



MEMORANDUM

Ordinance 26-02, An Ordinance of the City Council of Homer, Alaska Amending the FY26 Capital Budget by Accepting and Appropriating Principal Forgiveness Subsidy from a Loan from the Alaska Department of Environmental Conservation (ADEC) Under its Drinking Water Revolving Loan Program in the Amount of \$1,331,882 for the A-Frame Transmission Line Replacement Project and Authorizing the City Manager to Negotiate and Execute a Loan Agreement

Item Type: Backup Memorandum
Prepared For: Mayor Lord and City Council
Date: December 5, 2025
From: Daniel Kort, Public Works Director
Through: Melissa Jacobsen, City Manager

I. Issue:

The purpose of this Memorandum is to accept a loan and its associated principal forgiveness subsidy from the Alaska Department of Environmental Conservation (ADEC) under its State Revolving Fund Drinking Water Loan Program in the amount of \$1,331,882. Additionally, this memorandum's purpose is to authorize the City Manager to negotiate and execute the Loan Agreement.

II. Background:

This project's purpose is to replace the 60-year-old, cast iron water main that conveys water from the Drinking Water Treatment Plant (WTP) to the west side of Homer. This water main runs down the steep hill behind the hospital and feeds water into the water mains on Mountain View and Island View. The steep hill behind the hospital consists of slopes of 50 – 65%, and there is concern that this aging pipe is susceptible to catastrophic failure due to an earthquake or slope failure/landslide. The Public Works Department has estimated the total cost of this project to be \$1,331,882.

The City applied for a loan from the ADEC's State Revolving Fund program, which was authorized by Resolution 25-077. The State Revolving Fund doesn't technically issue grants, but they can issue loans and then forgive a portion of the loan, which they call principal forgiveness. The loan for the A-Frame Transmission Line Replacement Project has \$1,331,882 in principal forgiveness attached, which is the full value of the loan.

III. Recommendation

The Public Works Department recommends that the Homer City Council accept and appropriate principal forgiveness subsidy from a loan from the ADEC in the amount of \$1,331,882 which will be used to fully reimburse the Homer Accelerated Water and Sewer Program (HAWSP) for expenses from the A-Frame Transmission Line Replacement Project.

The Public Works Department further recommends that the Homer City Council authorize the City Manager to negotiate, execute, and deliver the Loan Agreement.

Attachments:

Project Page from the 2026-2031 Capital Improvement Plan
Draft Agreement



A-Frame Water Transmission Line Replacement

Project Description and Benefit: This project rectifies a vulnerability in the City's drinking water infrastructure to safeguard our clean drinking water supply in support of the life, health and safety of Homer's 5,750 residents and additional residents in surrounding unincorporated areas who rely on commercial delivery of residential and commercial potable water. It replaces approximately 800 linear feet of existing 8-inch cast iron drinking water supply line in Homer's water utility system. The 58-year old section of line is brittle, corroded and on a 52-degree slope, making it extremely susceptible to catastrophic damage due to slope failure or seismic activity. It is also prone to cracking or rupture during seismic activity, which can introduce harmful bacteria and pathogens into the drinking water system.

To avoid waterline failure, the project completes design and replaces the existing line with 10-inch high density polyethylene (HDPE) transmission water main. Design engineering includes a subsurface anchoring restraint system to increase stability in a slope subsidence event.

This supply line is the only line transmitting water to the west side of Homer. It serves hundreds of customers, South Peninsula Hospital, several health clinics in Homer's medical district, the senior center, its assisted living and independent senior housing, and two schools. Loss of this line would have a devastating impact to public health and safety, and fire protection capability. Even short-term water supply disruption (due to severe, but repairable seismic damage to the supply line) has serious consequences. The expedient availability of machinery and spare parts for timely repair during a major disaster and the need to provide emergency drinking water are additional challenges/concerns.

Plans & Progress: Replacing this water line has been on the Utility Department's Capital Improvement Program for several years. A conceptual cost estimate has been completed and will proceed in two phases, design and construction. The City is proceeding with design utilizing funds from the Alaska Department of Environmental Conservation's (ADEC) Clean Drinking Water Revolving Loan Fund. The overall project is included in the State's Intended Use Plan for \$1,331,882 with 100% principle forgiveness. A \$973,686 FY26 Community Project Funding request by Congressman Begich to the House Interior and Environment appropriations subcommittee was included in the House Appropriations Bill and if signed into law, could potentially provide a source of contingency funding for construction if needed.

Total Project Cost: \$1,331,882

Design: \$ 190,289

Construction: \$1,141,593

FY26 ADEC Loan: \$1,31,882 (Design funds secured)

FY26: Federal Appropriation Pending: \$973,868

City of Homer Match: \$324,623



Replacing the water transmission line is critical for the life, health and safety of residents who rely on the system for delivery of residential and commercial potable water.



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Environmental
Conservation

DIVISION OF WATER
PO Box 111800
Juneau, Alaska 99811-1800
Main: 907.465.6594
Fax: 907.465.5177

November 26, 2025

Melissa Jacobsen
City Manager
City of Homer
491 E. Pioneer Avenue
Homer, Alaska 99603-7624

RE: Loan Agreement No. ADWF 409461-S for A-Frame Transmission Line Replacement

Dear Melissa Jacobsen:

Enclosed for signature is the loan agreement in the amount of \$1,331,882 for the A-Frame Transmission Line Replacement project. This loan is provided with \$1,331,882 in loan forgiveness. The finance rate for this loan is 0.5 percent of the disbursed loan funds.

A resolution to authorize the borrower's execution of the loan agreement is required to be returned to the Department. Please return a copy of the fully signed loan agreement to dec.facilities.grants.loans@alaska.gov or mail a hard copy to the address identified below. The signed original agreement should be retained for your records.

Alaska Department of Environmental Conservation
Division of Water
Attn: State Revolving Loan Program
555 Cordova Street
Anchorage, Alaska 99501

This loan is not effective, and no disbursements will be made until the Department has received a copy of the fully signed agreement. If you have any questions regarding the loan agreement you may contact Young Ha, Program Manager, at 907-269-7544 or Josh Alvey, Project Engineer, at 907-269-1065.

Sincerely,

A handwritten signature in blue ink that reads "Carrie Bohan".

Carrie Bohan
Facilities Programs Manager

Enclosure: ADWF No. 409461-S A-Frame Transmission Line Replacement Loan Agreement

**Drinking Water State Revolving Fund
Loan Agreement
No. ADWF 409461-S**

Between

**State of Alaska
Department of Environmental Conservation
Division of Water
State Revolving Fund Program**

And

City of Homer

A-Frame Transmission Line Replacement	
Loan Amount	\$1,331,882
Subsidy Amount	\$1,331,882
Loan Fee	0.5%

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Article 1. Loan Terms

This loan agreement (“Agreement”) is made and entered into as of the date of final signature by the Alaska Department of Environmental Conservation (“Department”) and the City of Homer (“Borrower”) as identified in Article 4, and continues in full force and effect until the final day of the Agreement Period. This Agreement is made subject to, and conditional upon, the availability of funds.

1.01 Borrower Information

Borrower Name:	City of Homer
Borrower Mailing Address:	491 E. Pioneer Avenue, Homer, AK 99603-7624
Name of Authorized Signatory:	Melissa Jacobsen, City Manager
Resolution Number:	25-077

1.02 Project Description

The Borrower shall use this loan to design and replace 1,200 linear feet of existing 8-inch cast iron water transmission line with 10-inch high density polyethylene (HDPE) pipe from Homer’s water treatment plant to the distribution system.

1.03 Loan Amount

\$1,331,882

1.04 Principal Forgiveness

\$1,331,882

1.05 Loan Fee

Fee: 0.5%

Article 2. General Terms and Conditions

The Borrower shall comply with all applicable federal, state and local laws, requirements, and ordinances for the planning, design, construction, implementation, and administration of the Project and this Agreement, including but not limited to those identified in the General Terms and Conditions and Attachments.

2.01 Accounting Practices

The Borrower shall separately account for all monies received from the Alaska Drinking Water Fund and shall maintain project accounts in accordance with generally accepted governmental accounting principles. The Department shall have the right to audit Borrower's records related to the Project.

2.02 Timely Use of Funds

- a. Concurrent with the execution and delivery of this Agreement, or as soon thereafter as practicable, the Borrower shall take all steps necessary to complete the Project in a timely manner in accordance with all applicable loan conditions.
- b. The Department will, in its discretion, revoke this Agreement if the Borrower has not initiated (e.g., solicited a design or construction contractor for the project, applied for notice to proceed for construction projects, incurred eligible expenses, etc.) the Project within one year after signing the Agreement.

2.03 Disbursement of Funds

Subject to the terms and conditions of this Agreement, the Eligible Project Costs less other funding sources will be disbursed by the Department upon receipt and approval of Disbursement Requests and Quarterly Project Status Reports.

The Borrower shall submit Disbursement Requests and Quarterly Project Status Reports to the Department via the Division of Water's Online Application System (OASys). OASys may be accessed at the following link: <https://dec.alaska.gov/water/oasys>.

- a. Disbursement Requests and Quarterly Project Status Reports must be submitted to the Department within 30 days following the end of each calendar quarter.
- b. Should the Borrower fail to submit the Quarterly Project Status Reports as required, the Department will not process subsequent Disbursement Requests until a Quarterly Project Status Report is received.
- c. Departmental approvals required by this Agreement will not be unreasonably withheld.

- d. The Department will disburse funds only as necessary to complete the Project. Any funds remaining after completion of the Project will remain in the Alaska Drinking Water Fund.
- e. Borrower shall provide the Department with written evidence of materials and labor furnished to and performed upon the Project and such receipts of the payment of the same, releases, satisfactions and other signed statements and forms as the Department may reasonably require.
- f. The Department may at any time review and audit requests for disbursement and make adjustments for, among other things, ineligible expenditures, mathematical errors, items not built or bought, unacceptable work and other discrepancies.

2.04 Principal Forgiveness

As part of this Agreement, the Department has offered the Borrower \$1,331,882 of Subsidy, in the form of principal forgiveness.

- a. Subsidy will be applied to each disbursement at 100% until all available Subsidy has been applied.
- b. If no disbursement request is made within one year, the Department may take action to rescind the Subsidy offer.

2.05 Loan Fee

- a. The Department will charge a fixed fee of one-half of one percent (0.5%) of the total amount of financial assistance disbursed. This fee shall be deducted from each disbursement at the time of payment.

2.06 Notification

Any disbursement or repayment made by the Department or Borrower under this Agreement shall be delivered by electronic transfer or by registered or certified mail.

- b. Any disbursement addressed to the Borrower shall be sent to:

Melissa Jacobsen, City Manager
City of Homer
491 E. Pioneer Avenue
Homer, Alaska 99603-7624

2.07 Insurance

- a. If applicable, until the Project is completed by the Borrower, the Borrower (or at the option of the Borrower, the contractor) shall maintain insurance for the loss of the Project Facility for the benefit of the Department, the Borrower and the prime contractor, and all subcontractors, as their interests in the Project may appear. The

Borrower shall insure the Facility against loss or damage in an amount at least equal to the Eligible Project Costs.

- b. If applicable, an insurance policy issued pursuant to Section 2.07(a) must be written or endorsed to make losses payable to the Department and the Borrower as their interests may appear. The interests of the Department are limited to the unpaid principal balance of the loan and any finance charge and penalties accrued as of the date such loan may be paid in full as a result of any insurance payoff, following destruction or damage to the Project Facility.
- c. In the event the Borrower fails to maintain the full insurance coverage required by this Agreement, the Department may take out the required policies of insurance and pay the premiums. All amounts so advanced by the Department shall become an additional obligation of the Borrower to the Department.
- d. The Borrower shall require its contractors and subcontractors to maintain workers compensation, commercial general liability, property damage, and vehicle liability insurance. Until the Project is complete, the Borrower (or at the option of the Borrower, the contractor) shall maintain insurance for the loss of the facility for the benefit of the Department, the Borrower, the prime contractor, and all subcontractors, as their interests in the Project may appear.

2.08 Environmental Review

Prior to initiating the Project, the Borrower shall consult with the Department to determine the required level of environmental review. The Department will notify the Borrower of the type of environmental documentation that will be required, if any.

The Borrower shall complete an environmental review in accordance with the State Environmental Review Process (SERP), and in compliance with state and federal environmental laws prior to any ground disturbing or construction activities conducted as part of this Project. Disbursement Requests for costs related to construction activities shall not be accepted until the SERP review has been completed. Any ground disturbing or construction activities that occur prior to the notification to the Borrower, by the Department, that Department's decision has been finalized are ineligible for reimbursement.

Any mitigation measures identified through the environmental review shall be fully implemented by the Borrower.

An environmental determination is valid for five years. Any activities occurring more than five years following the original environmental determination must undergo an additional review.

2.09 Archeological and Historical Preservation

If historical or cultural artifacts are discovered during the Project, the Borrower shall immediately stop construction and implement reasonable measures to protect the discovery

site from further disturbance; take reasonable steps to ensure confidentiality of the discovery site, restrict access to the site; and notify the concerned tribe's cultural staff or committee, the Department, and the State of Alaska's Historical Preservation Officer. If human remains are uncovered, the Borrower shall immediately report the presence and location of the remains to law enforcement, the concerned tribe's cultural staff or committee, and the Department.

2.10 Site Access

The Department has the right, at all reasonable times, to enter the Project Site, for the purpose of inspecting the Project and Project Facility.

2.11 Construction

- a. With the exception of land easements, all real estate and personal property constituting the Project Site and the Project must belong to the Borrower.
- b. The Borrower shall not begin construction until the Project has received an Approval to Construct (ATC), if one is required. If an ATC is not required by the Department's Drinking Water Program (DWP), the Borrower shall provide a statement from DWP to that effect.
 - i. In its approvals, the Department may specify changes or conditions to the plans and specifications.
 - ii. The Department must approve any subsequent changes to, or deviations from, approved plans.
- c. If an ATC as described in (b) above is not required, the Borrower shall not begin construction until the plans and specifications have been reviewed and approved by the assigned State Revolving Fund Program Engineer.
- d. Any construction contract estimated to equal or exceed \$100,000 shall be awarded through a competitive bidding process and any construction contract estimated to be less than \$100,000 may be negotiated if the Department approves the solicitation and negotiation procedures.
- e. All construction contracts and contractors' estimate forms shall be prepared so that materials and equipment may be readily itemized as to allowable project costs and non-eligible costs.
- f. Any change in a construction contract that will alter the contract specifications, time, or price, or will substantially modify the proposed treatment process, shall be submitted to the Department for approval if the Borrower wishes to have the modifications considered loan eligible.

- g. When applicable, the Borrower shall require each construction contractor to furnish a performance and payment bond in an amount at least equal to 100 percent of the contract price.
- h. Construction of the Project shall conform to applicable federal, state, and local laws, ordinances, and regulations.
- i. The Borrower shall proceed expeditiously and complete the Project in accordance with the Approved Application, project schedule, surveys, plans, profiles, cross-sections, specifications, and amendments.

2.12 Compliance with Laws, Regulations, Etc.

The Borrower shall comply with, and require its contractors and subcontractors to comply with, all applicable federal and state laws, rules, guidelines, regulations, and requirements to include, but not limited to, the following:

- a. The “List of Federal Laws and Authorities (Federal ‘Cross-Cutting’ Authorities)” as identified in Exhibit “A” and made a part hereof.
- b. Lobbying

No portion of the loan amount may be used for lobbying or propaganda purposes as prohibited by 18 U.S.C. Section 1913 or Section 607(a) of Public Law 96-74.

- c. Davis-Bacon Act

The Borrower must ensure compliance with the Davis-Bacon and Related Acts (DBRA), a collection of labor standards provisions administered by the Department of Labor, that are applicable to loans involving construction. These labor standards include:

- Davis Bacon Act, which requires payment of prevailing wage rates for laborers and mechanics on construction contracts of \$2,000 or more.
- Copeland “Anti-Kickback” Act, which prohibits a contractor or subcontractor from inducing an employee into giving up any part of the compensation to which he or she is entitled; and
- Contract Work Hours and Safety Standards Act, which requires overtime wages to be paid for over 40 hours of work per week, under contracts in excess of \$100,000.

Applicable federal regulations include 29 CFR 1 – Procedures for Predetermination of Wage Rates and 29 CFR 5 - Labor Standards Provisions Applicable to Contracts Covering Federally Financed and Assisted Construction. All applicable laws, executive orders, regulations, forms and posters are available through the [DBRA website: https://www.dol.gov/agencies/whd/government-contracts/construction](https://www.dol.gov/agencies/whd/government-contracts/construction).

For construction, alteration, and repair of treatment works, the Borrower shall ensure that contract wages paid are the higher of the State or Federal wage rate on a classification by classification basis for the construction of the Project. Both prevailing wage rates established for the locality by the Alaska Department of Labor under AS 36.05.010, and Federal standards in accordance with 40 U.S.C. Subtitle II Part A Subchapter IV (commonly referred to as the “Davis Bacon Act”) apply. Laborers and mechanics employed by contractors and subcontractors shall be paid wages not less often than once a week and at rates not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor.

- i. The Borrower shall obtain the wage determination for the area in which the project is located prior to issuing requests for bids, proposals, quotes or other methods for soliciting contracts (solicitation) less than 10 days before posting. Wages are locked-in at bid opening if awarded within 90 days. Wages must be updated if contract award is more than 90 days after bid opening. Once a Davis-Bacon wage rate has been locked, it stays in effect for the duration of the project. These wage determinations shall be incorporated into solicitations and any subsequent contracts. In addition, the wage determination and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor or subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.
- ii. The Borrower shall ensure that the required EPA contract language regarding Davis-Bacon Wages is in all contracts and sub-contracts in excess of \$2,000. Borrower shall ensure no contracts are awarded to contractors excluded from federal contracts. The Borrower may access suspension and debarment information at <http://www.sam.gov>.
- iii. The Borrower shall periodically interview a representative portion of the work force entitled to Davis-Bacon prevailing wages to verify that contractors or subcontractors are paying the appropriate wage rates. Borrowers shall immediately conduct interviews in response to an alleged violation of the prevailing wage requirements. As provided in 29 CFR 5.6(a)(5), all interviews must be conducted in confidence. The Borrower must use Standard Form 1445 or equivalent documentation to memorialize the interviews.
- iv. The Borrower shall periodically conduct spot checks of a representative sample of weekly payroll data to verify that contractors or subcontractors are paying the appropriate wage rates. In addition, during the examinations, the Borrower shall verify evidence of fringe benefit plans and payments thereunder by contractors and subcontractors who claim credit for fringe benefit contributions. The Borrower shall maintain records sufficient to document compliance with DBRA, and make such records available for review upon request.
- v. In addition, the Borrower shall consult with the Department on any required contract or bid document language to ensure that appropriate federal DBRA

material is included in the documentation. The Borrower must include the following text on all contracts: “By accepting this contract, the contractor acknowledges and agrees to the terms provided in the [DBRA Requirements for Contractors and Subcontractors Under EPA Grants](#).”

d. Title I – Employment of the American with Disabilities Act of 1990

When applicable, the Borrower shall comply with Title I-Employment of the Americans with Disabilities Act of 1990 (P.L. 101-336) and in accordance with Title I of that Act, shall not discriminate against a qualified individual with a disability because of the disability of such individual in regard to job application procedures, the hiring, advancement, or discharge of employees, employee compensation, job training, and other terms, conditions, and privileges of employment.

e. Title II-Public Services of the Americans with Disabilities Act of 1990

When applicable, the Borrower shall comply with Title II-Public Services of the Americans with Disabilities Act of 1990 (P.L. 101-336) and in accordance with Title II of the Act, no qualified individual with a disability shall, by reason of such disability, be excluded from participation in or be denied the benefits of the services, programs, or activities of a public entity, or be subjected to discrimination by any such entity.

f. Title II, Part 35, Section 35.151 of the Americans with Disabilities Act “New Construction and Alterations”

When applicable, the Borrower shall comply with Title II, Part 35, Section 35.151 of the Americans with Disabilities Act “New Construction and Alterations.”

- i. Design and construction: Each facility or part of a facility constructed by, on behalf of, or for the use of a public entity shall be designed and constructed in such manner that the facility or part of the facility is readily accessible to and usable by individuals with disabilities, if the construction was commenced after January 26, 1992.
- ii. Alteration: Each facility or part of a facility altered by, on behalf, of or for the use of a public entity in a manner that affects or could affect the usability of the facility or part of the facility shall, to the maximum extent feasible, be altered in such manner that the altered portion of the facility is readily accessible to and usable by individuals with disabilities, if the alteration was commenced after January 26, 1992.
- iii. Accessibility standards: Design, construction or alteration of facilities in conformance with the Uniform Federal Accessibility Standards (UFAS) (Appendix A to 41 CFR part 101-19.6) or with the Americans with Disabilities Act Accessibility Guidelines for Buildings and Facilities (ADAAG) (Appendix A to 28 CFR Part 36) shall be deemed to comply with the requirements of this section with

respect to those facilities, except that the elevator exemption contained at section 4.1.3(5) and section 4.1.5(1)(j) of ADAAG shall not apply.

- g. Title III, Part 36, Section 36.401 of the American with Disabilities Act “New Construction”

When applicable, the Borrower shall comply with Title III, Part 36, Section 36.401 of the Americans with Disabilities Act “New Construction.” Except as provided in paragraph (b) and (c) of the Act, discrimination for purposes of this part includes a failure to design and construct facilities for first occupancy after January 26, 1993, that are readily accessible to and usable by individuals with disabilities.

- h. Title III, Part 36, Section 36.402 of the Americans with Disabilities Act “Alterations”

When applicable, the Borrower shall comply with Title III, Part 36, Section 36.402 of the Americans with Disabilities Act “Alterations.”

- i. General: Any alteration to a place of public accommodation or a commercial facility, after January 26, 1992, shall be made so as to ensure that, to the maximum extent feasible, the altered portions of the facility are readily accessible to and usable by individuals with disabilities, including individuals who use wheelchairs.
 - ii. Alteration: An alteration is a change to a place of public accommodation or a commercial facility that affects or could affect the usability of the building or facility or any part thereof.
- i. 2 CFR Part 180, Responsibilities of Participants Regarding Transactions

The Borrower shall fully comply with Subpart C of 2 CFR Part 180, entitled “Responsibilities of Participants Regarding Transactions.” The Borrower is responsible for ensuring that any lower tier covered transaction, as described in Subpart B of 2 CFR Part 180, entitled “Covered Transactions,” includes a term or condition requiring compliance with Subpart C. The Borrower is responsible for further requiring the inclusion of a similar term or condition in any subsequent lower tier covered transactions. The Borrower acknowledges that failing to disclose the information required under 2 CFR Part 180 may result in the delay or negation of this assistance Agreement, or pursuance of legal remedies, including suspension and debarment.

- j. American Iron and Steel

Per the “America’s Water Infrastructure Act of 2018,” none of the funds made available to the Borrower through this Agreement shall be used for a project for the construction, alteration, maintenance, or repair of a public water system or treatment works unless all of the iron and steel products used in the project are produced in the United States, unless the Department approved engineering plans and specifications prior to December 16, 2014.

The Borrower may request a waiver to this requirement if:

- i. It is inconsistent with the public interest;
- ii. Iron and steel products that are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality; or
- iii. Inclusion of iron and steel products produced in the United States that will increase the cost of the overall Project by more than 25 percent.

Waiver requests shall be submitted to the Department by the Borrower; the Department will then forward the request to the Environmental Protection Agency (EPA) for consideration. EPA will make a copy of the request, and information available to the Administrator concerning the request, available to the public on an EPA website for at least fifteen days for informal public input prior to making a finding.

2.13 Project Completion

- a. Prior to initiation of operations, the Borrower shall submit to the Department the following:
 - i. Criteria for project performance.
 - ii. An adopted water use ordinance and a user charge.
- b. Upon substantial completion of the Project, the Borrower shall initiate operation of the Project Facility and immediately notify the Department in writing of initiation of operation. If construction is complete except for minor items, and the facility is operating, but the Borrower has not sent a notice of initiation of operation, the Department will, in its discretion, assign an initiation of operations date.
- c. For any Project that requires an Approval to Construct from the Department, the Borrower must obtain a Final Approval to Operate.
- d. Upon initiation of operation, the Borrower shall certify that the Project Facility is and will be operated by sufficient qualified operating personnel certified by the State of Alaska.
- e. Within one year of the initiation of operation, the Borrower shall
 - i. Be subject to a final inspection by the Department;
 - ii. Submit to the Department a manual for operations and maintenance of the Project Facility for Department approval;
 - iii. Submit to the Department a certification that the facility is performing up to design standards.

- f. Nothing contained in this Agreement shall be construed as an obligation or pledge of the Borrower to appropriate or expend general funds or revenues of the Borrower to repay the Subsidy, or operate or maintain the Project Facility.

2.14 Amendments and Modifications

This Agreement may only be modified or amended in writing and executed by the authorized representatives of all parties to this Agreement.

2.15 Loan Repayment

In the event that the Subsidy is revoked per Section 2.02(b), this Agreement may be amended to include loan repayment conditions.

2.16 Disputes

The Borrower shall raise any concerns or issues it may have regarding the Project with the Department promptly and prior to project completion. If those concerns or issues are not satisfactorily resolved, the Borrower shall promptly give written notice to the Department with a detailed description of the continuing concerns or issues. Jurisdiction and venue for any legal dispute shall be in the Superior Court for the State of Alaska, Third Judicial District at Anchorage, and in no other court or location. In the event of a legal dispute, both parties knowingly and voluntarily waive their right to trial by jury (including any advisory jury) and elect to have the dispute tried only to a judge. In the event of litigation, the prevailing party shall be entitled to an award of its reasonable, actual attorney's fees and costs of litigation. Each party has had an opportunity to review this Agreement with legal counsel of its choosing (or waived such opportunity), therefore this Agreement shall not be interpreted in favor of either party. This Agreement shall be governed by the laws of the State of Alaska.

2.17 Termination

The Department may cancel all or any part of this Agreement if:

- a. Any representation or other statement made by the Borrower to the Department in connection with its application for a loan from the Alaska Drinking Water Fund is incorrect or incomplete in any material respect;
- b. The Borrower has violated commitments made in the Approved Application and supporting documents, has not adhered to the regulations of the Alaska Drinking Water Fund (18 AAC 76), has violated any of the terms of this Agreement; or
- c. The financial position of the Borrower has, in the opinion of the Department, suffered a materially adverse change.

2.18 Indemnification

The Borrower shall defend with counsel of the Department's choosing, indemnify, and hold harmless the Department and the State of Alaska, and their agents, servants, contractors, and

employees, from and against any and all claims, demands, causes of action, actions, and liabilities arising out of, or in any way connected with this funding or the Project for which the funding is made, howsoever caused, except to the extent that such claims, demands, causes of action, actions or liabilities are the proximate result of the sole negligence or willful misconduct of employees or agents of the Department or the State of Alaska.

2.19 Change of Ownership

The Borrower may not sell, transfer, assign, or encumber any of its rights, obligations, or assets related to this loan or Project without express prior written consent of the Department. If the Borrower intends to sell, transfer, assign, or encumber any of the rights, obligations, or assets related to the loan or Project, it must provide the Department with at least 60 days written notice prior to the sale, transfer, assignment, or encumbrance.

If the Department has not consented to the sale, transfer, assignment, or encumbrance of the rights, obligations, or assets related to the loan or Project, upon that sale, transfer, assignment, or encumbrance, and at the Department's sole discretion, the loan may be immediately due and payable in full. Alternatively, at the Department's sole discretion, the Department may approve the new owner to take on the rights, obligations, or assets related to the loan or Project, contingent upon successful approval by the Department of the same Financial Capacity Assessment and approvals that the original Borrower was subject to. In the event of any sale, transfer, or assignment of the rights, obligations, or assets related to the loan or Project, the Project must continue to adhere to the project description as outlined in the original loan agreement.

In all cases, the owner of the rights, obligations, or assets related to the loan or Project must maintain the Project for the life of the Project.

Article 3. Definitions

Except where the context clearly indicates otherwise, terms used in this Agreement will have the meaning ascribed to them in this section.

- a. “Approved Application” means the application submitted to the Department on September 15, 2025, together with all attachments and supporting documentation, as approved by the Department.
- b. “Agreement Period” means the time period commencing on the date this Agreement is signed by the Department’s Finance Officer and terminating on the date the Borrower repays the loan in full.
- c. “Eligible Project Costs” include the following costs disbursed from the Alaska Drinking Water Fund, estimated to not exceed \$1,331,882 for demolition, construction, engineering, machinery, furnishings, equipment, surveys, plans, estimates, specifications, necessary insurance, financial and environmental investigations, laboratory testing, resident engineering and inspection fees, force account, legal expenses, and any other necessary miscellaneous expenditures, minus the amount of any grant applicable foregoing costs.
- d. “Initiation of Operation” means the date of which the Project or Project Facility begins operating for the purposes for which it was planned, designed, or built.
- e. “Iron and Steel Products” means the following products are primarily of iron and steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps, and restraints, vales, structural steel, reinforced precast concrete, construction materials.
- f. “Project” means the activities or documents described in Article 1.02.
- g. “Project Facility” means the water treatment plant, distribution system, or related facilities in which Project activities are occurring.
- h. “Project Site” means the location at which the Project activities are occurring.
- i. “Subsidy” means principal forgiveness awarded under this Agreement.

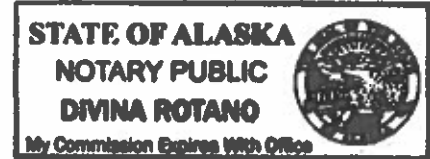
Article 4. Signatures

This Agreement is binding upon the parties specified below, and to any person, office, or board succeeding either of the parties. This Agreement may not be assigned by the Borrower without written consent of the Department.

Nothing in this Agreement, whether or not accepted, may be deemed to constitute a contractual obligation on the part of the Department until the Agreement is signed by all parties.

Alaska Department of Environmental Conservation

By: *Carrie Bohan*
Carrie Bohan, Facilities Programs Manager
Division of Water



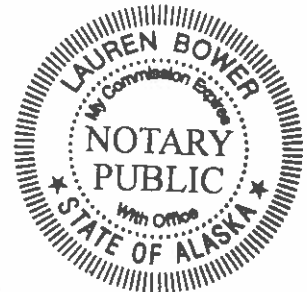
ACKNOWLEDGEMENT STATE OF ALASKA First Judicial District

The foregoing instrument was acknowledged before me this 26th day of November, 2025

Divina Rotano
Notary Public, State of Alaska
My commission expires: with office

Alaska Department of Environmental Conservation

By: *Cathy Dallaire*
Cathy Dallaire, Administrative Operations Manager
Division of Administrative Services



ACKNOWLEDGEMENT STATE OF ALASKA First Judicial District

The foregoing instrument was acknowledged before me this 28th day of November, 2025

[Signature]
Notary Public, State of Alaska
My commission expires: with office

City of Homer

By: _____
Melissa Jacobsen
City Manager

**ACKNOWLEDGEMENT
STATE OF ALASKA
Third Judicial District**

The foregoing instrument was acknowledged before me this _____ day of _____, 2025

Notary Public, State of Alaska
My commission expires: _____

Exhibit “A” – List of Federal Laws and Authorities **(FEDERAL CROSS-CUTTING AUTHORITIES)**

Environmental and Cultural Authorities:

- Archeological and Historic Preservation Act of 1974, Public Law 93-291
- Archeological Resources Protection Act, Public Law 96-95 as amended
- Bald and Golden Eagle Protection Act, 16 U.S.C. 668-668c
- Clean Air Act, Public Law 95-95, as amended
- Clean Water Act, Public Law 92-50, as amended
- Coastal Barriers Resources Act, Public Law 97-348
- Coastal Zone Management Act of 1972, Public Law 92-583, as amended
- Consultation and Coordination with Indian Tribal Governments, Executive Order 13175
- Endangered Species Act, Public Law 93-2015 as amended
- Essential Fish Habitat Consultation Process under the Magnuson-Stevens Fishery Conservation and Management Act, Public Law 94-265, as amended
- Farmland Protection Policy Act, Public Law 97-98
- Fish and Wildlife Coordination Act, Public Law 85-624, as amended
- Floodplain Management, Executive Order 11988, as amended by Executive Order 13690
- Marine Mammal Protection Act, 16 U.S.C. 1361
- Migratory Bird Treaty Act, 16 U.S.C. 703
- National Historic Preservation Act of 1966, Public Law 89-665
- Native American Graves Protection and Repatriation Act, Public Law 101-601
- Protection and Enhancement of the Cultural Environment, Executive Order 11593
- Protection of Wetlands, Executive Order 11990, as amended by Executive Order 12608
- Rivers and Harbors Act, 33 U.S.C. 403
- Safe Drinking Water Act, Public Law 93-523, as amended
- Wild and Scenic Rivers Act, Public Law 90-542

Social Policy Authorities:

- Age Discrimination Act of 1975, Public Law 94-135
- Title VI of the Civil Rights Act of 1964, Public Law 88-352
- Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Public Law 92-500 (the Clean Water Act)
- Section 504 of the Rehabilitation Act of 1973, Public Law 93-112
- Disadvantage Business Enterprise Provisions
 - Promoting the Use of Small, Minority, and Women-owned Businesses, Executive Orders 11625, 12138, and 12432
 - Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Public Law 100-590
 - Department of Veterans Affairs and Housing and Urban Development, and Independent Agencies appropriations Act of 1993, Public Law 102-389

Economic Authorities:

- Procurement Prohibitions Under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, included Executive Order 11738, Administration of the Clean Water Act with Respect to Federal Contracts, Grants, or Loans
- Demonstration Cities and Metropolitan Development Act of 1996, Public Law 89-754 as amended

Miscellaneous Authority:

- Debarment and Suspension, Executive Order 12549
- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646 as amended
- Preservation of Open Competition and Government Neutrality Towards Government contractors' Labor Relations on Federally Funded Constructed Projects, Executive Order 13202, as amended by Executive Order 13208
- Prohibition Against Sex Discrimination Under the Federal Water Pollution Control Act, Section 13 of Public Law 92-500
- 40 CFR Part 34, New Restrictions on Lobbying