

RESOLUTION NO. 06-08-09-399

A RESOLUTION approving amendments to the Interlocal Governmental Agreement Creating the Water and Sewer Insurance Pool (Risk Management Pool)

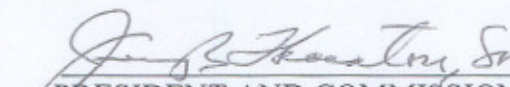
WHEREAS, the Board of Directors of the Water and Sewer Insurance Pool aka the Water and Sewer Risk Management Pool (the "Pool") at its annual meeting on March 17, 2006, approved amendments to the Interlocal Governmental Agreement Creating the Water and Sewer Insurance Pool ("Interlocal Agreement"); and

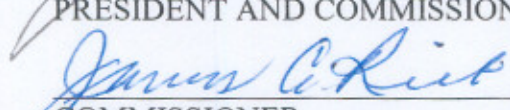
WHEREAS, before such amendments to the Interlocal Agreement become effective, two-thirds (2/3) of the Board of Commissioners of those Districts which are certified as members of the Pool must approve the Agreement as amended;

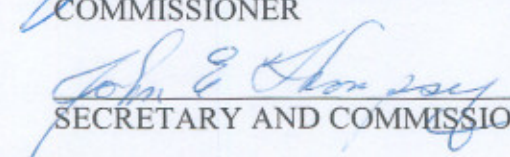
WHEREAS, the Board of Commissioners of Water District 125, (hereinafter referred to as the "District/Entity") desire to approve the amendments to the Interlocal Agreement, which were previously approved at the annual meeting of the Pool's Board of Directors;

NOW THEREFORE, BE IT RESOLVED by the Board of Commissioners of the District/Entity that they hereby approve the Interlocal Agreement with the amendments approved at the Pool's March 17, 2006 annual meeting and that this Resolution shall constitute the signing of the aforementioned Interlocal Agreement as amended.

ADOPTED this 9th day of August, 2006.


PRESIDENT AND COMMISSIONER


COMMISSIONER


SECRETARY AND COMMISSIONER



Water and Sewer Risk Management Pool

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Website: www.wsrmp.org

DATE: March 21, 2006
TO: Members, Board of Directors
FROM: Pat Cabulagan, Executive Director *Pat C.*
RE: Approval of the Proposed Interlocal Governmental Agreement Changes

On March 17, 2006, the Board of Directors at their Semi-Annual General Membership meeting approved the proposed changes to the Interlocal Governmental Agreement (Agreement). Before the Agreement as amended can become effective, two-third's (2/3) of the Board of Commissioners of those Districts which are certified as members of the Pool must approve the Agreement as amended.

Enclosed is a sample resolution that your District can use to approve the Agreement as amended. Also, the signing of this Resolution by your District's Board of Commissioners shall constitute the signing of the aforementioned Agreement as amended. Once the Pool receives the necessary two-thirds (2/3) approval from the Board of Commissioners, then we will send out a clean, amended copy of the Agreement to the membership.

Also enclosed is a "redlined" version of the Agreement showing deletions in ~~strikethrough~~-fashion and insertions have been underlined (redlined). Our Pool attorney, Joe Bennett of Hendricks-Bennett PLLC suggested and reviewed the proposed language changes.

The following is a summary of the intent and reasons for the changes.

Summary of Changes

A small percentage of the changes are non-substantive changes that relate to style, grammar and consistent wording. The substantive changes, and reasons in support, are as follows:

1. **Interlocal Agreement, Article XV, Paragraph B.** The current bonding requirement for the Pool's treasurer (\$500,000) is not commercially practical or reasonable. Paragraph B. changes the bonding requirement so that the minimum bond is tied to the bonding requirement for district treasurers in RCW 57.20.135 (currently \$25,000). The Pool is also protected by its employee dishonesty insurance.
2. **Interlocal Agreement, Article XXI.** is amended so that cancellation of a member is effective upon a 2/3 vote of the Executive Committee provided that the decision to cancel is ratified by a 2/3 vote at a meeting of the Board of Directors. Once the Executive Committee votes to cancel, the cancellation is effective 180 days after written notice of the Executive Committee's decision is mailed to the member.

REASON FOR: There was general consensus that the existing termination procedure was too slow and cumbersome. Although districts should not be terminated lightly, once the decision is made it is important to remove the district from the Pool's insurance program within a reasonable time.

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Currently termination requires a 2/3 of the entire Board, meaning approval of termination must be received by more than 40 districts. It is unusual to have even 40 separate districts represented at a semi-annual Board meeting. The current provision does not start the 180-day termination clock until the 2/3 vote has been obtained. The terminated district can then request an additional 6 months of insurance from the Pool after the cancellation becomes effective. In essence it takes a year to remove a terminated district from the Pool's insurance. The proposed changes streamline the termination, but makes the Executive Committee's decision subject to ratification by a 2/3 vote at a Board meeting. The cancelled district will have 180 days from the date the Pool mails written notice of the cancellation to obtain new insurance. This should be enough time and allows the Pool to remove an unacceptable risk without waiting a full year after the decision to cancel.

3. **Interlocal Agreement, Article XXVIII.** A new Article is added that includes standard terms such as a limitation of liability (in the event a district's loss is not covered or exceeds the applicable limits of coverage); a dispute resolution procedure; and a choice of venue and law in the event of litigation.

REASON FOR: These are standard terms found in the governing documents of other pools. The limitation of liability makes clear that that the Pool is only responsible for a district's loss if the loss is covered and to the extent of the coverage limits. The dispute resolution provision requires the parties to first attempt to resolve the dispute by direct discussions and, if not successful, then by mediation. Litigation is the last resort. The venue and choice of law provision provide that any lawsuit will be in King County (where the Pool's office is located) and that Washington law will apply to the case.

It is our hope that all of the Member Districts approve the Agreement as amended and returns the resolution to the Pool by June 1, 2006. Thank you for your assistance in this matter. If you have any questions, please feel free to call me or Joe Bennett, Pool Counsel at 425-775-2751.

Enclosure

cc: Joe Bennett, Hendricks-Bennett, PLLC

mailed 8/10/06
JB