

HLRWSD FAQ

Regarding the Proposed LID Amendment / Sewer Rate Increase

Q: Will both the rate increase and the LID amendment happen?

A: No, either the rate increase or the LID amendment will be approved, not both. Alternatively, the Board may decide to approve neither one and consider other options.

Q: Is this a new LID (if the LID amendment is selected)?

A: No, this is not a new LID. The proposed \$3.4 million project (for the collection system) would be amended and added to the existing \$7.0 million project (approved in December 2012), for a total LID of \$10.4 million.

Q: What are the payment options for an LID Assessment?

A: Idaho Code specifies the terms of payment for an LID. Each property owner assessed by an LID has two options for payment:

1. The assessment may be paid in full without interest or penalty, within 30 days of receiving the final LID assessment notice in writing (assumed to be sometime in 2015 for LID #7A). If the assessment is paid in full, there is no LID lien on the property.

OR

2. The LID assessment may be amortized (paid in annual installments) based on the terms and effective interest rate of the LID bonds. The first annual installment is payable one year from the LID closing (assumed to be 2016 for LID #7A). If the HLRWSD should be successful in securing a loan from Idaho DEQ, the effective interest rate would be 3% over 20 years. An LID assessment which is paid on the annual installment method becomes a recorded lien against the property.

Q: Can an LID Assessment which is paid in installments be paid off early?

A: Yes, an LID Assessment which has begun to be paid of by the annual installment method can be paid off early (anytime before the 20 year loan is paid). However, Idaho Code states that the property owner who pays off the LID Assessment early must pay the outstanding LID Assessment principle amount, plus the current year's interest, plus one-year's interest as a penalty.

Q: Is an LID Assessment assumable by a new owner if the property is sold?

A: Yes, Idaho Code provides that an LID Assessment is assumable by a new owner, since the assessment is a lien on the real property. However, since an LID lien has "first position" in property liens, most banks and conventional financing will require the LID Assessment to be paid off before closing a loan on a property sale.

Q: Why can vacant lots be assessed by the sewer LID, but not by the monthly sewer rates?

A: Under Idaho Code, all property which is "benefited" by the public improvement being constructed by the LID may be assessed based upon the "benefit derived" by the improvement. Vacant lots which front and have access to the HLRWSD sewer system are benefited due to the availability of sewer, whether or not the lot is hooked-up.

On the other hand, the monthly sewer fee for operation and maintenance is directly associated with the costs of active sewer service, such as power, labor and chemicals. Therefore, only active sewer users are charged for the monthly sewer use fee.

Q: What if a parcel is considered “non-buildable”?

A: Parcels that are truly “non-buildable” would not benefit from the proposed sewer projects and therefore should not be assessed. The Board is working to develop a policy regarding the non-buildable parcels within the District. Preliminarily, this process would involve the property owner providing proof to the District that indicates the parcel is truly non-buildable, conducting a site visit with the field superintendent to confirm the information provided, and the recording of a covenant of non-buildability with the District. The District intends to finalize this policy before the LID is finalized in 2015.

Q: Why wasn't the full \$10.4 million project approved by the Board in December 2012?

A: Due to public concerns voiced at the LID hearing (November 2012) and the Board meeting (December 2012), the Board reduced the scope and budget of the originally proposed \$10.4 million project to \$7.0 million which partially pays for the improvements to the HARSB Treatment Facility which are being mandated by the EPA. The Board wanted to explore an alternate option of “pay as you go” or through rate increases for the remaining \$3.4 million of sewer collection system improvements. This option (along with the LID amendment option) were presented in the newsletter (March 2013) and will be discussed at the April 9, 2013 hearing.

Q: Will there be a “cap” on the LID amendment or rate increase?

A: There will be a budget ceiling on the project of \$10.4 million for the LID amendment option. Thus, the District will not utilize more than \$10.4 million for the proposed project under the LID amendment option. The rate increase will be implemented to encompass all of the proposed projects (\$3.4 million). The Board may decide to implement the rate increase for longer than 10 years or may increase it if needed in order to complete the proposed sewer improvement projects.

The 2012 LID (\$7.0 million) is also capped and will remain capped regardless of the option selected (rate increase vs. LID amendment).