

RURAL WATER DISTRICT NO. 4
Douglas County

POLICY NO: 21
TITLE: LINE EXTENSION REIMBURSEMENT POLICY
NONDEVELOPERS

Rationale:

The District recognizes that in the normal course of business, it is possible that one party may pay for the cost of a waterline extension constructed and owned by the District, and that at a later time, another party may benefit from that same waterline. To that end, the Board of Directors addresses in this policy the procedure for cost sharing on line extensions, including reimbursements made to the property owners who originally paid for a waterline extension.

Policy:

Original Construction Procedure and Cost Computation.

1. When a new waterline extension has been completed and paid for by the original applicant under Policies 9A through 9F and other relevant District policy, the District staff shall determine and document the following:
 - The date such waterline was placed in service, which shall serve as the completion date.
 - The total measurement (in feet) of the waterline.
 - Each landowner as of the date the waterline is placed in service, and each landowner's share of the waterline's cost, as well as any costs borne by the District.

The cost of the waterline extension project shall not include the original applicant's fee for an engineering analysis, nor shall it include the original applicant's fee paid for a benefit unit in the District. All other costs, including engineering design, inspection and other soft costs, shall be included in the cost of the waterline extension.

The original cost of the waterline extension project shall be divided among the original participants based on the footage of the line, regardless of disproportionate installation costs such as rock incurred or valve and hydrant assemblies placed on the waterline at any point.

Pro-rata Reimbursement.

2. The reimbursement period will begin on the completion date of the waterline extension as defined in (1) above, and shall terminate 5 years subsequent to the completion date of the waterline extension. The determining date for whether the 5-year reimbursement period applies is the date of payment for a benefit unit by a subsequent applicant. If payment for a benefit unit is received within the 5-year window, a reimbursement will be due to the parties that originally paid for the cost of the waterline extension.

Procedures:

- Staff shall advise the new applicant of the engineering report results for the new applicant's benefit unit, and at that time, the new applicant shall be advised of the line extension reimbursement policy. (Nothing in this policy shall prohibit the District from advising the new applicant of the cost of the reimbursement at a later date.)
- The reimbursement shall be based on the total original cost of the waterline extension, whether paid by a patron or by the District, without adjustment for interest or depreciation. The sum to be paid by the new applicant shall be equal to the cost of the waterline extension determined in (1) above, divided by the number of Benefit Units served by the waterline extension, including the new applicant. The District's costs, if any, shall be accounted for separately.
- Payments by the new applicant are then made to the District, and then reimbursed to the appropriate parties. Any funds reimbursing the District for its contribution to the original waterline extension will be applied to the general fund.
- The District shall collect an administration fee from each new Benefit Unit owner on the waterline equal to five percent (5%) of the payment made by the new owner.

Qualification for Reimbursement

3. The following parties shall be eligible for reimbursement:
 - The original benefit unit owners that paid for all or a portion of the waterline extension
 - Subsequent benefit unit owners that have paid for a portion of the waterline extension's original cost

If the original benefit unit owner's land to which the benefit unit is assigned is transferred, no reimbursement shall be made for benefit units purchased on or after the date of transfer.

4. District bylaws require ownership of benefit units in the District to follow title to the land to which the benefit units are assigned. The Board of Directors recognizes that in addition to a fee simple transfer of land to a new, unrelated owner or group of owners, numerous land ownership transfers could cause the parties eligible for a reimbursement under this policy to change, including, but not limited to death, marriage, divorce, incorporation, corporate liquidations, formation of a trust and trust distributions. In these unique cases, it is the general intent of the Board of Directors for a party having a right to reimbursement under this policy to remain eligible for such reimbursement.

For example, when a husband and wife divorce and one spouse retains ownership in the land, the spouse with such ownership remains eligible for his or her original interest in a waterline extension reimbursement made under this policy. The spouse who transfers ownership of the land to the other spouse becomes ineligible for reimbursement on the date of transfer.

Due to the numerous types of transactions that could fall under this section (4) of this policy, the Board of Directors directs the District Administrator to apply this policy based

on the facts and circumstances of each case. When the District Administrator and the Benefit Unit owner cannot reach agreement on application of the policy, the case shall come before the Board of Directors for a ruling.

- A transfer/reassignment of the benefit unit to another parcel of land shall disqualify the original parties from receiving reimbursement.
 - A failure by District staff to assign the benefit unit to the correct landowner shall not affect the reimbursement, as reimbursement will always be made to the benefit unit owners participating in the waterline extension project.
5. The Board of Directors reserves the right to deviate from the general guidelines established in this policy if the facts of an individual case warrant it or if following this policy would cause a financial hardship for the District.

Dated 10-25-07