific work crews trained and certified in water systems, and specific work crews trained and certified in wastewater systems. The district may study and thereafter engage in cross training of crews between water systems and wastewater systems if determined to be in its best interest. The two distinct district work crews, as determined by the district manager, shall provide work support to one another, so long as the district’s water quality standards for potable water will not be jeopardized in any respect.

7. Administrative Matters.

A. Resolutions. After consolidation, the resolutions entered into by each prior district shall continue to be valid, to wit, the resolutions entered into by ANNAPOLIS WATER shall continue to govern water operations, and the resolutions entered into by KARCHER CREEK shall continue to govern waste water operations. From this starting point, the consolidated district will act accordingly to consolidate, amend, and/or terminate the resolutions of the prior districts, so one uniform set of resolutions governing all district operations and matters will result.
B. Prior Agreements & Debts. All pre-consolidation debts duly incurred, and agreements entered into, by ANNAPOLIS WATER or KARCHER CREEK, shall continue to be honored by the consolidated district and satisfied according to their terms.

C. Joint Wastewater Treatment Facility. KARCHER CREEK presently has management responsibility for the Joint Wastewater Treatment Facility in South Kitsap County owned and operated with other governmental entities. After consolidation, the resulting district shall assume all of KARCHER CREEK's prior management responsibilities for this facility.

D. Standardized Agreements. To the extent reasonably possible, the consolidated district shall use standardized agreements regarding those agreements the prior districts entered into in the regular course of business with their vendors, the public, contractors, etc. An example of such an agreement is the "Developer Extension Agreement" created in a standardized form by each district; after consolidation, one standardized Developer Extension Agreement will be prepared and used in reaching agreement with developers concerning the extension/development of wastewater and water supply mains.

8. Financial Considerations.

A. One Finance Department. The consolidated district shall have one financial department and shall prepare a single consolidated district annual report.

B. Water & Sewer Expenses. All debts of Annapolis Water District as of the time of consolidation shall be paid from the water supply related revenues of the consolidated district, and all debts of KARCHER CREEK as of the time of consolidation shall be paid from the wastewater related revenues of the consolidated district. Thereafter, as a general proposition, water supply related debts shall be paid from water supply related revenues, and wastewater operation debts shall be paid from wastewater related revenues.

C. Revenue Bonds. Any revenue bonds representing the sole obligation of ANNAPOLIS WATER prior to consolidation, shall be satisfied after consolidation from water supply related revenues, and any revenue bonds representing the sole obligation of KARCHER CREEK prior to consolidation, shall be satisfied after consolidation from wastewater operation revenues.
Any cost sharing agreements for the repayment of revenue bonds in place between the two districts before consolidation, shall continue unabated: that portion of the bonds to be repaid by ANNAPOLIS WATER, shall continue to be repaid from water supply operation revenues, and that portion of the bonds to be repaid by KARCHER CREEK, shall continue to be repaid from wastewater operation revenues.

D. Administrative Expenses. The administrative expenses of the consolidated district, for those joint services provided to water supply and sewer operations, such as district management, financial administration, customer service, and the like, shall be paid jointly from water supply and sewer operation related revenues as determined by the board members of the consolidated district.

9. Insurance. At the time of consolidation, the two prior districts shall consolidate all their prior respective insurance coverage, such as liability and casualty insurance, and obtain the same through the Water-Sewer Risk Pool. After consolidation, prior requirements placed on developers for project insurance dealing with water supply and wastewater shall be combined into one requirement.

10. Property Ownership. At the time of consolidation, all prior monies, personal property, and real property, owned by ANNAPOLIS WATER and KARCHER CREEK, shall become the sole property of the consolidated district.

11. Board of Commissioners. ANNAPOLIS WATER and KARCHER CREEK are each presently governed by a three member board of commissioners. After consolidation, the board of commissioners for the consolidated district shall continue to be three members.

12. Third Party Governmental Approval.

A. Boundary Review Board. It is acknowledged a “Notice of Intent” regarding this proposed consolidation must be filed with the Kitsap County Boundary Review Board (“BRB”) for the reason that this proposed consolidation is subject to its review. The general manager for ANNAPOLIS WATER and KARCHER CREEK, LAWRENCE J. CURLES, is hereby authorized and directed, on behalf of each district, to make all appropriate filings with the BRB, and deal with the BRB so its approval of this consolidation may be obtained.
B. **County Approval.** RCW 57.02.040(3) directs the Kitsap County Board of Commissioners to review this consolidation and make a determination as to whether it should proceed based on: (1) whether it complies with the county's comprehensive plan; (2) whether it complies with the basin-wide water and/or sewage plan as approved by Washington State's Department of Ecology and Department of Social and Health Services; and (3) whether it complies with the policies expressed in Kitsap County's plan for water and sewage facilities. ANnapolis water and Karcher Creek have each determined this proposed consolidation is in compliance with all said plans, and each hereby directs the general manager for the two districts, Lawrence J. Curles, to meet with and work with Kitsap County officials, and Washington State officials as necessary, in obtaining their approval to this consolidation.

13. **Entire Agreement.** This Agreement constitutes the full and complete agreement of the two districts regarding and touching upon all matters contained herein. There are no other verbal or written agreements or understandings which shall modify or affect the terms of this Agreement in any manner whatsoever. To be provided with legal effect, any modifications or waivers to or of this Agreement shall be in writing and signed by the parties hereto.

14. **Approval of Each District.** The board of commissioners of ANnapolis water duly considered and approved this Agreement at its regular board meeting held on the 20th day of March ____, 2007. The board of commissioners of Karcher Creek duly considered and approved this Agreement at its regular board meeting held on the 20th day of April ____, 2007. The latter of the foregoing two dates shall be considered the official date of this Agreement.

IN WITNESS WHEREOF, to signify their respective district's approval to all terms hereof, the respective boards of commissioners for ANnapolis water and Karcher Creek, have signed this Agreement as of the date appearing by their respective signatures:

**ANnapolis water district:**

by: [Signature]  
DATE: 28/01/07

JERRY PUNDBERG, Chair

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CONSOLIDATION AGREEMENT / ANnapolis water & Karcher Creek Sewer
by: WILLIAM HUNTINGTON, Board Member  
DATE: 28 Mar 07

by: JAMES HART, Board Member  
DATE: 28 Mar 07

KARCHER CREEK SEWER DISTRICT:

by: SUSAN WAY, Chair  
DATE: 4/2/07

by: WILLIAM HUNTINGTON, Board Member  
DATE: 4/2/07

by: JAMES HART, Board Member  
DATE: 4/2/07

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KARCHER CREEK SEWER DISTRICT
KITSAP COUNTY, WASHINGTON

RESOLUTION NO 1159-07

A RESOLUTION OF THE BOARD OF COMMISSIONERS
OF KARCHER CREEK SEWER DISTRICT DETERMINING TO
CONSOLIDATE WITH ANNAPOLIS WATER DISTRICT INTO
ONE COMBINED DISTRICT

Washington law permits sewer districts and water districts to consolidate into a single district pursuant to the provisions of Chapter 57.32 RCW.

For several years now, KARCHER CREEK SEWER DISTRICT ("Karcher Creek"), and ANNAPOLIS WATER DISTRICT ("Annapolis Water") have jointly owned and operated common administrative and maintenance facilities. The general manager of Annapolis Water, Lawrence Curles, is now also serving as the general manager for Karcher Creek and the same two commissioners serve on the boards of each district. To date, the joint undertakings of the two districts have worked well.

During approximately the past year, Karcher Creek and Annapolis Water have studied whether it would be to their mutual benefit, and in the best interests of the customers each serves, to consolidate into one district.

The Board of Commissioners ("Board") for Karcher Creek have determined consolidation of the two districts shall be conducive to the public health, welfare, and convenience, and to be of special benefit to the lands of each district. This is for the reasons that: significant cost savings will be achieved by consolidation; duplication of common services provided by each district will be avoided and allow for greater specialization of the workforce of the consolidated district; the public will be better served from a combined workforce of the two districts with cross training of work duties where appropriate; more timely and efficient service to the customers of each district should result from the combined larger work force of the two districts; and a larger combined district should attract a high caliber of work talent.

Recently, each district held public hearings to receive input from the public on this issue. Based on: the past experience of the two districts in successfully engaging in joint undertakings; Chapter 57.32 RCW authorizing sewer and water districts to consolidate; the conclusions of Karcher Creek
hereinbefore stated as a result of its study of the consolidation process; and input received from the public on this matter, it is hereby

**RESOLVED** as follows:

1. The Board hereby formally determines consolidation of Karcher Creek with Annapolis Water into a single district shall be conducive to the public health, welfare, and convenience and be of special benefit to the lands of Karcher Creek and Annapolis Water; and

2. Hereafter, Karcher Creek shall take all legal steps necessary to consolidate its district and Annapolis Water into one district. The specific details of the consolidation shall be as set forth in the Consolidation Agreement to be entered into between the two districts.

**ADOPTED AT A REGULAR MEETING** of the Board of Commissioners of Karcher Creek Sewer District, by unanimous vote, on the 2nd day of April, 2007.

**KARCHER CREEK SEWER DISTRICT**

Kitsap County, Washington

By [Signature]
Chairperson, William H. Huntington

By [Signature]
Commissioner, James J. Hart

By [Signature]
Commissioner, Susan Way