#100241.25.006

AUG 2 6 2025

INTERLOCAL AGREEMENT
BETWEEN CITY OF SEQUIM AND CLALLAM COUNTY
(FLAURA'S ACRES UTILITY SERVICES)

THIS INTERLOCAL AGREEMENT is made and entered into on the Effective Date below by and between Clallam County, a political subdivision of the State of Washington, and the City of Sequim, a municipal corporation of the State of Washington, both of which are duly organized and operated under and through the laws of the State of Washington ("Parties" collectively; "Party" individually).

Public agencies such as the Parties are authorized by RCW Chapter 39.34 to enter into Interlocal Agreements (ILAs) to cooperate and jointly exercise their powers in ways that provide the most efficient use of resources.

RECITALS

WHEREAS, both Clallam County and the City of Sequim recognize the value of collaboration in addressing the failing septic system serving the Flaura's Acres community; and

WHEREAS, Flaura's Acres is outside the city limits but within an identified Urban Growth Area (UGA) and surrounded by the corporate limits of Sequim; and

WHEREAS, Clallam County cannot legally provide sewer services to the unincorporated areas of the county and, in particular, to areas within municipal UGAs; and

WHEREAS, the City of Sequim owns and operates a fully independent and permitted sanitary sewer system of collection, conveyance, and treatment facilities and is willing to connect the Flaura's Acres community to its system; and

WHEREAS, the County on behalf of the homeowners of Flaura's Acres successfully applied for Washington Department of Ecology's Water Quality Combined Funding Program to replace their failing system. As detailed in the SFY26 Final Water Quality Funding Offer List and Intended Use Plan, the Flaura's Acres Sewer Rehabilitation and Consolidation Project, WQC-2026-ClalCo-00272 (Ecology Funding) has been offered funding up to $2,580,198. This funding offer includes:

1. A $661,550 loan from the Clean Water State Revolving Fund (CWSRF) for a term of 20 years at a 0.7% interest rate; and

2. A $1,918,648 Forgivable Principal loan from the Clean Water State Revolving Fund (CWSRF) that will not be required to be repaid;

and

WHEREAS, the City is in support of taking on the roles for project design, administration, construction, and inspection through funding from the Department of Ecology awarded to the County (Ecology Funding); and

WHEREAS, the homeowners of Flaura's Acres as represented by the Homeowners Association (HOA) further desire to see their older private water system abandoned in favor of connecting to the City's water system and the City is willing to do so with grant funds awarded to the City from the State Department of Health (DOH Grant); and

WHEREAS, Clallam County and the City of Sequim see value in having one entity conduct the required engineering design, construction administration, construction inspection, and construction activities necessary to replace the private sewer system and the private water system under one contract, and the Ecology Funding and DOH Grant provide funding to cover all activities necessary to implement new systems including all permit, general facility charges, and connection fees;

NOW, THEREFORE, in consideration of the terms, conditions, and covenants stated herein and the performance to be rendered hereunder, the Parties agree as follows:

1. PURPOSE: The purpose of this ILA is to provide for the Parties to cooperate in the assignment of the Ecology Funding from the County to the City and to allow the project to go forward in conjunction with the City's DOH Grant during the design, construction, inspection, and closeout of the Projects. The outcome of the work will be a fully functional sanitary sewer system connected to the City's sewer system within the bounds of the Flaura's Acres community along with a new water system meeting City of Sequim standards and connected to the City's water supply system.

This ILA further provides for the City to conduct this work within the County's rights-of-way at no cost to the City and without requiring that the City enter into a franchise agreement with the County. The County, City, and homeowners intend to pursue annexation into the city of Sequim concurrently with the design and construction of the two new utility systems. It is anticipated that at the time of construction and project closeout, the parcels within the Flaura's Acres community will be annexed into the City of Sequim and be customers for water and sanitary sewer services.

The City of Sequim will pursue a Utility Local Improvement District (ULID) with the Flaura's Acres homeowners to pay off that component of the Ecology Loan which is not "forgivable" per the Department of Ecology's definition. The Parties understand and agree that the City of Sequim's acceptance of the non-forgivable Ecology Loan referenced above is contingent upon formation of a ULID. Nothing in this ILA is to be

construed to create an obligation on the part of the City of Sequim to accept or enter into the non-forgivable Ecology Loan above.

2. COMPENSATION: The County agrees to assign the Ecology Loan to the City of Sequim. The City will accept the assignment and administer the Ecology Loan's provisions for the completion of the sanitary sewer system. No payment to the County will be made for this transfer or for any cooperation during execution of the sewer design and implementation. All administrative costs for the City of Sequim will be recovered through the Ecology Loan as allowed within the parameters of the loan agreement. All costs for administration of the water system grant will be recovered through the DOH Grant as allowed within the parameters of the grant agreement.

3. LIABILITY: Each Party is responsible for the wrongful or negligent actions of its own officers, officials, employees, agents, and volunteers as their respective liability appears under the laws of the State of Washington and/or federal law. This ILA applies to the fullest extent of the law and is not intended to diminish or expand such liability.

Nothing herein is to be interpreted to limit the ability of an individual or agency to exercise any right, defense, or remedy that either Party may have with respect to third parties or the individual(s) whose action or inaction gave rise to loss, claim, or liability, including but not limited to an assertion that the individual was acting beyond the scope of their employment.

Nothing herein is to be interpreted to cover or require indemnification or payment of any judgment against any individual or agency for intentionally wrongful conduct outside the scope of employment of any individual or for any judgment for damages against any individual or agency. Payment of damage awards, fines, or sanctions will be the sole responsibility of the individual against whom judgment is rendered or their agency employer, if that employer voluntarily chooses to make voluntary payment. This ILA does not require indemnification of any damage awards or for any order imposing fines or sanctions.

Each Party seeking to be indemnified, held harmless, or defended under this ILA with respect to any claim must promptly notify the other Party of such claim and must not settle such claim without the prior consent of the other Party. Such consent must not be unreasonably withheld. Any Party receiving notice of any claim which affects the other Party must promptly notify the other affected Party. Such Party has the right to participate in the defense of the claim, at its own expense. Each Party's personnel must cooperate and participate in any such legal proceedings if so requested by the other Party, or required by a court of competent jurisdiction, at no cost to the requesting Party. Requests for participation must be reasonable.

This indemnification does not apply to property loss or damage to the extent that such property loss or damage is otherwise covered by a Party's applicable insurance. However, the other Party will be responsible for any self-insured retention or deductible.

To the extent permitted by any applicable insurance policy, each Party expressly waives any subrogated claim against the other Party, which it may have on account of actions taken pursuant to this ILA.

The provisions of this Section survive termination of this ILA.

4. EXECUTION: This ILA may be executed in counterparts which together constitute one and the same instrument.

5. FILING: As provided by RCW 39.34.040, prior to its entry in force this ILA must be recorded with the Clallam County Auditor or posted on each Party's website.

6. AMENDMENTS: This ILA may only be amended by written agreement of the undersigned Parties.

7. SEVERABILITY: If any section of this ILA is adjudicated to be invalid, such action does not affect the validity of any section not so adjudged.

8. TERM AND TERMINATION: This ILA is expected to remain in force until such time as Flaura's Acres is annexed into the City of Sequim, or until this ILA is terminated in writing by the Parties. Termination must be by formal written notice as described in this ILA. Notice of termination must be made a minimum of 30 calendar days in advance.

9. NOTICE: All formal notices required under this ILA must be given by regular United States mail and are complete on the date mailed when addressed to the other Party at the Service Address shown on their respective signature block below, or such other address as may be provided in writing in the future. Each Party is responsible for notifying the other Party of any change to their contact information.

This provision is not intended to apply to informal communications, which are commonly conducted by email or telephone.

10. NO PUBLIC DUTY, THIRD PARTY BENEFICIARIES, PARTNERSHIPS: No undertaking by one Party to the other Party under any provision of this ILA creates any special duty to the public or otherwise enhances or modifies the obligation of the Party with regard to the public or any person, including Flaura's Acres homeowners' association and its individual members.

Nothing in this ILA is to be construed to create any rights in or duties to any third party, nor any liability to or standard of care with reference to any third party. This ILA does not confer any right or remedy upon any person other than the Parties. This ILA does not release or discharge any obligation or liability of any third party to any Party.

This ILA must not be interpreted or construed to create an association, joint venture, or partnership between the Parties or to impose any partnership obligation or

liability upon either Party. Further, neither Party has any authority or undertaking for or on behalf of, or to act as or be an agent or representative of, or to otherwise bind the other Party.

11. MISCELLANEOUS PROVISIONS:

A. Construction: In the event of a dispute between the Parties as to the meaning of terms, phrases, or specific provisions of this ILA, the ILA's authorship will not be cause for the term, phrase, or provision to be construed for or against either Party.

B. Administration: This ILA will be jointly administered by the Parties and does not create any separate legal or administrative entity. However, nothing in this ILA is intended to prevent or otherwise interfere with discussions or decisions that may be made by the Parties during a review of this ILA. Further, the Parties understand and agree that there will be communication between the Parties to effectuate the terms of this ILA.

C. Financing; Budget: This ILA does not contemplate any joint or shared budgets.

D. Insurance: Each Party must obtain and keep in force during the full term of this ILA sufficient types and amounts of insurance coverage as recommended by their respective risk pools or other insurance providers. Each Party must provide evidence of coverage to the other Party upon request.

E. Property Acquisition and Disposition: This ILA does not contemplate the joint or shared acquisition of property by the Parties. At termination, each Party will remain the sole owner of its own property.

F. Right of Entry: For the purpose of accomplishing work or services that may be contemplated under this ILA, the Parties hereby grant and convey to each other the right of entry upon all land in which the Parties have interest, along with any property within or adjacent to the right-of-way of the highway, road, or street. Such right of entry is subject to any and all applicable permitting or other legal requirements.

G. Applicable Law and Venue: This ILA will be governed by and construed in accordance with the laws of the State of Washington. The venue for any court action will be in Clallam County in any court with jurisdiction. In the event disputes over the terms of this ILA reasonably necessitate the procurement of legal services, each Party is responsible for its own attorney fees and costs. The Parties do not waive the right to a jury trial. The Parties agree to negotiate in good faith before resorting to litigation.

H. Compliance with Laws: The Parties will comply with all federal, state, and local laws and ordinances applicable to this ILA.

I. Waiver: Failure to insist upon strict compliance with any term, covenant, or condition of this ILA is not a waiver of such. A waiver by either Party of any provision of this ILA will not be deemed or construed to be a waiver of any other provision, nor is the waiver of any breach or default by a Party to be deemed or construed to constitute a

waiver of any subsequent breach or default, whether of the same or any other provision of this ILA. Any waiver of a breach or default must be in writing and signed by a duly authorized representative of each Party.

J. Files: All files and other documents maintained by a Party relating to this ILA belong to that Party. On request, such files will be made available for review by the other Party through a duly authorized representative during normal business hours.

K. Public Records Requests: Each Party is responsible for timely and adequately responding to requests for records addressed to it under the Public Records Act or other demand for disclosure and must copy the other Party with the request.

L. Records Retention and Audit: The Parties agree to maintain records of all costs incurred under this ILA in accordance with an accounting system prescribed and approved by the State Auditor's Office. These records will be kept available for inspection and audit for six years after expenditure.

M. Challenges: Entry into this ILA will not be construed to be a waiver or abandonment of any defense or claim one Party may have against the other.

N. Governmental Authority: This ILA is subject to laws, rules, regulations, orders, and other requirements, now or as amended, of all governmental authorities having jurisdiction over the events covered by this ILA.

O. Survival of Certain Provisions. Any term of this ILA that by reasonable implication contemplates continued performance, rights, or compliance beyond its expiration or termination, survives and continues to be enforceable. Without limiting the generality of this provision, the Parties' obligation to indemnify each other survives for a period equal to any and all relevant statutes of limitation, plus the time necessary to fully resolve any claims, matters, or actions begun within that period.

P. Entire Agreement. This ILA constitutes the entire agreement between the Parties regarding the matters it describes, and incorporates all previous oral and written discussions.

The EFFECTIVE DATE of this Interlocal Agreement is the date of last signature below, or the 26 day of August, 2025 (whichever occurs first).

CLALLAM COUNTY

Executed this 26 day of August, 2025 by the Board of County Commissioners for Clallam County, Washington.

COMMISSIONER

COMMISSIONER

COMMISSIONER

Attest:

Clerk of the Board

Approved as to Form:

Clallam County Prosecuting Attorney

SERVICE ADDRESS:

Clallam County Board of County Commissioners
Attn: Clerk of the Board
223 E. 4th Street, Suite 4
Port Angeles WA 98362
CONTACT PERSON:

CITY OF SEQUIM

Executed this 8th day of SEPTEMBER, 2025 as authorized by the Sequim City Council.

MAYOR

Attest:

City Clerk

Approved as to Form:

City Attorney

SERVICE ADDRESS:

City of Sequim
Attn: City Clerk
152 West Cedar Street
Sequim WA 98382

CONTACT PERSON: PAUL A. BUCICH
PUBLIC WORKS DIRECTOR