

**INTERLOCAL AGREEMENT BETWEEN
THE CITIES OF OLYMPIA, LACEY AND YELM
FOR A WATER RIGHTS ACQUISITION STRATEGY**

Whereas, RCW 39.34.010 permits local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population and other factors influencing the needs and development of local communities; and

Whereas, pursuant to RCW 39.34.080, each party is authorized to contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which each public agency entering into the contract is authorized by law to perform: provided, that such contract shall be authorized by the governing body of each party to the contract and shall set forth its purposes, powers, rights, objectives and responsibilities of the contracting parties;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Cities of Lacey, Olympia and Yelm (Cities) agree as follows:

I. Purpose/Objective

The Cities are each developing mitigation plans to offset potential surface water impacts to the Deschutes River from groundwater withdrawals from the McAllister sub-basin of the Nisqually River watershed. As part of a regional approach for water resource management and mitigation within the basin, the Cities wish to pool mitigation efforts. Acquisition of consumptive water rights is one mitigation action currently proposed by the Cities. The purpose of this Agreement is to allow the Cities to contract with an independent consultant to identify potential water rights for acquisition within the

Deschutes Basin that can be relinquished for mitigation, placed in trust, or put to other beneficial use in furtherance of agreed goals for resource enhancement and mitigations.

II. Scope of Agreement/Work

The Cities agree to jointly engage the services of one or more consultants to assist the Cities in planning for the acquisition of water rights to mitigate surface water impacts on the Deschutes River and to assist in acquiring such water rights.

The work is currently planned in two phases. The first phase will include tasks necessary for planning the acquisition strategy and identifying water rights for acquisition. The second phase will include implementation of the acquisition strategy by initiating contact with necessary parties and negotiating for acquisition. This Agreement provides authority for the Cities to enter into the necessary professional services agreement to accomplish all tasks necessary for Phase One.

For Phase One, the Cities will enter into a professional services agreement with Westwater Research. Westwater Research will research and identify surface or groundwater rights that can be acquired and retired, placed in trust or otherwise reallocated to mitigate for modeled impacts to surface water bodies in the Deschutes River watershed, from new points of withdrawal proposed by each city. All reports will be provided to each city independently, however, the Cities shall have equal access to any reports generated by Westwater Research or any consultant regarding this project. Westwater Research will deliver draft results to each of the three cities for initial review, and comments from the Cities will be accepted and incorporated into a final report. The parties expect that all information obtained will be shared only amongst the Cities, except as otherwise required by law.

The Cities agree that none of the water rights identified under the scope of this project will be purchased or acquired by any of the Cities, either individually or as part of a group, prior to separate agreement by the Cities setting forth the process for: (1). Obtaining further research and analysis of water rights; (2). Deciding which water rights to acquire; (3). Acquiring the selected water rights; (4). Disposition of acquired water rights; and (5). Apportioning interests among the jurisdictions in water rights or benefits derived from the acquired water rights.

III. Payment (or Funding/Costs/etc.)

The Cities will equally divide costs. Total costs for Phase One are not to exceed forty one thousand eight hundred and twenty and 00/100 dollars (\$41,820.00).

IV. Method of Payment

A. The consultant will invoice each City separately on a monthly basis.

B. Payment will be made separately by each City to the consultant upon receipt of an acceptable invoice, after completion of each tasks agreed upon in the professional services agreement.

V. Indemnification & Insurance

Each City agrees to defend, indemnify and hold the other cities, their officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including reasonable attorney fees, arising out of or in connection with the indemnifying City's performance of this Agreement, including injuries and damages caused by the negligence of the indemnifying City's officers, officials and employees.

VI. No Separate Entity Created

This Agreement creates no Joint Board and no separate legal entity.

VII. Duration of Agreement

This Agreement shall be effective on the date of the last signature affixed hereto and shall terminate upon completion of the tasks necessary to accomplish the purpose of the agreement, unless sooner terminated by the Cities as provided herein.

VIII. Termination of Agreement

This Agreement may be terminated upon mutual agreement of the Cities.

IX. Interpretation and Venue

A. This Agreement shall be governed by the laws of the State of Washington as to interpretation and performance. The parties hereby agree that venue for enforcement of any provisions shall be the Superior Court of Thurston County.

X. Entire Agreement

This Agreement sets forth all terms and conditions agreed upon by the Cities and supercedes any and all prior agreements oral or otherwise with respect to the specific subject matter addressed herein.

XI. Recording

Prior to its entry into force, this Agreement shall be filed with the Thurston County Auditor's Office or posted upon the Cities' websites as provided by RCW 39.34.040.

XII. Notice

Any notice required under this Agreement shall be to the party at the address listed below and shall become effective three days following the date of deposit with the United States Postal Service.

CITY OF OLYMPIA:

Attn: Tikva Glantz, Program and Planning Supervisor
Re: Water Rights Acquisition Strategy/Deschutes Basin
PO Box 1967
Olympia, WA 98507-1967

CITY OF LACEY:

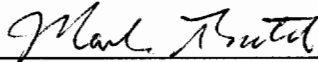
Attn: Peter Brooks, Water Resource Manager
Re: Water Rights Acquisition Strategy/Deschutes Basin
P.O. Box 3400
Lacey, WA 98509-3400

CITY OF YELM:

Attn: Shelly Badger, City Administrator
Re: Water Rights Acquisition Strategy/Deschutes Basin
P.O. Box 479
Yelm, WA 98597

This Agreement is hereby entered into between the Cities and shall take effect on the date of the last authorizing signature affixed hereto:

CITY OF OLYMPIA




~~Steve Hall, City Manager~~

Mark Foutch, Mayor

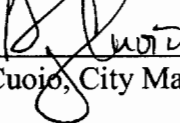
Date: 11-05-07

Approved as to form:



Annaliese Harksen, Asst. City Attorney


CITY OF LACEY



Greg Cuoio, City Manager

Date: 10-29-07

Approved as to form:



Ken Ahlf, City Attorney


CITY OF YELM



Ron Harding, Mayor

Date: Nov. 14, 2007

Approved as to form:



Kathleen Callison, City Water Rights Attorney

When recorded return to:
City of Olympia
PO Box 1967
Olympia, WA 98507-1967

**INTERLOCAL AGREEMENT BETWEEN
THE CITIES OF OLYMPIA, LACEY AND YELM
FOR A WATER RIGHTS ACQUISITION STRATEGY – PHASE II**

Whereas, RCW 39.34.010 permits local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage and thereby to provide services and facilities in a manner and pursuant to forms of governmental organization that will accord best with geographic, economic, population and other factors influencing the needs and development of local communities; and

Whereas, pursuant to RCW 39.34.080, each party is authorized to contract with any one or more other public agencies to perform any governmental service, activity, or undertaking which each public agency entering into the contract is authorized by law to perform: provided, that such contract shall be authorized by the governing body of each party to the contract and shall set forth its purposes, powers, rights, objectives and responsibilities of the contracting parties; and

Whereas, the Cities have submitted applications for water rights currently pending at the Dept. of Ecology; and

Whereas, in order to secure approvals of those water rights, the Cities have been making surveys, investigations and studies to support determinations on the water right applications; and

Whereas, the Cities' work in support of these applications has included participation in watershed planning under RCW 90.82, adoption and implementation of the Nisqually Watershed Management Plan, development of an updated groundwater model capable of predicting impacts to surface waters of the various proposed withdrawals, test well drilling, assessments of groundwater conditions, a Phase I Water Rights Acquisition Strategy, and other efforts, and

Whereas, by interlocal agreement effective November 14, 2007, the Cities have completed a water rights acquisition strategy and identified potential water rights for acquisition (Phase I);

Interlocal Agreement between the Cities of Lacey, Olympia and Yelm, 2008

NOW, THEREFORE, in consideration of the mutual promises contained herein, the Cities of Lacey, Olympia and Yelm (Cities) agree as follows:

I. Purpose/Objective

The Cities are each developing mitigation plans to offset potential surface water impacts to the Deschutes River from groundwater withdrawals from the McAllister and Yelm sub-basins of the Nisqually River watershed and the Hawks Prairie area of WRIA 13. As part of a regional approach for water resource management and mitigation within the basin, the Cities wish to pool mitigation efforts. Acquisition of consumptive water rights is one mitigation action currently proposed by the Cities. The purpose of this Agreement is to allow the Cities to contract with an independent consultant to negotiate purchase of water rights within the Deschutes Basin that can be relinquished for mitigation, placed in trust, or put to other beneficial use in furtherance of agreed goals for resource enhancement and mitigations.

II. Scope of Agreement/Work

The Cities agree to jointly engage the services of one or more consultants to assist the Cities in the acquisition of water rights to mitigate surface water impacts on the Deschutes River and to assist in transferring such water rights to State Trust or other agreed upon approach for mitigation purposes.

The work is planned in two phases. The first phase, already completed, included tasks necessary for planning the acquisition strategy and identifying water rights for acquisition. The second phase will include implementation of the acquisition strategy by initiating contact with necessary parties and negotiating for acquisition. This Agreement provides authority for the Cities to enter into the necessary professional services agreement to accomplish all tasks necessary for Phase Two.

For Phase Two, the Cities will enter into a professional services agreement with one or more consultants, agreed upon by the parties, for water right acquisition services. The consultant will contact water right holders and negotiate purchase of water rights on behalf of the Cities, conduct preliminary site inspections and due diligence on prospective water rights and assist legal counsel with the structure of purchase agreements and documents. The consultant will also conduct due diligence of water rights placed under contract and prepare necessary documentation to submit to the Department of Ecology or Thurston County Conservancy Board for transfer of acquired water rights to State Trust or other agreed upon approach for mitigation purposes. To the extent feasible, the Cities intend to target water rights in the upper portion of the watershed first in order to maximize the mitigation benefit for all the Cities. The Cities

will jointly direct the work of the consultant through a consensus-based decision making process.

The Cities agree that they will not separately pursue purchase of any water rights in the Deschutes Watershed during the term of this Agreement. In the event a City opts out of the acquisition of water rights under this Agreement or terminates its participation in this Agreement, that City agrees not to pursue any water right purchases using the information gathered jointly by the Cities pursuant to this Agreement without the prior written permission of the other cities.

The Cities agree to participate in discussions and development of additional agreements as needed to fulfill the intent of this agreement. Issues that may require additional discussion and agreement may include, but are not limited to, the following: authority to sign applications; authorization of additional technical work, for example, if additional model runs are required; coordination of meetings with the Thurston Water Conservancy Board and/or Ecology; whether and which applications may be "batch processed," or if not batch processed, whether separate applications will be prepared for individual water rights; and the terms and conditions of placement of water rights in trust.

III. Disposition of Acquired Water Rights

The Cities will equally divide all water rights obtained under this Agreement, unless one or more of the Cities elects not to participate, or to participate in an acquisition on a less than equal basis. If any City elects not to participate in an acquisition or to participate on a less than equal basis, the other cities may proceed with the acquisition and equally divide the non-participating City's residual share of water rights for that acquisition amongst the remaining cities. Any City electing to participate on a less than equal basis or electing to opt out of an acquisition will promptly inform the other cities of its decision in writing and will participate in cost sharing for that particular acquisition on a proportionate share basis. The cost share to each City will be based on a calculation of water rights allocated to that City, measured in acre-feet per year, as a percentage of the total water rights acquired by the Cities as a group.

IV. Payment (or Funding/Costs/etc.)

The Cities will equally divide costs. Total costs for consulting services under Phase Two are not to exceed Eighty Thousand and 00/100 dollars (\$80,000.00).

V. Method of Payment

- a. The consultant will invoice each City separately on a monthly basis.

b. Payment will be made separately by each City to the consultant upon receipt of an acceptable invoice, after completion of each task agreed upon in the professional services agreement.

VI. Indemnification & Insurance

Each City agrees to defend, indemnify and hold the other cities, their officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including reasonable attorney fees, arising out of or in connection with the indemnifying City's performance of this Agreement, including injuries and damages caused by the negligence of the indemnifying City's officers, officials and employees.

VII. No Separate Entity Created

This Agreement creates no Joint Board and no separate legal entity.

VIII. Duration of Agreement

This Agreement shall be effective on the date of the last signature affixed hereto and shall terminate upon completion of the tasks necessary to accomplish the purpose of the agreement, unless sooner terminated by the Cities as provided herein.

IX. Dispute Resolution

a. Step One – Negotiation. In the event of a dispute concerning any matter pertaining to this Agreement, the Parties involved shall attempt to adjust their differences by informal negotiation. The Party perceiving a dispute or disagreement persisting after informal attempts at resolution shall notify the other Parties in writing of the general nature of the issues. The letter shall be identified as a formal request for negotiation and shall propose a date for representatives of the Parties to meet. The other Parties shall respond in writing within ten (10) business days. The response shall succinctly and directly set out that Party's view of the issues or state that there is no disagreement. The Parties shall accept the date to meet or shall propose an alternate meeting date not more than ten (10) business days later than the date proposed by the Party initiating dispute resolution. The representatives of the Parties shall meet in an effort to resolve the dispute. If a resolution is reached the resolution shall be memorialized in a memorandum signed by all Parties which shall become an addendum to this Agreement. Each Party will bear the cost of its own attorneys, consultants, and other Step One expenses. Negotiation under this provision shall not exceed 90 days. If a resolution is not reached within 90 days, the Parties shall proceed to mediation.

b. Step Two – Mediation. If the dispute has not been resolved by negotiation within ninety (90) days of the initial letter proposing negotiation, any Party may demand mediation. The mediator shall be chosen by agreement. Each Party will bear the cost of its own attorneys, consultants, and other Step Two expenses. The parties to the mediation will share the cost of the mediator. A successful mediation shall result in a memorandum agreement which shall become an addendum to this Agreement. Mediation under this provision shall not exceed 90 days. If the mediation is not successful within 90 days, the Parties may proceed to litigation.

c. Step Three – Litigation. Unless otherwise agreed by the Parties in writing, Step One and Step Two must be exhausted as a condition precedent to filing of any legal action. A Party may initiate an action without exhausting Steps One or Two if the statute of limitations is about to expire and the Parties cannot reach a tolling agreement, or if either Party determines the public health, safety, or welfare is threatened.

X. Termination of Agreement

This Agreement may be terminated upon mutual agreement of the Cities.

XI. Interpretation and Venue

This Agreement shall be governed by the laws of the State of Washington as to interpretation and performance. The parties hereby agree that venue for enforcement of any provisions shall be the Superior Court of Thurston County.

XII. Entire Agreement

This Agreement sets forth all terms and conditions agreed upon by the Cities and supercedes any and all prior agreements oral or otherwise with respect to the specific subject matter addressed herein.

XIII. Recording

Prior to its entry into force, this Agreement shall be filed with the Thurston County Auditor's Office or posted upon the Cities' websites as provided by RCW 39.34.040.

XIV. Notice

Any notice required under this Agreement shall be to the party at the address listed below and shall become effective three days following the date of deposit with the United States Postal Service.

CITY OF OLYMPIA:

Attn: Donna Freier, Program and Planning Supervisor
Re: Water Rights Acquisition Strategy/Deschutes Basin
PO Box 1967
Olympia, WA 98507-1967

CITY OF LACEY:


Attn: Peter Brooks, Water Resource Manager
Re: Water Rights Acquisition Strategy/Deschutes Basin
P.O. Box 3400
Lacey, WA 98509-3400

CITY OF YELM:

Attn: Shelly Badger, City Administrator
Re: Water Rights Acquisition Strategy/Deschutes Basin
P.O. Box 479
Yelm, WA 98597

This Agreement is hereby entered into between the Cities and shall take effect on the date of the last authorizing signature affixed hereto:

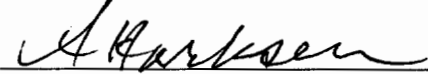
CITY OF OLYMPIA



Doug Mah, Mayor

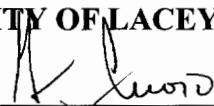
Date: 8-12-08

Approved as to form:



Annaliese Harksen, Asst. City Attorney

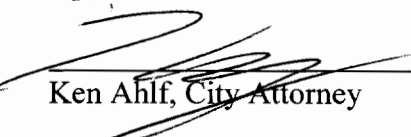
CITY OF LACEY



Greg Cuoio, City Manager

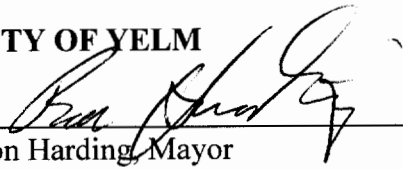
Date: 7-29-08

Approved as to form:



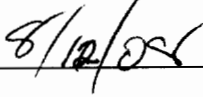
Ken Ahlf, City Attorney

CITY OF YELM

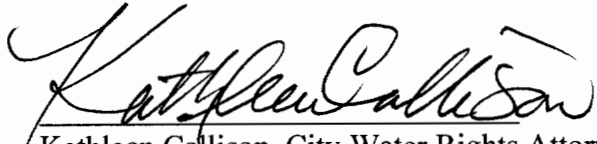


Ron Harding, Mayor

Date: _____



Approved as to form:



Kathleen Callison, City Water Rights Attorney