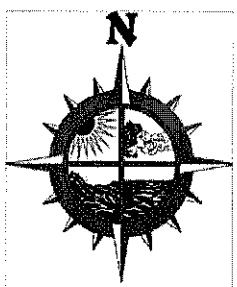


OUT

July, 2009



# NORTH KOOTENAI WATER DISTRICT

P.O. Box 2290 ~ 1841 W. Hayden Avenue ~ Hayden, Idaho 83835  
(208) 772-3619 ~ (208) 762-0355 Fax

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## District Staff:

Mike Galante, District Manager  
Mike Ormsby, District Attorney—K & L Gates  
Phil Boyd, P.E., District Engineer—Welch Comer Engineers

## Introduction

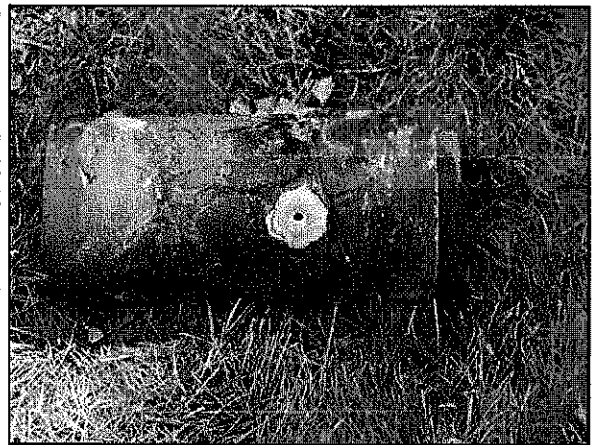
North Kootenai Water District (District) is proposing a revenue bond election on August 4, 2009 to fund critical upgrades to portions of the District's water systems. The District operates 15 water systems in Kootenai County providing water service to more than 4,000 connections. Historically, the District has invested approximately \$400,000 per year in system improvements in order to maintain and improve the condition of its \$19.5 million water system infrastructure. However, in recent years, factors beyond the District's control have consumed a large portion of the funds available for use on capital improvements. Thus, the District is proposing a revenue bond election in order to finance water improvement projects that have been identified as immediately necessary according to the District's priority ranking criteria and will provide immediate benefits to customers.

## Background

The District was formed in 1991 by a vote of the District electorate for the purpose of acquiring the water system then operated by a private company, Hayden Pines Water Company. The District completed the purchase of the aging and frequently poorly constructed water systems with the purpose of upgrading the systems to provide better and more reliable service to customers. The District implemented a water rate structure that provided for funding a certain amount of capital improvements each year. The District has been able to use this annual funding allotment to tackle small to moderate sized projects each year. There are several projects that continue to create large on-going expenses due to repairs, which are often "band-aids", as insufficient capital improvements funds are available to completely replace the deteriorated component(s).

In addition, a significant portion of the District's capital improvement funding has been diverted to replace portions of the water distribution system in roadways that are being reconfigured (such as Lancaster Road) that require the District's waterlines to be moved. The District's waterlines exist in these roadways by permit and any roadway reconfiguration requires the District to relocate the waterlines at District expense. These "roadway" projects have consumed a large amount of the District's annual capital improvement funding.

Finally, State and Federal Drinking Water Rules continue to become more stringent. In order to maintain compliance with current Idaho rules and regulations, the District will need to complete several large capital improvement projects.



Rimrock Water System:  
Segment of Leaking Steel Waterline  
Pulled from Avondale Area

## Funding Options

The District has considered two primary funding options; 1) Save the current annual capital improvement funding over several years to complete a major project. 2) Utilize a portion of the annual capital improvement funding and a small water rate increase to fund the debt service for a large revenue bond.

The District is proposing Option 2 to the District electorate for the following reasons:

1. It will allow the District to maintain or reduce annual operations and maintenance costs spent on responding to emergency repairs. The District can use the O&M funds for preventative maintenance and minor system upgrades.
2. It will allow the District to provide immediately improved service in certain systems by increasing pressure, providing greater water source capacity, and reducing colored water occurrences.
3. It will allow the District to take advantage of the very competitive construction bidding climate anticipated for the next several years.

## Water System Improvements

The District prioritizes capital improvements based on the following ranking scale (Resolution 2008-11):

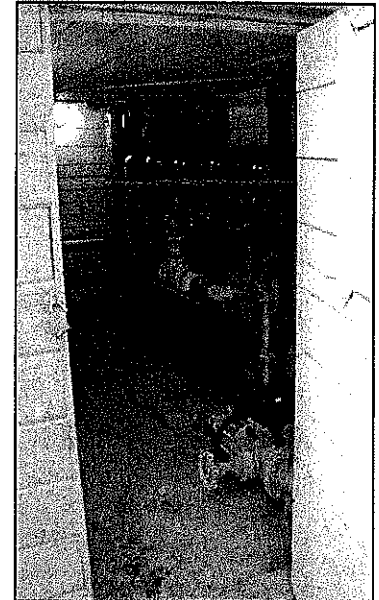
1. Health and Safety
2. System Reliability
3. System Performance
4. Water Conservation
5. Opportunity Cost
6. Public Right of Way Required Relocation

Using the above ranking criteria, the District reviewed their current 10 year capital improvement plan and identified several projects as immediately necessary.

Priority	Project Description	Estimated Project Cost	Purpose of Improvement
1	Lancaster Well #4	\$400,000	Provides peak day water supply if the largest well source is down.
1, 6	Upsize Lancaster Transmission line from the Wells to Ferndale	\$579,000	Increases transmission line capacity to allow operation of three or more wells which will provide greater water volume to customers.
2-4	Avondale Waterline	\$3,000,000	Replace existing leaking steel waterlines with PVC waterlines in the Avondale neighborhoods to reduce water system contamination possibility, reduce water loss and improve water quality by reducing the footage of water mains with iron buildup.
2-4	Point Hayden Waterline	\$450,000	Replace existing leaking steel waterlines with PVC waterlines to reduce water system contamination possibility, reduce water loss and improve water quality by reducing the footage of water mains with iron buildup.
1	Hayden Well #2	\$385,000	Provides peak day water supply if the largest well source is down and improves fire flow.
2-4	Hillside Water Service Replacements	\$750,000	Replace existing leaking individual water service lines in the Hayden View area to reduce contamination possibility and reduce water loss
3	Hillside Middle Reservoir Control Valve & Waterline	\$50,000	Maintain Water Level During High Demands in Middle Reservoir.
1-3	Twin Lakes Echo Beach Pump House	\$100,000	Replace existing pump house, which is in poor structural condition, and piping for improved pump efficiency.

Priority	Project Description	Estimated Project Cost	Purpose of Improvement
3	Chilco Booster Station Pump and Piping Improvements.	\$81,000	Improve pumping capacity for Chilco System.
5	District Building	\$250,000	Partial funding for a future District building that will better accommodate District operations including accommodating public meetings.
	Mitigation Fee Pay Back with Bond Funds	\$161,136	A portion of mitigation fee funds were used on other mitigation projects and must be repaid.
<b>CONSTRUCTION IMPROVEMENT TOTAL</b>		<b>\$6,206,136</b>	

Construction Improvement Total	\$6,206,136
Less Mitigation Fee Fund Balance	<u>-\$ 278,425</u>
2009 Bond Capital Improvement	\$5,927,711
1999 Bond Total	\$1,300,000
1999 Debt Reserve Fund	<u>- \$ 180,000</u>
Total "NEW" Bond	\$7,047,711
"NEW" Bond Debt Reserve Fund	\$ 740,000
Bond Financing Costs	<u>\$ 211,431</u>
<b>Total</b>	<b>\$7,999,142</b>
Annual Payment (5.25% for 20 years)	\$ 655,548



Twin Lakes Water System:  
Echo Beach Pump House

## Revenue Bond Proposal

The sum of the estimated costs to complete these immediately necessary water system improvements is approximately \$6 million. In addition the District will re-finance its remaining \$1.3 million bond principle from the original 1999 Bond used to purchase the water systems. The District Board has scheduled an election for August 4, 2009 to ask voters to authorize the District to sell Revenue Bonds to finance the proposed improvements. If passed by a simple majority of the eligible voters, the revenue bonds would be repaid only by water fees and would not be a tax on real property.

Under Idaho law, eligible voters are those customers who have been annexed into the District's service boundary. In order to be qualified to vote, you need to be qualified elector who lives within the boundaries of the District. The polling places will be:

North Kootenai Water District Office  
1814 West Hayden Ave.  
Hayden, Idaho

Twin Lakes Fire Station No. 4  
4912 West Par 3 Golf Course Road  
Rathdrum, Idaho

You can arrange to receive an absentee ballot by contacting the District office at (208)-772-3619

## Impacts on Water Rates

If the Revenue Bond election is approved by voters it would be repaid over the next 20 years by an increase in the monthly base rate of approximately \$3.12 per month (per Equivalent Residential User or equivalent single family unit).

## Public Informational Meetings

The District's Board has scheduled two public informational meetings to present the proposed project in greater detail, explain the proposed financing, and solicit customer input and questions. The meetings will be held at 7:00 PM at the following locations on the following dates:

Rathdrum City Hall  
Hayden Lake City Hall

Monday, July 20, 2009  
Monday, July 27, 2009

The Board encourages all customers to participate in these meetings. If you are unable to attend either of the meetings and have questions or need to additional information, please feel free to contact Mike Galante, District Manager, at (208)-772-3619 or by e-mail at [mikeg@nkwsd.com](mailto:mikeg@nkwsd.com).

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**NORTH KOOTENAI WATER DISTRICT**  
P.O. Box 2290 - 1841 W. Hayden Avenue  
Hayden, Idaho 83835



*GOLD*

**IMPORTANT NOTE:** According to the records of Kootenai County and the District, households which are receiving this gold-colored Newsletter **DO NOT** reside within the Water District boundaries, even though you are a District customer. According to Idaho Code, water users who do not live within the District boundaries are not eligible to vote in the revenue bond election. If you would like to be annexed into the District, please contact the District to discuss the process of annexing into the District. If you believe you reside inside the District and desire to vote, please contact Kootenai County Elections Office (769-4428) for clarification of the District Boundaries.