

**INTERGOVERNMENTAL AGREEMENT**  
**WASTEWATER UTILITY**  
**BETWEEN THE CITY OF HOMER AND KACHEMAK CITY**  
**JANUARY 1, 2014**

WHEREAS, Kachemak City (“Kachemak”) desires to continue to partner with the City of Homer (“Homer”) for wastewater collection and treatment to maintain the public health and safety of the greater Homer area; and

WHEREAS, Homer operates the public wastewater collection and treatment system and owns and maintains the pipes and related facilities; and

WHEREAS, Homer has the staff, equipment, and management capability to operate and maintain the wastewater collection and treatment system, involving service to Kachemak;

WHEREAS, The existing Intergovernmental Agreement, adopted by the parties in 1988, needs to be updated to reflect current conditions.

NOW THEREFORE, in consideration of the mutual covenants to be kept and performed, and other good and valuable considerations, the sufficiency of which is acknowledged, the following is agreed to between parties.

ARTICLE 1 – DEFINITIONS

- 1.1 Category (1) Improvements – Any improvements to the Wastewater Collection and Transportation System other than normal maintenance and replacement which benefit only either Kachemak or Homer. The prorata share of the local share capital costs is one hundred percent (100%) allocated to the community that receives the benefit.
- 1.2 Category (2) Improvements – Those improvements to the wastewater collection and transportation system other than normal maintenance and replacement which benefit both Kachemak and Homer such as existing and future trunk sewers in the East End area servicing both communities. The allocation of costs to Kachemak will be based on the Zone Connect Fee method (zones that are added will be paid for by the benefited community).
- 1.3 Category (3) Improvements – Those improvements to Homer’s wastewater treatment facilities required by regulatory authorities. The allocation of the local share of these

costs is based on the estimated total wastewater contributions to the facility by each community in the year the improvement is made plus a calculation of projected growth and increase in utility customers in each community for the next 20 years, prepared by a qualified third party consultant.

- 1.4 Category (4) Improvements – Those improvements to Homer’s treatment facilities required to provide additional capacity. The allocation of the local share of these costs is based on a calculation of projected growth and increase in utility customers in each community for the next 20 years, prepared by a qualified third party consultant
- 1.5 Local Share – That portion of capital costs specifically assigned to one zone or to one municipality.
- 1.6 Capital Costs – The costs associated with the installation or acquisition of improvements, equipment and property including planning, engineering and design, construction, purchase of equipment and materials, supervision of construction, reasonable administration and interest on borrowed money during construction.
- 1.7 Payments by Kachemak City – Payment of Kachemak’s prorata capital costs, as called for in this Agreement, may be either direct transactions between Kachemak and Homer or funds made available to Homer on behalf of Kachemak from third party agencies, including the Environmental Protection Agency and the State of Alaska Department of Environmental Conservation in the form of matching grants or legislative appropriations.

## ARTICLE II – OBLIGATIONS OF KACHEMAK CITY

- 2.1 Kachemak shall provide capital funding for one hundred percent (100%) of the cost of all Category (1) Improvements within Kachemak.
- 2.2 Kachemak shall pay to Homer its share of the costs determined in 1.2, 1.3 and 1.4 above. These improvements should become part of the overall capital rate structure, i.e. depreciation.
- 2.3 Kachemak shall adopt as City of Kachemak ordinances, the appropriate existing and future rules and regulations relating to sewer operations and use constraints that are contained in Title 14 of the City of Homer code of ordinances.
- 2.4 Kachemak shall provide all easements and rights of way required to construct, operate, and maintain sewer improvements within Kachemak’s corporate boundaries.
- 2.5 Kachemak City will collect user fees from utility customers within its boundaries and remit payments to the City of Homer in one lump sum each month. Payment of user fees due

Homer shall be paid monthly on or before the fifteenth day of the month following the month for which service was rendered. Payment of the full amount due Homer will be made by Kachemak regardless of the fact that Kachemak may or may not have collected user fees from individual users residing within Kachemak.

2.6 At Homer's request, Kachemak shall serve as a clearinghouse for all service connection requests, collecting all appropriate fees from requesting customers and pay all fees due to Homer.

2.7 Kachemak shall coordinate all privately funded sewer improvements within Kachemak with Homer and the owner/ developer.

### ARTICLE III – OBLIGATIONS OF HOMER

3.1 Homer shall provide capacity in any future improvements to Homer's collection, transportation and treatment facilities to provide continued service for the existing and future needs of Kachemak. Future needs of Kachemak City will be projected by a qualified third party consultant and be based upon a 20 year window, or expected life of the improvement.

3.2 Homer will continue to assume responsibility for ownership, maintenance, and repair of the wastewater collection system in Kachemak City and for the pumping of private septic tanks on properties connected to the wastewater system.

3.3 Homer shall conduct periodic rate studies, at the Wastewater Utility's expense, to establish fair and equitable rates for all users of Homer's Wastewater Utility. The rate study shall be performed under contract to Homer by an independent consultant that is well qualified and recognized in the field of utility rate analysis. Further, management of the consultant's engagement shall be by a management team that includes at least one representative appointed by the Kachemak City Council and no more than two individuals appointed by the Homer City Council. The group membership can be expanded by mutual consent of the parties. Included in the rate study will be an evaluation of costs for the operation and maintenance of Kachemak's Wastewater Collection System, taken as a whole. This evaluation will include, but not be limited to, in consideration of:

- 1) the periodic pumping and treatment of septage from the receiver tanks,
- 2) the routine discharge of pretreated wastewater from the system,
- 3) reduced operations and maintenance resulting from the type and nature of the Kachemak system, and
- 4) the lower than average per capita flow from Kachemak users.

3.4 The City of Homer shall establish wastewater fees for Kachemak City as part of its regular, annual, water and wastewater fee schedule approval process. The fee associated with septic tank pumping shall be based upon the bidding process provided in Homer's procurement code. The wastewater commodity charge shall be based upon an estimated average of 2,500 gallons per month for residential use. This baseline estimated average can be adjusted as new information becomes available.

3.5 Homer shall charge to Kachemak for any customer classification user fees that are equal to the same fee charge to a Homer customer of the same class. Further, Homer shall reduce all user charges for Kachemak customers to adjust for debt service, sinking funds or any other means of financing capital improvements. The result of this requirement is to charge Kachemak customers for the administration, operation, maintenance and depreciation expense of the utility only. Kachemak will be responsible for its own capital costs as in 1.3 and 1.4.

3.6 Homer shall provide the planning, engineering, design, contract for construction, construction administration and construction surveillance for all necessary current and further improvements including those within Kachemak's corporate boundaries.

3.7 Homer shall own, operate, maintain, repair, replace and keep whole all improvements required to service Kachemak including those located within Kachemak's corporate boundaries.

**NOTICES:**

All notices shall be sent to both parties as follows:

City Manager  
City of Homer  
491 East Pioneer Avenue  
Homer, Alaska 99603

City Mayor  
Kachemak City  
P.O. Box 958  
Homer, Alaska 99603

IN WITNESS WHEREOF, the parties hereto have set their hands and seals the dates hereinbelow set forth.

**CITY OF HOMER**

**DATE:**

\_\_\_\_\_

\_\_\_\_\_

WALT WREDE, City Manager

**CITY OF KACHEMAK**

**DATE:**

\_\_\_\_\_

\_\_\_\_\_

PHILEMON MORRIS, Mayor

**ACKNOWLEDGMENTS**

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

The foregoing instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_,  
2014, by WALT WREDE, City Manager of the City of Homer, on behalf of the City of Homer.

\_\_\_\_\_  
Notary Public in and for Alaska

My Commission Expires:\_\_\_\_\_

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

The foregoing instrument was acknowledged before me on the \_\_\_\_ day of \_\_\_\_\_,  
2014, by PHILEMON MORRIS, Mayor of the City of Kachemak, on behalf of the City of Kachemak.

\_\_\_\_\_  
Notary Public in and for Alaska

My Commission Expires:\_\_\_\_\_