

**CITY COUNCIL SPECIAL MEETING  
APRIL 3, 2017 – 6:00 P.M.  
IONA COMMUNITY CENTER**

**PRESENT:** Mayor Brad Andersen, Council President Dan Gubler, Council Member Rob Geray, Council Member Dan Garren, Council Member Kathy McNamara, Attorney Dale Storer, Chief of Police Karl Bowcutt, and Treasurer Amy Sullivan.

**ABSENT:** City Clerk Shara Roberts and Public Works Director Zech Prouse.

**VISITORS:** Ted Hendricks and Paul Scoresby.

**Discussion of Water Connection Fee:** Attorney Storer discussed some of the many ways in which a city can fund maintenance of water system improvements, and some of the benefits and challenges of each. He discussed the pros and cons of using federal and state grants, judicial review, and bond elections for such purposes.

Alternatively, a city can use water connection fees to fund system maintenance. If the City desires to expand existing system capacity, it could also consider adopting an impact fee which is allowable under Idaho Law. He explained one of the challenges with funding system maintenance or expansion via water connection fees or impact fees is that the funds are gathered gradually which often takes a long period of time to accumulate enough to meaningfully be able to perform any type of large system expansion, and the amounts collected can fluctuate with the economy. In contrast, a bond election provides a fixed dollar amount in one lump sum which “loan” is then retired over a lengthy period of time.

Attorney Storer referenced and discussed a memorandum he prepared at request of the Mayor, and was distributed to the Council for review. He discussed two very recent lawsuits involving governmental entities who adopted a water/sewer connection fee ordinance and who were ultimately challenged in court. In, instances, the cities were ordered to refund any fees they had collected and they were further required to pay attorney fees to the plaintiffs.

He explained the Idaho Supreme Court has approved the equity buy-in method for calculating water connection fees. However, you first have to come up with the gross replacement value of your water system. This can be calculated by looking at the original costs and applying an index to arrive at current replacement value. From the gross replacement value, you deduct depreciation and any outstanding bond principal which gives you a net system value. From the net system value, you divide it by the number of users the system can service and the resulting figure produces the dollar value which you can charge a water connection fee. The Idaho Supreme Court has made it very clear that you cannot include projected or future expansion into that calculation.

In regards to including the value of existing water rights, the Idaho Supreme Court has not historically addressed the legality of including this component in the methodology. However, when a user connects to a city’s water system he or she receives the benefit of that water right. Attorney Storer pointed out that water rights are very valuable assets which do not depreciate

and he believes the Supreme Court would uphold its inclusion in the methodology even if historically they have not addressed it.

In closing, Attorney Storer recommended the Council hire a professional engineer to provide a detailed study using the equity buy-in method, and include the value of the existing water rights to justify the City's water connection fee. Additionally, he recommended the Council amend their city code to include a provision which outlines periodic review of the water connection fee every 5 years.

Engineer Paul Scoresby expressed his support for inclusion of the City's existing water rights in the methodology used to calculate the fee, and he further discussed the details of what would be included in the study. He indicated the approximate cost for the study would be \$5,000.

Mayor Andersen entertained a motion. Council President Gubler moved to approve Engineer Paul Scoresby to conduct a water connection fee study and to not exceed \$5,000. Council Member Geray seconded the motion. Approval was taken by a roll call vote:

Council Member Geray: Yes  
Council Member Garren: Yes

Council Member Gubler: Yes  
Council Member McNamara: Yes

**Review of City Wide Survey Questions:** Council Member Garren stated that he believed some of the question in the survey needed to be reworded and that more information needed to be provided to the public. He felt the questions should be designed to gather as much feedback from the public as possible and that the questions need to solicit more than a basic yes or no answer. He provided a handout of his proposed revisions for the Council's review.

The Council discussed the suggested revisions provided by Council Member Garren, and provided feedback to Mr. Hendricks on the direction they would like to see the questions designed. Overall, the Council liked the revisions, but encouraged simplicity and would like to see as many yes or no questions as possible.

Mr. Hendricks will work with Mayor Andersen and Clerk Roberts on the revisions and provide an updated version for the Council's review.

Meeting adjourned 7:28 p.m.

COUNCIL APPROVED: April 18<sup>th</sup>, 2017

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Brad Andersen, Mayor

ATTEST:

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Shara Roberts, City Clerk