INTERLOCAL AGREEMENT CREATING REGIONAL AIRPORT AUTHORITY

THIS IS AN AGREEMENT executed pursuant to RCW 39.34 establishing a Kelso/Longview Regional Airport Authority, including the power and responsibilities of said Authority, and providing for representation in Authority governance from the participating entities as more particularly set forth herein.

WITNESSETH:

WHEREAS, the parties hereto recognize that the Kelso Airport is a regional facility which is used and benefits the constituents of all the entities which are parties to this Agreement; and

WHEREAS, the parties hereto find that the creation of the Airport Authority herein constituted will provide a system of governance of the Kelso/Longview Regional Airport which represents the regional concerns of all the entities which are parties to this Agreement; and

WHEREAS, the parties acknowledge that the City of Kelso cannot continue to provide the funding resources necessary to operate the Kelso airport at a level which best serves the needs of the region without financial assistance from other benefiting entities; and

WHEREAS, the City of Kelso has agreed to sell to said Kelso/Longview Regional Airport Authority all of its interest in the real and personal property assets which make up the Kelso Airport for a sum equal to the amount of Kelso City funds that have been invested in said airport since the year 1959, without interest, payable in equal annual installments over a period of 20 years, or less, the amount of which has been determined and agreed to be the sum of $600,345.61.

NOW, THEREFORE, in consideration of the mutual benefits contained herein, the parties hereto hereby promise, agree and consent as follows:

SECTION 1. **PARTIES:** The parties to this Agreement are: the Cities of Kelso and Longview, Washington, organized pursuant to RCW 35A.11, (hereinafter "Longview" and "Kelso"), Cowlitz County, a duly organized county of this State, (hereinafter "Cowlitz"), and the Port of Longview, a Washington Port Authority organized pursuant to RCW 53.09, (hereinafter "Port of Longview").

SECTION 2. **REGIONAL AIRPORT AUTHORITY CREATED:** Pursuant to RCW 39.34 and RCW 53.08.240, the parties hereto hereby create and constitute a separate and autonomous third party entity to be known as the Kelso/Longview Regional Airport Authority, (hereinafter "Authority"), which shall be governed by a Board of Directors constituted as set forth in Section 3 herein.

SECTION 3. **COMPOSITION/BOARD OF DIRECTORS:** The Authority created above shall be governed by a four (4) member Board to be composed and constituted as follows:

CITY OF KELSO - 1 member
CITY OF LONGVIEW - 1 member
COWLITZ COUNTY - 1 member
PORT OF LONGVIEW - 1 member

Each entity representative shall be appointed or elected by such method and for such term as the appointing entity deems appropriate and proper. The duration, termination, and revocation of any entity-appointed member shall be within the sole discretion and control of the appointing entity, and each appointing entity may appoint an alternate to serve in the absence or incapacity of its appointed board member.

SECTION 4. **AUTHORITY AND DUTIES:** Subject to the terms and provisions of this Agreement, said Airport Board is hereby authorized and it shall be its duty to do and perform any and all acts and business reasonably necessary to carry on the operation of the Kelso/Longview Airport as a public airport, including all facilities and services common to similar airports and as have been heretofore provided at said Airport. Specifically, the authority and duties of the said Board include, but are not exclusive to the following:

1. Elect its own officers and make its own regulations, rules, and by-laws for the conduct of the business of the Board and of the Kelso/Longview Airport.

2. To provide staff or personnel, including legal counsel, for the operation of the airport through direct employment or by contract.

3. To establish and enforce all reasonable rules and regulations not in conflict with law or any lawful regulations governing users of said airport and of any airport improvement and facilities.

4. To negotiate, fix, determine, charge, and collect all rents, fees, and airport charges whatsoever.

5. In the usual course of business, to execute leases, use agreements, licenses, and any and all other agreements.

6. On behalf of the Authority and the entities constituting members of the Authority, to defend any action at law or in equity arising from or connected with the operation of the Kelso/Longview Airport.

7. To acquire by gift, government grant, purchase, and trade or exchange any and all tangible personal property for airport use including the acquisition by contract of any and all airport buildings and building improvements and/or in the alternative to construct any of the same by the direct employment of labor, rental of equipment, and the purchase of necessary materials, supplies, and equipment.

8. To keep full, complete, and accurate financial records and accounts in such a manner as may be required by law for municipal corporations together with minutes of all board meetings and such other

records and accounts as may be necessary to fully show all assets, liabilities, and business transactions whatsoever, all of which shall be available at any reasonable time for inspection by any officer or agent of any of the parties to this Agreement.

9. To make any and all reports required by law in the operation of the Kelso/Longview Airport.

10. To maintain in good order and repair all airport property whatsoever of useful value and to insure against loss by fire and storm damage any and all airport personal property and building improvements (which may be subject to such damage) in an amount of the reasonable value thereof.

11. To carry such public liability insurance as may be necessary to adequately protect said airport and the parties to this Agreement from excessively large damage claims.

12. Within the resources of the Kelso/Longview Airport under the control of the Board to borrow money, execute promissory notes, issue bonds, pledge airport assets and/or revenues, enter into government matching fund agreements, and execute security agreements therefor.

13. To sell and trade or exchange any personal property of which the Airport Authority has control when the same is no longer reasonably useable by the Airport, is surplus to the needs of the Airport, or is being traded for other property of like kind. Any such trade action may be a privately negotiated agreement or by the giving of public notice and call for bids.

14. To take all reasonable action to improve and expand the airport operations and services, including the attraction of the airport oriented industry.

15. To establish and regularly use such claims procedure for the payment of airport expenses, debts, obligations, and liabilities as will comply with the law and provide a reasonable means of auditing and approving the repayment of claims.

16. To designate or appoint a "fiscal agent" to act for the Authority upon direction of the Authority.

SECTION 5. LIMITATIONS OF AUTHORITY:

1. None of the foregoing authorizations shall be interpreted as authorizing anything otherwise prohibited by law, ordinance, or regulation.

2. Except as herein provided, no real estate shall be purchased or acquired by lease nor shall any money be borrowed for capital improvements without the approval of a majority of the members of the Board of Directors.

3. No person, firm, association, corporation, or group whatsoever shall be given the exclusive right to the use of the Kelso/Longview Airport. This restriction shall not apply to the lease of any airport building or any portion thereof.

4. The authority of said Board shall at all times be subject to the control and direction of the parties hereto by their unanimous action, including any amendments or modifications of or termination of this Agreement.

5. The Board shall not discriminate against any person, firm, corporation, association, or group whatsoever in the use of the Kelso/Longview Airport and in the fixing of the fees, rents, or any other airport charge; and any and all such fees, rents, or other airport charges shall be uniform for all like uses or services.

6. No airport property or money shall be loaned to anyone, provided that this provision shall not be construed to prevent the deposit of

any money with any bank or interest or the purchase of any investment authorized by law for municipal corporations.

7. The Authority herein created may not be dissolved nor discontinued without the approval of all of the parties hereto and constituting members of the Authority.

SECTION 6. FINANCES/ENTITY CONTRIBUTIONS:

1. Budget Formulation: For each year after 1993, the Authority Board shall formulate a preliminary annual budget for the Authority no later than four (4) months in advance of January 1 of the calendar year for which the budget is prepared.

Each entity representative shall submit said preliminary budget to the appropriate individual within their respective entity for consideration and incorporation of the appropriate amount into such entity's own budget for the year in question. The Authority budget for 1993 is hereby tentatively fixed as is set forth in the 1993 Kelso Budget for the Kelso Airport Funds No. 433-29 and 434, copies of which are attached hereto and marked as Exhibit "A". The Authority shall have the power, however, upon its creation, to make such changes and modifications in said budget as it shall deem appropriate provided, however, that the operational contributions from each of the entities shall not exceed $15,000.00 each during the year 1993.

2. Entity Budget Obligations: By this Agreement, the parties hereto obligate their respective entities to approve and appropriate successive annual operating and maintenance budget allocations at least equal to their pro-rata contribution in 1993 increased by 80% of Portland's Consumer Price Index for the previous July to July period. Provided, however, by the approval of the governing bodies of all four participating entities, said pro-rata contribution may be increased or decreased in amounts different than

the formula set forth above.

3. Capital Budget: Excluding the obligation for acquisition of the Airport real and personal property from the City of Kelso, a separate capital budget shall be formulated annually. The capital budget shall require the unanimous approval of each entity's representative and the approval of the governing bodies of all four participating entities.

In the event capital improvements are funded through a borrowing mechanism, officials of each entity shall be obligated to execute appropriate legal documents obligating their entity to its share of debt service until the obligation is satisfied.

It is agreed that all entities' annual contributions shall be equal and shall be deposited in quarterly installments into the treasury of the Authority. Late deposit shall bear interest at the rate of 8% per annum.

SECTION 7. TRANSFER OF ASSETS TO AUTHORITY; The City of Kelso shall transfer all of its interest in and to the real and personal property constituting the Kelso Airport to the Authority by appropriate Warranty Deeds and Bills of Sale. The Authority shall make, execute and deliver to the City of Kelso, its promissory note in the sum of $600,345.61, which said Promissory Note shall not bear interest, and which said Promissory Note shall be payable in equal annual installments of not less than $30,017.28, payable on or before the 1st day of July of each year, commencing in 1993. Said promissory note shall be secured by the good faith and credit of each of the entities constituting the Authority.

Until payment in full of said $600,345.61 to the city of Kelso, each of the entities constituting the Authority hereby promises and agrees to pay to the Authority on or before the 30th day of June of each year, commencing in 1993, an annual sum equal to one-fourth of $30,017.28 ($7,504.32), or more if all of such entities agree to a greater amount, which sum shall be in addition to any amounts required for operation of the airport and in addition to any amounts agreed to be contributed for capital purposes.

SECTION 8. EXECUTION AND DELIVERY OF DOCUMENTS: The city of Kelso promises and agrees to promptly make, execute and deliver to the Authority, or to any governmental agency that may require the same, such documents, titles, leases, deeds, contracts, assignments or other written instruments and any and all other documents necessary or desirable to effectively carry out the intent of this Agreement.

SECTION 9. INDEMNITY FROM LIABILITIES: The city of Kelso hereby promises and agrees to indemnify and hold the Authority and all of the parties to this Agreement free and harmless of and from any and all debts, obligations and liabilities of whatever nature and origin, arising prior to the date of this Agreement, except for those obligations which constitute indebtedness owing for the purchase of capital assets of the airport from the City of Kelso and which are transferred to the Authority pursuant to paragraph 7, and except for indebtedness owing to the City of Kelso for the acquisition of such capital assets for use as a part of the airport facilities. (i.e., "T-hangers"purchased with Kelso city funds, and subject to an obligation of repayment from airport operations or from rental of such T-hangers.)

SECTION 10. DURATION/TERMINATION; WITHDRAWAL OF ENTITY:

It is intended that the Authority created hereby shall continue into the foreseeable future, and that it will own, operate and manage the airport for the benefit of all of the citizens of Cowlitz County and beyond. Because of the obligation to purchase the interests of the City of Kelso in said airport over a period of 20 years, the withdrawal of any of the entities from the Authority and this Agreement, or their refusal or neglect to pay their proportionate share of acquisition costs, capital expenditures or operational expenses during said 20 year period would work a financial hardship on the remaining entities. Therefore, it is expressly agreed that none of the parties hereto shall have the power or authority to withdraw from the Authority herein created for a period of ten (10) years following the date hereof. Failure, refusal or neglect to pay the annual proportionate share of acquisition costs, capital expenditures or operational costs of any entity during said ten year period shall be deemed a breach of contract, and shall permit the Authority herein created to sue for and recover judgment against such entity for the full amount thereof, together with interest and costs of collection, including attorneys' fees.

It is further agreed that if any of the entities who are parties hereto should withdraw from the Authority or this Agreement at any time after ten years from the date hereof, or after said time, if any of them should fail, refuse or neglect to pay their annual proportionate share of acquisition costs, capital expenditures or operational expenses as set forth in the annual budget of the Authority, the interests of such entity may be declared forfeited by the Authority, and such entity shall be excluded from further participation in the ownership, operation, or other participation in the Authority; thereafter, the Authority shall continue to exist without interruption but with a lesser number of participating entities. The withdrawal of any entity from the Authority or this Agreement shall not relieve such entity from its obligation to pay its proportionate share of the initial acquisition cost to the city of Kelso as provided in paragraph 7, nor shall such withdrawal relieve such entity from its share of any obligation for capital acquisitions under paragraph 6(3). In the event that the Authority should determine that it should cease to exist, the real and personal property owned by the Authority shall be disposed of in the following manner:

1. For a period of 60 calendar days following such decision and no longer unless agreed to by the Authority, the City of Kelso shall have the first right of purchase from the Authority and the purchase price shall be as provided in subparagraph 2, below;

2. If the City of Kelso does not exercise its first right of purchase and if any of the other entities who are then participating members of the Authority desire to acquire the airport facilities, the Authority shall sell said real and personal property to such entity for a cash sum equal to the following:

(a) The amount still owing to the City of Kelso for the original acquisition by the Authority; and

(b) The amount of cash capital expenditures made by the Authority from funds received from operations; and

(c) The amount of cash capital expenditures made by the Authority from contributions of participating entities;

(d) LESS any accumulated depreciation on the capital assets acquired with funds received under (b) or (c);

Such cash funds shall be paid and distributed as follows:

(e) All indebtedness of the Authority shall first be paid;

(f) The remaining balance then owing to the City of Kelso shall next be paid;

(g) The remaining sum, and all other cash assets, shall be divided into as many parts as there are participating entities, and one part paid to each entity.

If a sale occurs as provided in this subsection 2, the purchasing entity promises and agrees to make reasonable efforts to continue the operation of said airport; if the purchasing entity discontinues the operation of said airport within 10 years after having made such purchase, any "profit" realized by such purchasing entity from a sale or development of the airport real or personal property shall be divided among all of the parties to this agreement who were parties hereto at the time of sale to such purchasing entity.

(h) For purposes of this paragraph, the term "profit" means net gains realized after reimbursement of all governmental grants that must be repaid.

3. If none of the entities desire such acquisition, the real and personal property owned by the Authority shall be sold for such sum and upon such terms as are acceptable to the Authority, and the proceeds resulting from such sale shall be first used to pay any indebtedness owing by the Authority, then the amount still owing to the City of Kelso as acquisition cost shall be paid, and the remainder shall be divided equally among the then participating entities, excluding those whose interest has been forfeited.

SECTION 11. **EFFECTIVE DATE OF AGREEMENT:** This Agreement shall become effective upon approval by and execution hereof by all of the parties hereto identified above. In the event that such approval and execution does not occur by the 31st day of March, 1993, this Agreement shall be deemed void and shall not be binding on or enforceable against any party hereto which may have approved and executed this Agreement. The requirement of approval and execution hereof by March 31, 1993, has been waived by the parties hereto, and the execution hereof by all of the parties hereto constitutes their intent to make this Agreement a valid and enforceable document as of the date that the last party hereto has caused this Agreement to be executed.

SECTION 12. COUNTERPARTS: This Interlocal Agreement may be signed in counterpart originals, with each copy hereof constituting an original once it is signed by any party. Execution of the Agreement shall be deemed complete once each party has signed any copy hereof, and it is not necessary that all parties' signatures appear on the same document.

Dated: ______________________, 1993.

APPROVED AS TO FORM:

____
City Attorney

CITY OF LONGVIEW

By Edwin R. Ivey
EDWIN R. IVEY,
City Manager

Dated: ______________________, 1993.

APPROVED AS TO FORM:

____
City Attorney

CITY OF KELSO

By D. R. Robinson
DOUGLAS ROBINSON,
City Manager

Dated: April 19, 1993.

ATTEST:
Vickie M. Musgrove
CLERK OF THE BOARD
DATE: 4-19-93

APPROVED AS TO FORM:

s/ David R Koss
Deputy Prosecutor

COWLITZ COUNTY, WASHINGTON

By ______________________
Commissioner

By ______________________
Commissioner

By ______________________
Commissioner

Dated: April 26, 1993.

PORT OF LONGVIEW

By ______________________

4/21/93

APPROVED AS TO FORM:

Counsel

Executive Director

4/21/93

Exhibit "A"

1993 Kelso Budget

BUDGET NARRATIVE

FUND: AIRPORT 433-29 (Revenues)

BA. SUB.	ELE.	OBJ.	NARRATIVE	
308	00	000	BEGINNING FUND BALANCE	$0.00
318	20	000	LEASEHOLD EXCISE TAX *12.84% of Hangar/Ground Lease Revenues*	$7,700.00
338	46	01	INTERGOVERNMENTAL SERVICE REVENUE *(City of Kelso)*	$15,000.00
338	46	02	INTERGOVERNMENTAL SERVICE REVENUE *(City of Longview)*	$15,000.00
338	46	03	INTERGOVERNMENTAL SERVICE REVENUE *(Cowlitz County)*	$15,000.00
338	46	04	INTERGOVERNMENTAL SERVICE REVENUE *(Port of Longview)*	$15,000.00
361	10	000	INVESTMENT INTEREST *Based on 3% of the Beginning Fund Balance (Assuming the Intergovernmental Agreement is approved by January 1, 1993).*	$2,000.00
362	50	000	FBO / HANGAR LEASES *Based on projected 1993 occupancy.*	$59,900.00
362	50	010	AIRPORT TIE-DOWNS	$230.00
367	00	000	DONATIONS	$250.00
369	90	000	MISCELLANEOUS REVENUES	$500.00
369	90	020	SALE OF GAS *The fuel flow fee has been deleted.*	$0.00
397	00	000	FAA GRANT	$0.00
			TOTAL AIRPORT REVENUES:	$130,580.00

1993 Kelso Budget

BUDGET NARRATIVE

FUND: AIRPORT 433-29 (Expenditures)

BA. SUB.	ELE.	OBJ.	NARRATIVE	
508	00	000	ENDING FUND BALANCE	$0.00
546	20	410	PROFESSIONAL SERVICES	$5,000.00
			Support and administrative charges to the City Staff for Airport operations. No increase.	
546	20	412	ACCOUNTING SERVICES	$8,200.00
			To reimburse the General Fund for actual costs of administration and rental/lease billings.	
546	50	310	SUPPLIES	$3,000.00
			Miscellaneous supplies: Weed killer, asphalt, fill material, etc. A decrease of $1,000. Based on 1992 actual expenses.	
546	50	420	TELEPHONE / POSTAGE	$500.00
			An increase of $100. Based on 1992 actual expenses.	
546	50	430	TRAVEL	$500.00
546	50	430	MOTOR POOL CHARGES	$9,750.00
			Please see Equipment Rental Schedule	
546	50	460	INSURANCE	$5,500.00

1993 Kelso Budget

BUDGET NARRATIVE

FUND: AIRPORT 433-29 (Expenditures)

BA. SUB.	ELE.	OBJ.	NARRATIVE	
546	50	470	UTILITIES	$3,550.00
			Based on an anticipated 10% P.U.D. increase. In addition, there has been 10 new hangars built in mid 1992. A porta-potty will be rented and placed near the Sullivan Hangars. An increase of $1,050.	
546	50	480	AIRPORT REPAIR / MAINTENANCE	$31,530.00
			Miscellaneous maintenance. Includes painting the Sullivan Hangars. A decrease of $3,470.	
546	50	490	MISCELLANEOUS EXPENSES	$1,500.00
			No increase.	
546	50	491	AIR FAIR	$1,000.00
546	90	530	STATE LEASEHOLD EXCISE TAX	$7,700.00
			12.84% of Hangar/Ground Lease Revenues	
581	20	000	INTERFUND LOAN - PRINCIPAL PAYMENT	$10,000.00
			Principal payment for the FBO Facility.	
591	46	000	T-HANGAR DEBT SERVICE	$15,100.00
			Total T-Hangar cost = $141,000. Less FAA Grant Agreement of $10,000. Balance paid at 7.5% over 20 years.	
592	82	000	INTERFUND LOAN - INTEREST PAYMENT	$8,000.00
			Interest payment for the FBO Facility.	
597	00	010	TRANSFER TO STREET FUND	$19,750.00
			To reimburse the Street Fund for salaries for airport maintenance.	
			TOTAL AIRPORT EXPENDITURES:	$130,580.00

1993 KELSO BUDGET
BUDGET NARRATIVE

FUND: 434 — AIRPORT IMPROVEMENT (REVENUES)

BA.SUB	ELE.	OBJ.	NARRATIVE	
308	00	000	Beginning Fund Balance	110,867.00
			Est. 1992 Revenues = 278,367.	
			-Est. 1992 Expenses = 167,500.	
			Est. 1993 Beginning Cash = 110,867.	
331	20	10	FAA Grant	557,055.00
			(90% reimbursement)	
			Land Acquisition 272,250.	
			Taxiway for T-Hangars 33,000.	
			Fencing 21,000.	
			Runway Improvements 19,000.	
			Remove Tiedowns 4,200.	
			Tiedown Aprons 269,500.	
			Total 618,950 x .90=577,055.	
361	10	10	Investment Interest	3,000.00
			3% of 100,000.	
369	90	00	Misc. Revenue	0.00
369	90	10	Bond Sale (T-Hangars)	134,650.00
			166,000 (33,000x.95)=134,650.	
397	00	00	Wash. State Aeronautics Division	30,950.00
			.618,950 x .05= 30,950.	
			TOTAL AIRPORT IMPROVEMENT REVENUES	836,522.00

1993 KELSO BUDGET
BUDGET NARRATIVE

FUND: 434 AIRPORT IMPROVEMENT *(EXPENDITURES)*

BA.SUB	ELE.	OBJ.	NARRATIVE	
508	00	00	Ending Fund Balance	74,572.00
594	96	462	Land Acquisition *Purchase 5.5 acres adjacent to Tollycraft.*	272,250.00
594	96	630	Airport Hangars *Construct new T-Hangars/Taxiway*	166,000.00
594	96	631	Construct Fence along Tollycraft Property	21,000.00
594	96	632	Runway Improvements *Move Vasi/Reil lights, threshold/pavement markings, install taxiway guidance signs/lighting.*	19,000.00
594	96	633	Remove Old Tiedowns	4,200.00
594	96	634	Construct Tiedown Apron	269,500.00
594	96	910	Engineering *Miscellaneous engineering/administration for FAA/WSA grant applicaitons, administration, and design of T-Hangars.*	10,000.00
			TOTAL AIRPORT IMPROVEMENT EXPENDITURES	836,522.00