

MEMORANDUM OF UNDERSTANDING

The City of Pullman, hereinafter referred to as "CITY", and Washington State University, hereinafter referred to as "UNIVERSITY", hereby agree to undertake certain capital improvements to the CITY's Wastewater Treatment Plant (WWTP) and sewer collection system, hereinafter referred to as the "PROJECT". This Memorandum of Understanding (MOU) is intended to state the terms by which UNIVERSITY and CITY jointly undertake this venture.

Project Description

In response to flows and waste loads beginning to approach the limits of the CITY'S National Pollution Discharge Elimination System (NPDES) permit for its WWTP, the CITY commissioned a study by CH2MHill to identify hydraulic and process imbalances and bottlenecks. The resulting document was the *City of Pullman Wastewater Treatment Plant Evaluation Summary Report, CH2MHill, December 2002* (REPORT). Capital improvements identified in the REPORT are Aeration Basin Upgrades with Return Activated Sludge (RAS) Modifications, New Blowers with Electrical Upgrades, New Digester, Secondary Clarifier Improvements and a Mixed Liquor Splitter Box, Influent Flow Meter, and Plant Wide Electrical and Control Upgrades. Another urgent project is the upsizing of the sewer line in Lake Street to accommodate pending projects on UNIVERSITY'S campus. A Public Works Trust Fund (PWTF) loan for a previously constructed clarifier is also being jointly paid off by CITY and UNIVERSITY with the final payment due in 2006. Collectively, these projects constitute the scope of the PROJECT. For the noted New Digester project a new PWTF loan is anticipated with a 10-year payoff. The various aspects of the PROJECT are anticipated to be constructed over a period of years through at least 2007. Engineering Reports and design for some of the projects was begun in 2004.

Project Funding

The total estimated cost for the PROJECT is \$15,624,117. Pursuant to the provisions of an agreement between CITY and UNIVERSITY titled *Agreement Relating to Proration of Capital and Operating Costs of the Pullman Wastewater Treatment Plant, April 25, 2001* (PRORATION AGREEMENT), UNIVERSITY is responsible for 36.4% of the cost for capital improvements to the WWTP and also has a responsibility for certain improvements to the sewage collection system such as the Lake Street sewer. UNIVERSITY financial responsibility for the work included in this MOU, i.e., the PROJECT, therefore, is \$5,687,179. The UNIVERSITY has stated its preference to establish a set payment schedule for its total financial responsibility for the PROJECT over a period of years. Such a payment schedule has been developed as follows:

WSU Fiscal Year Amount

2006	\$833,192
2007	\$850,000
2008	\$850,000
2009	\$850,000
2010	\$850,000
2011	\$660,827



Total \$4,894,019

In addition to the above noted payments, PWTF loan and interest (at the rate of 0.5%) payments for the New Digester in the amount of \$79,316 per year are to be made by the UNIVERSITY to the CITY for the years 2008 through 2017. The resulting total cost to UNIVERSITY for the entire PROJECT therefore, is \$5,687,179.

CITY shall invoice UNIVERSITY once per year for the amounts established by this MOU. UNIVERSITY shall pay CITY in response to said request within 60 calendar days of receipt of said invoice.

It is agreed between CITY and UNIVERSITY that the payment schedule established by this MOU represents the total financial responsibility of UNIVERSITY for the PROJECT. Cost overruns that may be incurred by CITY in constructing the PROJECT will be the sole responsibility of the CITY. Conversely, cost underruns in constructing the PROJECT will not result in a refund to UNIVERSITY. However, if the cost underruns are a result of a reduction in the scope of the PROJECT, UNIVERSITY shall be entitled to a pro rata refund. It is further agreed that the scope of the PROJECT as defined herein constitutes the complete scope of the work to be undertaken by CITY. At such time as other capital projects at the CITY'S WWTP are identified, such work will be coordinated with UNIVERSITY and a subsequent MOU will be negotiated and executed between CITY and UNIVERSITY as appropriate.

Project Design and Construction

CITY shall be responsible for the design of the various portions of the PROJECT, which may include the services of a design consultant. CITY shall be responsible for all construction, construction engineering, and inspections, which may include the services of appropriate consultants. City, in accord with applicable law and procedures, shall advertise and competitively bid all work to be completed under this MOU. CITY shall be responsible for administering all PROJECT contracts. UNIVERSITY shall assign one person to act as liaison for UNIVERSITY for the duration of the PROJECT. Said liaison will function as a member of the CITY'S PROJECT team to the extent deemed appropriate by UNIVERSITY, with the understanding that final decisions on all matters shall be the responsibility of the CITY.

Project Operation and Maintenance

Operation and maintenance of all improvements constructed under this MOU shall be the responsibility of the CITY, subject to the operation and maintenance financial responsibility of UNIVERSITY established in the PRORATION AGREEMENT or any subsequent agreement.

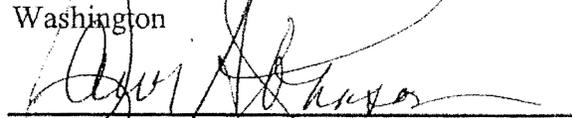
Dated this 9th day of March, 2005.

WASHINGTON STATE UNIVERSITY
an agency of the State of Washington

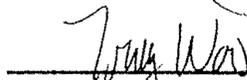


Greg Royer
Vice President for Business Affairs

CITY OF PULLMAN
A municipal corporation of the State of
Washington



Glenn Johnson
Mayor



Troy Wood
Finance Director