

Remington Recreational Water and Sewer District
Proposed Water Improvement Funding Mechanism
Frequently Asked Questions
February 19th Public Informational Meeting

1. Why do we need to improve the water system?

The current water system (serving approximately 387 connections) has insufficient capacity (wells, storage reservoir, and booster pumps) to meet current IDAPA 58.01.08 requirements.

The proposed improvements are summarized in the February 19th Presentation as well as the Water Facility Plan (refer to the website - <http://rwdonline.org/>).

2. What are the repercussions of “do nothing”?

DEQ prefers to work with systems to be in compliance with the IDAPA Rules, providing low interest loan funds and technical assistance. However, if a system, with known deficiencies, is not progressing toward addressing those deficiencies, DEQ may issue a notice of violation. If the notice of violation is not addressed within an agreed upon schedule, DEQ may also enforce fines.. Additionally, the water system would be dis-approved, and no property transactions that require bank financing could occur.

3. At what point is the system considered “in compliance”?

The deficiencies must be addressed through construction of improvements. Once the construction is underway and substantially complete, the system will be considered “in compliance”. Then the District is approved for additional connections.

4. What kind of growth is the District experiencing and how is growth contributing to the project funding?

The system is receiving applications for additional connections associated with lot splits within the District boundary. Additionally, there is a proposed development to the west requesting annexation into the District. The District intends to have these growth customers fund the upsize of the existing system necessary to meet the growth demands.

5. What fees do new customers pay currently?

New customers pay for the District’s capitalization fee as well as a hook-up fee. The capitalization fee is based on the system’s estimated value divided by the total capacity in residential units that can be served. The new customer pays this fee to buy-in to the system that the existing customers have been paying to maintain over the years. The

hook-up fee is the physical cost to connect (meter and service) and is based on time and material cost for the installation of the water service.

6. What is the estimated schedule for the construction of improvements?

Based on Option 1A – the design, bidding and construction of the improvements is estimated to take 1.5-2 years, depending on construction windows. This schedule would begin after the funding of the project is authorized and grant or loan funds are in place which may take 6 months to 1 year depending on available funding and customer authorization.

7. What is the basis for the cost estimates?

The cost estimates are based on the engineer's preliminary opinion of project costs (refer to the Water Facility Plan). These are based on the last 20 years of public bidding results for similar projects completed for public drinking water systems. The costs are budgetary in nature and include contingencies and engineering expenses. The District must follow public bidding laws and all work must be completed by public works licensed contractors.

Additionally, the larger-sized facilities do get substantially more expensive (when compared to smaller, domestic facilities), and the number of qualified contractors who can install these facilities is limited.

8. What is an LID and how is it formed?

A Local Improvement District is a bond authorization method that is repaid through assessments against the real property benefitted by the improvements. The LID is formed through a public hearing process. Any property owner which is proposed to be assessed under the LID has the right to support or object the formation of the LID.

If 60 percent of the property owners within the LID object to the LID formation, then the District cannot proceed without resubmitting the LID after 6 months' time, or without appeal to the Board of County Commissioners.

9. What are the differences between LIDs and Revenue Bonds?

The LID is formed through a public hearing process and Board action. The LID is assessed on benefitted property. The LID can be paid off up front or it can be amortized over a number of years (matching the loan term – 20 to 30 years). The amortized assessments are paid each year until payoff. The assessments will show as a lien on the property until payoff.

Revenue Bonds are authorized by a majority vote, either in May or November. The bond is then repaid by a portion of rates. In this case, the rates would need to be increased in order to make the bond payment each year. There is no lien on the property associated with revenue bonds.

10. What steps are involved with an LID?

LID Process per Idaho Code

| | |
|---------------------------|--|
| LID Formation Phase | |
| 1. | LID Initiated By Resolution |
| 2. | Resolution Of Intent To Create The LID |
| 3. | Notice Of Hearing Published And Mailed To Property Owners |
| 4. | Public Hearing To Consider Protests And Support |
| 5. | Ordinance Creating LID Adopted |
| Design/Construction Phase | |
| 6. | Engineer Authorized To Prepare Plans And Bidding Documents |
| 7. | Construction Phase |
| LID Confirmation Phase | |
| 8. | Prepare Final Costs And Assessment Roll |
| 9. | Notice Of Final LID Hearing |
| 10. | Hearing On Objections To Assessment Roll |
| 11. | Confirmation Of Assessment Roll |
| 12. | Notice Of Final Assessment To Property Owners |
| 13. | 30-Day Pre-payment Period |
| 14. | Assessments Not Pre-Paid Will Be Amortized At LID Bond Term And Rate |

11. How will I be assessed through the LID? Can I finance/amortize my assessment?

The LID is not assessed on the property until the project is complete (estimated 1.5-2 years, Question 4 above). All property owners have two options regarding financing the LID.

1. *Pay the amount of the LID assessment without interest after full completion of the project and prior to finalization of the assessment roll **or***
2. *Amortize the amount at a set interest rate for a fixed number of years (typically 20-30 years). An LID assessment, which is amortized, becomes a lien on the property as security for repayment.*
 - a. *The lien will show up on a title report for your property.*
 - b. *Typically when a property is sold, the mortgage company may wish for this lien to be paid off (the remaining amount) prior to or as part of the property sale.*

12. How much is the estimated LID assessment?

The LID assessment will depend on the final project costs. Option 1 is used as an example below. These estimates are preliminary and include financing costs (LID formation and administration).

| | | |
|-------------|-------------|-------------|
| Improvement | Improvement | Improvement |
|-------------|-------------|-------------|

| | Option 1 | Option 1A | Option 1B |
|--|-----------------|------------------|------------------|
| Total Project Cost | \$2,535,000 | \$2,835,000 | \$3,434,000 |
| Total Estimated Cost for Compliance | \$1,367,000 | \$1,367,000 | \$1,367,000 |
| Total Cost for Existing Connections | \$1,367,000 | \$1,367,000 | \$1,367,000 |
| Less District Cash Reserves ¹ | (\$500,000) | (\$500,000) | (\$500,000) |
| Cost to Existing Connections | \$867,000 | \$867,000 | \$867,000 |
| Cost per Current Connection (387 Connections) ² | \$2,550 | \$2,550 | \$2,550 |
| Yearly Equivalent | \$165 | \$165 | \$165 |
| Monthly Equivalent | \$14 | \$14 | \$14 |
| Total Cost to Future Connections | \$2,535,000 | \$2,835,000 | \$3,434,000 |
| Less Cost for Existing Connections | (\$1,367,000) | (\$1,367,000) | (\$1,367,000) |
| Cost to Future Connections | \$1,168,000 | \$1,468,000 | \$2,067,000 |
| Cost per Future Connection (320 Connections) ³ | \$3,980 | \$5,000 | \$7,050 |
| Yearly Equivalent | \$245 | \$310 | \$435 |
| Monthly Equivalent | \$20.50 | \$25.50 | \$36 |

Notes:

- 1. This value was shown as \$700,000 in the Facility Plan. However, this has been revised to allow for adequate cash reserves for District emergencies.*
- 2. This value was quoted in the Q&A session of the meeting as \$1,700, which was the value shown in the Facility Plan. The value has been updated to reflect the \$500,000 cash reserves as well as the financing costs (LID formation and administration). Additionally, if the District cannot use its cash, this assessment would be approximately \$3,900.*
- 3. The estimated cost for a future connection is based on 320 connections. This will depend on LID participation in the growth category. This may need to be adjusted to compensate for participation.*

13. When will I have to pay the LID assessment?

A property owner can choose to pay the assessment in full without interest within the first 30 days after the final hearing or can finance the assessment over annual installments. The final hearing would occur after the project is complete and assessments have been prepared. The assessment would be due within a couple months of the hearing. If a property owner finances the assessment, the first payment would not be due until the following year.