

RESOLUTION NO. 2011-14

A Resolution of North Kootenai Water District, Kootenai County, Idaho, reestablishing and providing for the future determination of connection fees, including capitalization fees and installation fees for water service connections established after September 1, 2011, to the water supply system of the North Kootenai Water District

NORTH KOOTENAI WATER DISTRICT
KOOTENAI COUNTY, IDAHO

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF NORTH KOOTENAI WATER DISTRICT, KOOTENAI COUNTY, Idaho, as follows:

WHEREAS, North Kootenai Water District (the "District"), is a duly and properly formed water district existing and operating under and by virtue of the Constitution and laws of the State of Idaho and is governed by a Board of Directors ("Board");

WHEREAS, the District owns and operates a water utility system, including sources of supply, storage and distribution lines;

WHEREAS, the District acquired the water utility system and certain other necessary property and improvements related thereto through the District's issuance of revenue bonds; and

WHEREAS, the Board adopted Ordinance No. 99-4 on May 13, 1999, setting forth certain rules of operation for and policies of the District and further providing that charges, including capitalization fees and service installation fees ("Connection Fees"), could be later established or modified by resolution of the District;

WHEREAS, the Board over time has amended and clarified such rules of operation for the District set forth in Ordinance No. 99-4 by way of various and different resolutions;

WHEREAS, the District desires to set forth such amended and clarified rules of operation regarding Connection Fees of the District in a complete and comprehensive format;

NOW, THEREFORE, BE IT FURTHER RESOLVED AS FOLLOWS:

DEFINITIONS

Board or Board of Directors: The Board of Directors of the District, as it may be constituted from time to time.

Boarding House: Any building or portion thereof which includes separate bedrooms for rent and common kitchen and/or bathroom facilities.

Capitalization Fee: The fee calculated and collected according to this Resolution, with respect to any Parcel credited or otherwise brought under this Resolution and representing an

equitable buy-in to the Water System and fair share of the net value of the Water System capacity, as allocated to any individual Parcel.

Connection Fees: Fees to be collected by the District in conjunction with each new Service Connection to the Water System. These fees consist of the Capitalization Fee and Service Installation Fee, each of which shall be separate and distinct.

District: The North Kootenai Water District.

District Boundary: All Parcels annexed into the District.

Engineer: The Engineer(s) or engineering firm(s) (or the duly authorized employee or representative thereof) contracted or otherwise designated by the District from time to time to advise the Board with respect to Water Systems provided by the District.

Equivalent Residence or "ER": The basic unit of measurement utilized by the District to establish relative water consumption requirements of various uses, with one (1) Equivalent Residence or "ER" being defined as one (1) typical single-family residence.

Guest House: A secondary improvement (including a mobile home, trailer, garage apartment and the like) which is designed or intended to accommodate overnight human occupancy and which is located on a residential Parcel that is also improved with a primary single-family residence or a multi-family dwelling.

Motel and Hotel: A building or group of buildings on the same Parcel, either detached or connected, containing sleeping or dwelling units, and designed for or occupied with an ordinary rental period not exceeding two (2) weeks.

Multi-Unit Dwelling: A building containing a combination of units with individual sleeping, bath, and kitchen facilities, whether occupied or not, and designed and intended for individual or single-family occupancy. This definition includes, but is not limited to, apartments, town houses, duplexes, triplexes, and similar multi-unit buildings intended for individual or single-family occupancy.

Parcel: Any legal lot now existing or hereafter created through a division or subdivision process, and any other parcel of real property recognized by the appropriate governmental planning and zoning department as a separate legal parcel, having dimensions which would legally allow such parcel to be improved with a residence or other structure for human use and/or occupancy, or that otherwise could reasonably be deemed benefited by the availability of access to the Water System. Additionally, the term "Parcel" shall include a unit in a condominium project for which a condominium plan shall have been recorded, and any unit having final approval as part of a planned unit development, but only where no further platting or other governmental approvals are required as a prerequisite to the issuance of a building permit. A "Parcel" shall be subject to the jurisdiction of the District.

Person: Any individual, firm, company, association, partnership, society, corporation, other legally recognized group or entity.

Service Connection: The point at which a building or structure water supply pipe connects to the Water System at the edge of the public right-of-way or easement.

Service Installation Fee: Historically referenced as a “hookup fee,” “meter fee” or “meter installation fee”, fees to be collected by the District that are intended to reimburse the District for its costs incurred in establishing a Service Connection between the Water System and a Parcel.

Single-Family Residence: A building or condominium unit designed and used exclusively for residential purposes by one family. This definition shall also include mobile homes, trailers, garage apartments, and the like, used for residential purposes.

Stand Alone Water System: A water system designed and constructed in conformity with all applicable state and federal laws and regulations, that is independent of the Water System but located in a geographically-defined area that is legally annexed to the District, is complete in meeting all applicable laws and regulations without reliance upon any infrastructure or components not delivered to the District as part of the transfer of such water system to the District, with all components of such water system being no more than five (5) years old after construction and installation of all necessary infrastructure and components.

User: Any Person owning, controlling, occupying, or otherwise using an improved Parcel which is or will be connected to or is required to be connected to the Water System.

Water System: The water utility system, including but not limited to sources of supply, pumping, storage, distribution lines, and related infrastructure, owned and operated by the District.

Water Service Area: The entire area within the District Boundary and also including any area to which the Water System has been previously or may be extended from time to time and to which water supply service is therefore made available, or which may be designated as part of the Water Service Area by resolution or ordinance of the District.

I. CAPITALIZATION FEES

A. **Applicability:** All new development or building within the District or the existing Water Service Area of the Water System that requires a building permit and/or establishment of a domestic Water System connection to the Water System of the District after September 1, 2011.

B. **Basis for Determining Capitalization Fees:**

1. The District shall collect from any new User the appropriate Capitalization Fee for all Parcels prior to connecting to the Water System. All Capitalization Fees shall be placed in a special fund for utilization by the District for repair and replacement of the existing Water System.

For all existing lots or Parcels within the Water Service Area of the District, the Capitalization Fee determined hereunder shall become due and be payable prior to the establishment of a Water System connection to the Water System for such lots

or Parcels. For all Parcels that are part of a new plat of subdivisions or a modification or extension of a previously approved plat, the Capitalization Fees shall become due and be payable for all such Parcels within such subdivision plat or modification or extension prior to the establishment therein of any new Service Connections to the Water System. At the sole discretion of the District and subject to the availability of uncommitted ERs, the District may defer prepayment.

2. The Capitalization Fee shall be equal to the number of ERs calculated in this Resolution multiplied by the Capitalization Fee for a single family residence. In no case shall the Capitalization Fee be less than that for one single family residence (one ER).
3. Capitalization Fees, and the net value of the Water System related thereto, shall be reviewed and adjusted by the District. At a minimum, the Capitalization Fee should be reviewed annually and adjusted as necessary in order for the then-current Capitalization Fee to be equal to the fair share of the net value of the Water System capacity, as allocated to any individual Parcel, and may be adjusted at a regular or special meeting of the District Board of Directors.
4. The District reserves the right to adjust a particular ER factor from time to time in the case of a change in use of a particular User. The District may negotiate the ER calculation for a new connection and adjust the value after a reasonable period to verify actual use.

C. Determination of Water System Net Value and Capitalization Fee. The Capitalization Fee and net value of the Water System shall be determined as follows:

1. The net value of the Water System shall be determined by taking the original estimated project cost (including costs related to engineering, design, project administration, construction and legal costs) of each major capital improvement to the Water System and determining the cost to replace that improvement in that particular year. This shall be accomplished by determining the Engineering News Record Construction Cost Index ("ENR-CCI") in the year that the improvements were made and the year that the Capitalization Fee is being determined. The ENR-CCI for the year that the Capitalization Fee is being calculated shall be divided by the ENR-CCI for the year in which the improvements were made. This value shall then be multiplied by the original cost for the considered improvement(s), which results in the estimated cost to replace the improvement(s) at the time the Capitalization Fee is calculated. The gross value to replace the Water System shall be adjusted by subtracting the remaining principal amount of outstanding bond or similar long-term indebtedness associated with the Water System to be retired and the unfunded depreciation to obtain the net value of the Water System. For purposes of this initial determination hereunder, the depreciation which has accumulated for Water System components since construction is treated as unfunded depreciation within the meaning of this Resolution. The remaining outstanding bond or similar long-term indebtedness to

be paid for retirement of such debt shall be determined based on the applicable debt retirement schedule each year. The remaining bond or indebtedness interest shall not be subtracted from the gross value of the Water System. The future unfunded depreciation is figured from the date of implementation of the new User charge resolution. The basis for determining the yearly depreciation is to distribute the estimated original cost of the improvement uniformly over the life of the improvement. The life of major categories of improvement to the Water System is assigned as follows:

Distribution Water System Type 1 (Pipe Material Consisting of Steel, Cast Iron, Asbestos Cement, or PVC materials other than C900 or C905 PVC, as well as any other pipe material not specified in the Type 2 classification below).....	60 years
Distribution Water System Type 2 (Pipe Material Consisting of C900 or C905 PVC, Ductile Iron or HDPE).....	75 years
Telemetry or Controls	20 years
Pump facilities	20 years
Well Casing	50 years
Storage facilities Type 1 (Concrete)	50 years
Storage facilities Type 2 (Steel).....	30 years
Storage facilities Type 3 (Pressure Storage).....	20 years
Buildings	40 years
Meters	30 years

The cumulative unfunded depreciation from the date of construction of major Water System components to the year that the Capitalization Fee is determined shall be subtracted from the gross Water System value, along with the remaining debt principal to obtain the net Water System value. The following equation shall be used for determining the net Water System value of any Water System component or combination of Water System components:

	Gross Water System replacement value
Minus (-)	Remaining debt principal
<u>Minus (-)</u>	<u>Cumulative unfunded depreciation.</u>
Plus (+)	Accumulated, funded depreciation
<u>Plus (+)</u>	<u>Bond proceeds</u>
Equals (=)	Net Water System value

The Capitalization Fee shall then be determined by dividing the net Water System value by the design capacity of the Water System component (based on storage capacity only) with the least capacity expressed in ERs.

2. Alternatively, the District may elect to use an average of the design capacities for major components to determine the Capitalization Fee upon adoption of an appropriate resolution by the Board of Directors of the District. The design capacity of the Water System component shall be determined by the Engineer based upon District policy and sound engineering practices.
3. Any User connecting to the Water System shall pay a Capitalization Fee per ER or fraction thereof as may be assigned to the Parcel by the District for the value of Water System as provided for herein. Commencing with new User connections established after September 1, 2011, the Capitalization Fee shall be as set forth in Exhibit "A" to this Resolution, incorporated herein by this reference.
4. When the District receives an application for a Service Connection to a Parcel where the existing capacity of the Water System, as determined by the District, is inadequate to provide the requested service and the District elects to offer service to the applicant, the applicant shall pay a Capitalization Fee as follows:
 - (a) Where the demand for service, as determined by the District, will be less than the equivalent of 15 ERs, the applicant shall pay the then-applicable Capitalization Fee for each Service Connection, plus the applicable mitigation fee determined by the District for each ER that is required by such Service Connection.
 - (b) Where the demand for service, as determined by the District, will be 15 or more ERs, but less than 50 ERs, the applicant shall pay the then-current capitalization fee for each Service Connection.
 - (c) Where the demand for service, as determined by the District, will be 50 or more ERs, at the expense of the applicant, the Engineer shall analyze the Water System to determine the following:
 - (i) Existing capacities that are available to provide service;

- (ii) Additional infrastructure that will be required to provide the requested service without any degradation of service to existing Users and committed Service Connections;
- (iii) The value of the portion of the Water System that will be utilized by the requested service;
- (iv) The value of the Water System that will be required to meet the needs of the requested service; and
- (v) The projected contribution of the requested service to the District's recover of accruing depreciation of the Water System.

D. Capitalization Fee for Stand-Alone Water System. Any User connected to a Stand-Alone Water System of which the District takes ownership shall pay a Capitalization Fee for each connection as follows:

1. Due upon connection to the Water System:

$$\begin{array}{r}
 \text{Capitalization Fee} \\
 \text{Divided } (\div) \quad 240 \\
 \text{Multiplied } (x) \quad \underline{\text{Number of months since District acquired Stand-Alone Water System}} \\
 \text{Equals } (=) \quad \text{Amount due upon connection to the Water System}
 \end{array}$$

2. Payable in monthly installments, commencing 30 days after the connection is established:

$$\begin{array}{r}
 \text{Capitalization Fee} \\
 \text{Minus } (-) \quad \text{Amount paid upon connection to Water System} \\
 \text{Divided } (\div) \quad \underline{240 (-)\text{Number of months since District acquired Stand-Alone Water System}} \\
 \text{Equals } (=) \quad \text{Amount due upon connection to the Water System}
 \end{array}$$

3. The District may waive the Capitalization Fee for a Stand-Alone Water System if the Board adopts a resolution setting forth findings of fact supporting the waiver of such Capitalization Fee after evaluating the following:

- a. The Stand-Alone Water System source, storage, distribution and pumping capacity to determine if the Stand-Alone Water System is adequately sized to provide domestic water service for the geographically-defined area intended to be served by the Stand-Alone Water System;
- b. The Stand-Alone Water System source, storage, distribution and pumping capacity to determine if the Stand-Alone Water System is adequately sized to provide fire service for the geographically-defined area, if the Stand-Alone Water System is intended to provide fire service to such geographically-defined area;

c. The quality of the water to determine the Stand-Alone Water System was constructed or will be constructed to the then-current state and federal standards for public drinking water systems and standards otherwise acceptable to the District;

d. The financial and operational impact of annexing the Stand-Alone Water System into the District and incorporating the value of the Stand-Alone Water System and number of connections to be served by the Stand-Alone Water System into the Water System value and number of Service Connections, which includes but is not limited to evaluation of rate adjustments, operation and maintenance expenses, Capitalization Fee adjustments, and operator certification requirements; and

e. The best interests of the District and its Users will be served by annexing such Stand-Alone Water System into the District.

E. Credit for Amounts Paid. The District has record of certain Users that, while not connected to the Water System as of the date of this Resolution, prior to June 13, 1999 paid a "hook up" fee to the District, or the public utility predecessor from which the District acquired portions of the Water System, for the purpose of a Service Connection in the future. Such Users shall be credited the amount paid, plus simple interest accrued at the rate of 6% per annum from the date of such payment, towards the Capitalization Fee in effect at the time such Capitalization Fee shall be due.

II. SERVICE INSTALLATION FEES

A. Mandatory Connection: All Parcels within the Water Service Area of the District shall, to the extent allowed by law, be required to connect to the Water System of the District for purposes of domestic water supply not later than the date of first occupancy of any building constructed upon any such Parcel. The obligation to connect shall be enforced by the Board according to applicable provisions of Idaho law, or by such other method as may be allowed by applicable law.

B. Permit: A User must obtain a permit for service installation to the Water System from the District prior to construction of a Service Connection to the Water System of the District. The permit shall be issued by the District or its Engineer or other authorized representative upon completion of an application for Service Connection and payment of any fees required by this Resolution. Payment of any fees accruing after the permit is issued shall be a condition of final approval following inspection. Construction of the Service Connection shall be performed according to specifications recommended and maintained by the Engineer, and shall be performed by employees, authorized representatives of the District, or third parties approved by the District. The installed connection, including the water meter, shall be and remain property of the District.

C. Service Installation Fees: A Service Installation Fee shall be paid to the District with the issuance of a permit for service installation or hookup. The User seeking a Service Connection shall be responsible for installing Water Service lines to the meter installation location identified

by the District according to specifications recommended and maintained by the Engineer. The District shall incur no obligation to pay any portion of the costs for connecting Water System lines from the Parcel to the meter location. The Service Installation Fee shall be as set forth in Exhibit "A" to this Resolution, incorporated herein by this reference.

III. REPEALER CLAUSE

All other ordinances or resolutions of the District, or parts thereof, in so far as they are in conflict with this Resolution, are repealed and rescinded.

IV. SEVERABILITY CLAUSE

If any section, paragraph, sentence, or provision hereof or the application thereof to any particular circumstance shall ever be held invalid or unenforceable, such holding shall not affect the remainder hereof, which shall continue in full force and effect and applicable to all circumstances in which it may validly apply.

V. CHANGE BY RESOLUTION

The District reserves the right to revise make changes to the rates, fees, or charges of the District by resolution at a regular meeting of the Board of Directors of the District.

VI. ENFORCEABILITY

The District shall enforce and seek remedies for breaches of the terms of this Resolution as provided by the laws of the State of Idaho.

VII. EFFECTIVE DATE

This Resolution shall be in full force and effective upon its publication according to law in the official newspaper of the District

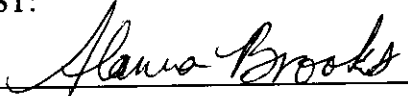
PASSED AND ADOPTED this 1st day of September, 2011.

NORTH KOOTENAI WATER DISTRICT



Chairman, Board of Directors

ATTEST:



Secretary

(SEAL)



CERTIFICATION

I, the undersigned Secretary of the Board of Directors of North Kootenai Water District, Kootenai County, Idaho, HEREBY CERTIFY that the foregoing Resolution is a full, true, and correct copy of a Resolution duly adopted at a regular meeting of the Board of Directors of the North Kootenai Water District, duly and regularly held at the regular meeting place thereof on September 1, 2011, of which meeting all members of said Board had due notice and at which a majority thereof were present; and that at said meeting said Resolution was adopted by the following vote:

AYES, and in favor thereof, Directors:

NOES, Directors:

ABSENT, Directors:

ABSTAIN, Directors:

I FURTHER CERTIFY that I have carefully compared the same with the original Resolution on file and of record in my office; that said Resolution is a full, true, and correct copy of the original Resolution adopted at said meeting; and that said Resolution has not been amended, modified, or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of said District on September 1, 2011.



Secretary

(S E A L)



EXHIBIT "A"

METER-ER EQUIVALENT TABLE WITH SERVICE INSTALLATION AND CAPITALIZATION FEES

A meter-ER equivalent table equates a meter size with an equivalent ER. For example, a one-inch meter has the ability to provide approximately one ER of service while a four-inch meter has the ability to provide approximately 10 ERs. These equivalents are based on the service size, pressure in the line, and pipe material.

The following meter-ER equivalent table is adapted from AWWA Manual of Water Supply Practices, subject to variations based on the unique characteristics of the Water System.

Meter or Service Size	ER
1"	1.0
1.5"	1.25
2"	2.0
3"	8.0
4"	10.0
6"	15.0
8"	20.0

The meter-equivalent table is expanded to include Service Installation Fees and Capitalization Fees.

Meter or Service Size	ER	Service Installation Fee	Capitalization Fee
1"	1.0	\$600	\$3,840
1.5"	1.25	\$900	\$4,800
2"	2.0	\$1,200	\$7,680
3"	8.0	actual costs*	\$30,720
4"	10.0	actual costs*	\$38,400
6"	15.0	actual costs*	\$57,600
8"	20.0	actual costs*	\$76,800

*actual costs shall mean all labor, material and equipment costs required to install the service.