

**WHATCOM COUNTY  
CONTRACT INFORMATION SHEET**

Whatcom County Contract Number:

Originating Department:	85 Health and Community Services
Division/Program: (i.e. Dept. Division and Program)	8540 Environmental Health / 854020 Drinking Water
Contract or Grant Administrator:	Sue Sullivan
Contractor's / Agency Name:	Public Utility District No. 1 of Whatcom County

Is this a New Contract?	If not, is this an Amendment or Renewal to an Existing Contract?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	If Amendment or Renewal, (per WCC 3.08.100 (a)) Original Contract #:	

Does contract require Council Approval?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	If No, include WCC:
Already approved? Council Approved Date:	(Exclusions see: Whatcom County Codes 3.06.010, 3.08.090 and 3.08.100)		

Is this a grant agreement?	If yes, grantor agency contract number(s):		ALN#:
Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>		

Is this contract grant funded?	If yes, Whatcom County grant contract number(s):	
Yes <input type="checkbox"/>	No <input type="checkbox"/>	

Is this contract the result of a RFP or Bid process?	Contract Cost Center:
Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If yes, RFP and Bid number(s):	

Is this agreement excluded from E-Verify?	No <input type="checkbox"/>	Yes <input checked="" type="checkbox"/>
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- If YES, indicate exclusion(s) below:
- |   |  |
|---|--|
| <input type="checkbox"/> Professional services agreement for certified/licensed professional. | <input type="checkbox"/> Goods and services provided due to an emergency.    |
| <input type="checkbox"/> Contract work is for less than \$100,000.                            | <input type="checkbox"/> Contract for Commercial off the shelf items (COTS). |
| <input type="checkbox"/> Contract work is for less than 120 days.                             | <input type="checkbox"/> Work related subcontract less than \$25,000.        |
| <input checked="" type="checkbox"/> Interlocal Agreement (between Governments).               | <input type="checkbox"/> Public Works - Local Agency/Federally Funded FHWA.  |

Contract Amount:(sum of original contract amount and any prior amendments):	Council approval required for; all property leases, contracts or bid awards <b>exceeding \$40,000</b> , and professional service contract amendments that have an increase greater than \$10,000 or 10% of contract amount, whichever is greater, <b>except when:</b>
Variable – dependent upon capital needs, reserves, rate charges, and assessments. See Agreement Section 6. – Operation and Maintenance - Funding	<ol style="list-style-type: none"> <li>Exercising an option contained in a contract previously approved by the council.</li> <li>Contract is for design, construction, r-o-w acquisition, prof. services, or other capital costs approved by council in a capital budget appropriation ordinance.</li> <li>Bid or award is for supplies.</li> <li>Equipment is included in Exhibit "B" of the Budget Ordinance</li> <li>Contract is for manufacturer's technical support and hardware maintenance of electronic systems and/or technical support and software maintenance from the developer of proprietary software currently used by Whatcom County.</li> </ol>

<b>Contract Term Ends:</b>	<b>Until Terminated or superseded</b>		
Contract Routing:	1. Prepared by:	S. Sullivan	Date: 03/22/2024
	2. Health Approval:	C. Ramont / G. Iturria	Date: 02/06/26 / 02/10/26
	3. Attorney signoff:	T. Seguire	Date: 02/09/2026
	4. AS Finance reviewed:	D. Kempf	Date: 2/26/2026
	5. IT reviewed (if IT related):		Date:
	6. Contractor signed:		Date:
	7. Executive Contract Review:		Date:
	8. Council approved (if necessary):	AB2026-199	Date:
	9. Executive signed:		Date:
	10. Original to Council:		Date:

**INTERLOCAL AGREEMENT BETWEEN WHATCOM COUNTY  
AND PUBLIC UTILITY DISTRICT NO. 1 OF WHATCOM COUNTY**

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**THIS INTERLOCAL AGREEMENT** (the “Agreement”) is made as of March 11, 2026 pursuant to the Interlocal Cooperation Act, RCW 39.34, between Public Utility District No. 1 of Whatcom County, a Washington municipal corporation (hereinafter “Whatcom PUD” or “Agent”), and Whatcom County, a Washington municipal corporation (hereinafter “Whatcom County” or “Receiver”). Whatcom PUD and Whatcom County are jointly referred to herein as (the “Parties”) and individually as (“Party”).

**WHEREAS**, the water needs of Whatcom County’s citizens and businesses are served by over four hundred (400) municipalities, water districts, and associations. Many of these systems are small in size, measured by connection counts, annual revenues, or amount of water throughput; and,

**WHEREAS**, over the course of time, some of these systems may fail for a variety of reasons, including financial insolvency, operating challenges, staffing issues, or water rights, among other reasons; and,

**WHEREAS**, water systems that do not comply with state and federal standards represent a potential threat to public health and safety; and,

**WHEREAS**, RCW 43.70.195 requires that counties become the receiver of last resort for failed or failing water systems within their jurisdictions that the State Department of Health has determined have not been effective in resolving deficiencies that threaten public health and safety (such water systems are referred to herein as a “Water System” or generally as “Water Systems”); and

**WHEREAS**, Whatcom County does not provide public water service; and,

**WHEREAS**, Whatcom County, pursuant to RCW 43.70.195, is authorized to enter into an agreement with agencies to provide services to Water Systems in receivership; and

**WHEREAS**, the Whatcom County Council in Resolution No. 92-062 adopted a resolution that (1) recognized the District as having the authority to offer county-wide technical, managerial, financial, operational, planning, and support services related to providing satisfactory water resource development, protection, and utility services in Whatcom County, and (2) requesting that the District be an agent for Whatcom County for the receivership of failed water systems in Whatcom County; and

**WHEREAS**, pursuant to RCW 54.16.030, Whatcom PUD is authorized to construct, purchase, condemn, acquire, add to, maintain, conduct, and operate water systems, within or without its limits, for the purpose of furnishing Whatcom PUD, inhabitants, businesses, farmers, and other systems, water for all purposes throughout Whatcom County for the benefit of the people of Whatcom County, together with full and exclusive authority to sell, regulate, and control the use, distribution, and price thereof, among other authorized activities; and,

**WHEREAS**, pursuant to RCW 54.16, Whatcom PUD may make surveys, plans, investigations, or studies for domestic, industrial, and agricultural supply, and for matters and purposes reasonably incidental thereto, within and without Whatcom PUD’s boundaries, and compile comprehensive maps and plans showing the territory that can be most economically served by the various resources and utilities, the natural order in which they should be developed, and how they may be joined and coordinated to make a complete and systematic whole; and

**WHEREAS**, Whatcom County and Whatcom PUD desire to work cooperatively to provide management of Water Systems that require a default receiver pursuant to RCW 43.70.195; and

**WHEREAS**, Whatcom County has requested that Whatcom PUD serve as its agent when Whatcom County is appointed as a receiver pursuant and subject to RCW 43.70.195, and Whatcom PUD has agreed to be available to serve as Whatcom County's agent in certain instances as provided for in this Agreement.

**NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:**

**Section 1. Purposes.** The purposes of this Agreement are to:

- A. Provide for the terms and conditions related to the operation and maintenance of Water Systems by Whatcom PUD at the request of and as an agent for Whatcom County, in the event that the Water Systems are subject to a receivership order(s) entered in Whatcom County Superior Court (the "Court") pursuant to RCW 43.70.195.
- B. Provide that the operation and maintenance of such Water Systems are operated in a manner that meets state and federal standards, any orders of the Court, the requirements of the Washington State Department of Health ("WA DOH"), and this Agreement.
- C. Protect public health and safety through provision of water service that complies with applicable state and federal standards for water system operations and drinking water standards.
- D. Ensure effective and efficient utilization of water resources.
- E. Support adopted land use plans, Coordinated Water System Plan, and the goals of the Growth Management Act.

**Section 2. Intent, Principles, and Procedures.** In order to achieve the goals and objectives of this Agreement, Whatcom County and Whatcom PUD agree to the following principles and procedures:

- A. This Agreement is intended to provide the basis for Whatcom PUD to be Whatcom County's agent to take all actions required by the Court as a receiver of last resort for Whatcom County pursuant to RCW 43.70.195 when Whatcom County is appointed as the receiver for the Water System. Accordingly, the requirements of RCW 43.70.195 shall be the controlling basis for interpreting and implementing this Agreement; provided, however, this Agreement does not create any obligation on the part of Whatcom PUD to enter into any agreement with a water association, special purpose district, general purpose government, or any other individual or entity, unless agreed to by the Whatcom PUD Commission on a case-by-case basis.
- B. Whatcom PUD may act as Whatcom County's agent for all Water Systems placed into receivership by the Court based upon a petition filed with the Court by the WA DOH in accordance with the terms and requirements imposed by the Court, the WA DOH, and this Agreement if accepted by Whatcom PUD in writing. The period of time that the Water Systems may be under a receivership order and the Whatcom PUD is serving as Whatcom County's agent as the receiver is referred to herein as the "Receivership Period".
- C. Whatcom PUD shall decide on a case-by-case basis whether it shall be the agent for Whatcom County for a Water System placed into receivership.
- D. Upon Whatcom PUD's agreement to serve as a receiver for a Water System, Whatcom PUD will use its reasonable best efforts during the Receivership Period to facilitate financially feasible solutions for said Water System. Further, in such instance, Whatcom PUD will undertake reasonable effort, in reviewing the status of a Water System, to make recommendations to the Court, the WA DOH, and/or Whatcom County Health and Community Services on how Whatcom PUD intends to proceed with the management and operation of the Water System by Whatcom PUD. In doing so, Whatcom PUD shall make such recommendations consistent with applicable state regulations, the requirements of RCW 43.70.195, and any requirements of the Court.

- E. If a Party makes application for financial assistance to fund a receivership action(s) required by a Court and related actions, the other Party agrees to assist the applying Party to identify and secure the funds and/or grant monies necessary to finance such receivership actions.
- F. A Water System shall be operated during a Receivership Period for the benefit of its current and future users/customers pursuant to applicable laws and regulations.
- G. Investment in the operation and maintenance of the Water System during the Receivership Period will benefit and be paid for by the Water System users/customers pursuant to RCW 43.70.195 (5) regardless of the ultimate disposition of the Water System.
- H. Whatcom PUD will be reimbursed for its costs and expenses for operation of the Water System and for making emergency expenditures through Water System revenues collected; provided, however, to the extent that Water System revenues that are paid when due are inadequate to pay for all such costs and expenses, Whatcom County as the Receiver shall fund any shortfall remaining uncollected beyond sixty (60) days.
- I. Whatcom PUD shall determine the acceptable method to improve the Water System to keep the Water System from failing, or for recovering the failed Water System, including the considerations of management and ownership by Whatcom PUD or other parties as may be determined by the Court.

### **Section 3. Term.**

The Term of this Agreement shall commence on March 11, 2026 and shall terminate, except as indicated in Section 8(C.vii). below, immediately upon Whatcom PUD's delivery of written notice of termination to Whatcom County, provided that Whatcom County shall continue as the receiver as appointed by the Court until such time as the Court appoints a replacement receiver, or the County is discharged as a receiver of the Water System by the Court.

### **Section 4. Operation and Maintenance - Personnel.**

- A. Upon agreement in writing, Whatcom PUD, under the direction of its General Manager, shall be responsible for the management of the Water System during the Receivership Period.
- B. Whatcom County shall assist Whatcom PUD to accomplish any regulatory and/or Water System contract approvals or amendments that may be necessary for Whatcom PUD to effectively operate and manage the Water System.
- C. The employees of Whatcom PUD and Whatcom County who are engaged in any aspects of the operation and management of the Water System shall continue to be employed and paid solely by their respective agencies.
- D. The cost of wages and wage-related overheads of the respective employees of Whatcom PUD and Whatcom County will be tracked in proportion to their work on the Water System during the Receivership Period and become part of the overall expense of operating the Water System included in the revenue requirements of the Water System to be recovered from water rates and charges, assessments to Water System users/customers, and grants or financing packages, depending upon the nature of the work performed.

### **Section 5. Operation and Maintenance - Physical Assets.**

During the Receivership Period, all Water System facilities and equipment, including pipes, pumps, valves and reservoirs and any vehicles, spare parts, and related equipment that now are used to operate and maintain the Water System, will be made available to Whatcom PUD, Whatcom County, and WA DOH as may be necessary to implement this Agreement through authority granted by the Court.

## **Section 6. Operation and Maintenance - Funding.**

- A. For capital requirements of the Water System, the Parties acknowledge and agree to pursue, as may be appropriate, Public Works Trust Funds and other grants and loans as available. To the extent the Water System's existing reserves, rate charges and assessments, including special assessments as provided by Water System users/customers, are not adequate or readily available to pay for such capital needs, Whatcom County will arrange interim financing, as necessary, which will be reimbursed by special assessments imposed on the Water System users/customers.
- B. Other Funding. Any further borrowing for financial needs of the Water System that cannot be funded from Whatcom County must be recommended by Whatcom PUD and authorized by Whatcom County as a Whatcom County borrowing obligation in accordance with the procedures for rate setting and joint oversight by the Whatcom County Council and the Whatcom PUD Commission set forth in Section 8 below.
- C. Upon the conclusion of the receivership and disposition of the Water System, the Water System shall continue to repay in full any loans from Whatcom County or Whatcom PUD.
- D. All existing indebtedness and such further indebtedness of the Water System incurred during the Receivership Period will remain the obligation of the Water System during and after the Receivership Period.

## **Section 7. Billing and Accounting.**

- A. As of the commencement of the Receivership Period, this Agreement, the billing, accounting, and customer service functions of the Water System will be managed by Whatcom PUD. Users/customers will be billed by the Whatcom PUD and service receipts will be collected and used to cover the Whatcom PUD's expenses in operating the Water System. On a monthly basis or as soon thereafter as reasonable, Whatcom PUD shall do a reconciliation of income to expenditures. Excess revenue shall be held in reserve as an asset of the Water System. If monthly expenses are not covered by revenue, the difference will be made up from reserve funds. If reserve funds do not cover the expenditures, Whatcom County will pay the difference to Whatcom PUD and work with Whatcom PUD to adjust rates or impose assessments to allow for recovery of funds from Water System users/customers.
- B. The current rates for Water Service existing on the commencement of the Receivership Period will be billed by Whatcom PUD until such time as rates are changed in accordance with the procedures for rate setting and joint oversight by Whatcom County and Whatcom PUD as set forth in Section 8 below.
- C. During the Receivership Period, there shall be no commingling of the Water System funds with existing Whatcom PUD water funds. Whatcom PUD shall maintain the accounting records of the Water System separately from the accounting records of the existing systems so that Whatcom PUD can provide Whatcom County and the Court with the following Water System information. This information will be provided to Whatcom County and the Water System users/customers on a quarterly basis during the Receivership Period, unless the Court orders a more frequent period for reporting:
  - 1. A reconciliation of all cash and investment accounts;
  - 2. A detailed list of all receipts and disbursements that can be reconciled to beginning and ending cash and investment balances;
  - 3. Sales reports that support user/customer billings, receipts, and adjustments to user/customer accounts that have been reconciled to the user/customer accounts receivable aging report;
  - 4. Financial statements of the Water System, consisting of Balance Sheet, Statement of Operations, and Statement of Cash Flows; and
  - 5. Any supporting documentation that may be needed to verify balances, transactions, and compliance with laws and regulations as reasonably requested by Whatcom County.

D. During the Receivership Period:

1. Whatcom PUD shall provide to Whatcom County:
  - a. All audit reports including Management Letters, Findings, and Exit Comments;
  - b. All correspondence received from agencies that materially affect water service or quality;
  - c. All correspondence received which asserts or threatens litigation and is either directly or indirectly related to the Water System;
  - d. Appropriate access to all Water System operations, maintenance and repair logs, records, and related reports if any; and
2. Whatcom County shall address any concerns it may have in writing about the contents of any documents supplied within ninety (90) days of Whatcom County's receipt or access to such documents of concern, as the case may be.

**Section 8. Rate Setting, Budget, and Joint Oversight.**

- A. During the Receivership Period, Whatcom County will continue to be the receiver of record for the Water System while Whatcom PUD takes over operation and maintenance of the Water System as Whatcom County's agent. The Whatcom County Council and the Whatcom PUD Commission will therefore both be involved in joint oversight of the operation and maintenance of the Water System.
- B. Special joint meetings of the Whatcom County Council and the Whatcom PUD Board of Commissioners may be scheduled at the request of either Board and noticed at any location with public access.
- C. A budget for maintenance and operation of the Water System, water rates, and charges will be established under the following procedures:
  1. The budget for operation and maintenance of the Water System and any proposed changes in water rates and charges will first be developed by Whatcom PUD's General Manager and then acted upon by the Whatcom PUD Board;
  2. Following action by the Whatcom PUD Board on the budget or on proposed changes in water rates and charges, and terms and conditions of service, Whatcom PUD will transmit its proposed budget and /or rate and service recommendations to Whatcom County;
  3. Within thirty (30) days of receipt of Whatcom PUD's recommendations, the Whatcom County Council will either adopt or reject the said recommendations;
  4. If the Whatcom County Council rejects Whatcom PUD's recommendations, it will set forth its reasons in writing to Whatcom PUD within one week of the Whatcom County Council meeting at which the recommendations were rejected;
  5. After consideration of Whatcom County's explanation of rejection, Whatcom PUD may develop a different budget or rate proposal in accordance with the procedural steps set forth in this subsection;
  6. In resubmitting a proposal for the budget and/or rates and charges, Whatcom PUD may submit its original proposal with additional explanation, submit a modified proposal considering the comments of the Whatcom County Council, or submit an entirely new proposal;
  7. Failure of the Whatcom County Council to act on Whatcom PUD's proposed budget within thirty (30) days of its receipt of the proposed budget from Whatcom PUD shall automatically terminate this Agreement; provided, no additional prior written notice need be given by Whatcom PUD to Whatcom County in this instance. Should the Whatcom County Council fail to adopt a budget recommended by Whatcom PUD, Whatcom PUD may terminate this Agreement and end its role as

the Agent for Whatcom County effective thirty (30) days after delivery of a written notice of termination to Whatcom County.

- D. Unanticipated needs for capital investment or capital borrowing will be presented to the Whatcom County Council for approval or rejection under the same procedures established for adopting annual budgets and/or water rates and charges set forth in this Section 8.
- E. Any regulatory approvals or contractual amendments regarding the Water System that require confirmation or approval by the Whatcom County Council will be timely presented for approval or rejection under the same procedures established for adopting annual budgets and/or water rates and charges, and terms and conditions of service set forth in this Section 8.
- F. Planning documents developed by Whatcom PUD for the Water System during the Receivership Period must be approved by both the Whatcom PUD Board and the Whatcom County Council, in the same manner as the approval of a budget as set forth in this Section 8.

#### **Section 9. Indemnity and Insurance.**

- A. Whatcom PUD and Whatcom County shall maintain applicable property and liability insurance coverage, which will be charged to the Water System during the Receivership Period.
- B. To the extent authorized by existing insurance policy provisions, if the same can be accomplished at no additional expense, Whatcom County and Whatcom PUD shall mutually indemnify each other for any personal injury, property damage, or contract claims arising from the operation and maintenance of the Water System during the Receivership Period, unless the loss is caused solely by either Whatcom County or Whatcom PUD, in which case that entity will be solely responsible for such loss.
- C. To the extent possible, both Whatcom County and Whatcom PUD will name the other as an additional insured on each of their policies related to the Water System. In the event that "additional insured" status is not available on any Water System insurance policy by either entity, the parties shall consider and determine whether additional insurance policies may be advisable.

#### **Section 10. General Conditions.**

- A. Whatcom PUD Decisions and/or Approvals. Approvals and/or decisions of any kind by Whatcom PUD contemplated herein may only be made by the Commission for Whatcom PUD unless expressly delegated to the Whatcom PUD General Manager, and in all cases such approvals or decisions shall be in the sole discretion of Whatcom PUD unless expressly stated otherwise herein or in a specific agreement.
- B. Amendment. Both the County and Whatcom PUD recognize that this Agreement may need to be amended from time to time and that such amendments will only be completed with mutual agreement of both the Whatcom County Council and the Whatcom PUD Board.
- C. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the matters set forth herein.
- D. Severability. In the event that any provision of the Agreement or the application thereof shall be held invalid, illegal, or unenforceable under applicable law, or any court or arbitrator having jurisdiction, the remainder of such provisions and their application shall not be affected thereby and shall remain in full force and effect. If the invalidation of any provision would deprive a Party of a material benefit under this Agreement, the Parties shall negotiate in good faith to substitute a new term for the invalidated term and otherwise amend the Agreement as necessary to effect the purpose of this Agreement and to restore the balance of consideration under this Agreement, to the extent permitted by applicable law.
- E. Dispute Resolution/Applicable Law and Venue. In the event of any dispute arising out of the interpretation or implementation of this Agreement, the Parties shall attempt to resolve such dispute(s) by first utilizing the following process:

1. The first step will be for the Whatcom County Executive or his/her/their designee and the General Manager of Whatcom PUD or his/her/their designee to meet in an attempt to resolve the dispute; and
  2. If the Whatcom County Executive and the Whatcom PUD General Manager or their respective designees are unable to resolve the dispute within two (2) weeks of their meeting, they shall mutually appoint a mediator recommended by the Whatcom County Dispute Resolution Center who will convene the Parties for mediation within fifteen (15) days of appointment. The costs of the mediator shall be paid by the Water System; and
  3. This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. Any judicial action required to interpret or enforce the terms hereof shall be in Whatcom County Superior Court.
- F. Other Agreements Between a Non-Failing/Failed Water System. Nothing herein prevents a Water System from seeking assistance from Whatcom PUD or Whatcom County outside of the receivership process set forth in RCW 43.70.195 to assist the Water System in meeting state and federal standards subject to a separate written agreement approved by the participating agency.
- G. Notice and Contact.
- The primary contact for the County in this Agreement is:
- Whatcom County Health and Community Services  
Sue Sullivan, Environmental Health Manager  
509 Girard Street  
Bellingham, WA 98225  
[SSullivan@co.whatcom.wa.us](mailto:SSullivan@co.whatcom.wa.us)  
360-778-6026
- The primary contact for the Whatcom PUD in this Agreement is:
- PUD No. 1 of Whatcom County  
General Manager  
1705 Trigg Road  
Ferndale, WA 98248
- H. Execution and Recording. This Agreement may be executed in one or more counterparts and shall be recorded with the Whatcom County Auditor pursuant to RCW 39.04.034 within seven (7) days of the last date of the execution of this Agreement.
- I. Termination. Except as otherwise provided herein, this Agreement may be terminated by either Party by providing one hundred and eighty (180) days prior written notice to the other Party.

- SIGNATURE PAGE TO FOLLOW -

