



Northshore Utility District

Policy and Procedure: **ENG – 9**

PRIVATE WATER SERVICE LINES UPGRADE

BACKGROUND:

Northshore Utility District was formed in 1979 by the merger of two utility districts (Northeast Lake Washington Sewer District and King County Water District No. 79). During the 1970's, King County allowed shared access roads to remain private. King County Water District No. 79 also allowed developers the option to maintain water service lines in private ownership. Further, since these lines remained in private ownership they did not have to be constructed to District standards. In other words, neither the road nor the water lines were constructed to the standards required for acceptance as public facilities. To cut costs, many developers chose private ownership.

This practice is no longer allowed today. With changes of property ownership, most of the homeowners living on these private roads are unaware of the private nature of these water lines until there is a leak and they contact the District for repair. Over the years, some of these private water service lines were replaced and brought up to the District's standards, at the property owners' expense. They were then transferred to the District along with easements necessary for servicing the lines. Although the upgraded and transferred lines are now held and maintained by the District, other lines (not upgraded and transferred) continue to deteriorate and are repaired only sporadically.

By not building these water lines to the required standards for acceptance as District facilities, the real properties served by these private water lines never contributed their equitable share of the system's costs. Accordingly, it would be inequitable to ask the rest of the District's ratepayers to pay for the solution.

Today, 230 of these connections remain scattered over 54 subdivisions with pre-1981 private water lines. There are usually no organized homeowners associations to maintain these pipes or the private roads in which they are located. Property owners are slow to repair leaks due to the financial and logistical burden of repair and replacement of these private water mains ("Spaghetti Lines"). The result is the waste of valuable resources and an increased chance of cross-connection (contamination of the public water supply) and property damage. The District is also burdened administratively by having to explain and address issues related to these private water lines, with many property owners blaming the District for their predicament.

The Board of Commissioners has expressed its desire to address the problem.

PURPOSE AND SCOPE:

The purpose:

To create a program for the orderly replacement of private water lines in a manner that:

- addresses the system equity issue,
- keeps the related costs affordable, and
- meets the District's standards for system extension.

The scope:

This policy and related procedures apply to all real properties with pre-1981 private water lines that should have been constructed as District water system extensions. The projects are limited to those that have a minimum of three spaghetti line connections. Smaller stacked parcel projects are not covered under this policy. The projects are limited to pre-1981 to keep costs lower for participants as the new lines have not depreciated in value as much. There have also not been many spaghetti lines installed after 1980.

DEFINITIONS:

Spaghetti Line – (as used in this policy) is defined as pre-1981 private water lines that should have been constructed to meet the District's standards for acceptance as water system extensions. Generally these are long private service water lines that are connected to meters not on or adjacent to the property receiving service.

Full Benefit Participant (FBP) – Real properties that receive water service via a Spaghetti Line which is located in a private road of the subdivision. The real property may or may not use the private road for ingress and egress. By participating in the reconstruction project, a FBP will receive water service from a District maintained water main and will have a repaved private road. A FBP will be surcharged at the full rate.

Partial Benefit Participant (PBP) – An owner of real property that receives water service by connecting to a District-owned water main located in a public right-of-way or District-owned easement and either uses the private road of the subdivision for ingress and egress or is a party to a joint road maintenance agreement with the other property owners of the same subdivision served by Spaghetti Lines. By participating in the reconstruction project, a PBP will have a repaved private road. However, a PBP will have no right to connect to the reconstructed water main. A PBP will be surcharged at a reduced rate.

No Benefit Participant (NBP) - Property owners who (i) receive water service by connecting to a District-owned water main located in a public right-of-way or District-owned easement, (ii) does not use the private road of the subdivision for ingress and egress to their properties, and (iii) have no joint road maintenance agreement with the other property owners of the same subdivision served by Spaghetti Lines. A NBP has no right to connect to the reconstructed water main and will not be surcharged. However, a NBP may have to execute an easement agreement where necessary.

POLICY:

Northshore Utility District will follow a set of policies and procedures for the administration and reconstruction of Spaghetti Lines. The District's goals for these procedures include: (a) compliance with the applicable state laws; (b) clarity for District staff and affected property owners, (c) equitable allocation of system costs; and (d) consistent project administration.

PROCEDURES:

(A). Solution

The logical method to address the Spaghetti Lines problem is to do what should have been done when these lines were installed originally. This means replacing the private lines with a water main constructed to District standards with the necessary utility easement for the District to accept them for service as public facilities. The project will include the re-connection of each home's water supply line to a new meter to be installed at the home's property line. This solution will resolve the continual maintenance problems of these Spaghetti Lines for the affected property owners. The project will also include repaving of private roads shared by the participants.

(B). Participation

Until private water lines are accepted as donated facilities of a water system extension, Spaghetti Lines are the personal property of the real property owners receiving water service through them. Further, the affected real property owners will be asked to bear a substantial portion of the costs of the replacement.

The District will undertake the effort to upgrade these Spaghetti Lines on a subdivision-by-subdivision basis. In other words, the District will not initiate the project until all property owners of each subdivision execute the participation agreement (see Exhibit "B") and where necessary, the easement agreement.

In the event the District receives a report of a Spaghetti Line leak for a property included in a project where all of the participation agreements have already been signed and recorded, the District will make a spot repair to the Spaghetti Line to stop the leak if the location of the leak is in an area where the Spaghetti Line will be replaced by the District's new water main. If the reported leak is outside of this area, located between the house and the proposed meter location, the repair is still the responsibility of the property owner.

(C). Communication and Open House

The District will send a letter (Exhibit "A") to the affected property owners and hold an open house to explain the project.

(D). System Equity

The real properties served by the Spaghetti Lines have never built their local facilities to the required standards for District to accept them for service. Accordingly, it will not be fair to ask the rest of the ratepayers to shoulder the costs to replace these substandard Spaghetti Lines. However, to do nothing will mean continued risk and administrative burden on the overall system.

Some of these small subdivisions were created from larger parcels that were once a part of an old Utility Local Improvement District (ULID). In these cases, the original parcel might have been assessed the local facilities portion of the connection charge for one service connection. Under these circumstances, any local facilities connection charge paid will be credited to the re-subdivided lots against the Spaghetti Line reconstruction project costs. In addition, the properties served by Spaghetti Lines pay the same water service rates as other District customers. For this reason, the District will also credit each real property account with the average depreciation costs for the local portion of the District's water system since connection. The District's contributions to solve this problem will include:

- The administration of this program,
- Preparing all documents and paying for the recording,
- Providing low cost, long-term financing for the affected properties at the District's "AAA" bond rate,
- Credit for the aggregate average local facilities charge paid by the eligible properties (those in a former ULID), and
- Credit for the aggregate average local facilities portion of the District's depreciation cost since connection.

(E). Project Surcharge

A project participant (Full Benefit Participant or Partial Benefit Participant) has the choice of making a one-time payment equal to the Average Net Reconstruction Project Costs or bimonthly surcharge over 50 years. The project agreement will bind future property owner to the surcharge upon change of ownership. If a property is sold or if the owner wishes to pay off the unpaid portion mid-way through the 50-year payment schedule, the pay-off amount will be the present value of the applicable series of remaining future payments discounted at 4.25% at the planned pay off date. See Exhibit "D" for a breakdown of project cost calculations.

Property Class	BIMONTHLY - 50 YEARS		PAY UP FRONT	
	No ULID	Pre-Existing ULID	No ULID	Pre-Existing ULID
Full Benefit Surcharge (water service & road reconstruction)	\$137.12	\$127.98	\$16,942.70	\$15,812.45
Partial Benefit Surcharge (road reconstruction only)	\$35.63	\$35.63	\$4,401.87	\$4,401.87

The District wants to offer this as solution to property owners caught in this unusual predicament. It will take time to explain the offer to the affected property owners, organize participants and get all agreements signed. For this reason, the District will hold the cost of participation without inflationary adjustment for all who execute the participation agreement prior to December 31, 2020. The cost of participation will be reviewed and adjusted after that date.

(F). Project Scheduling

Since participation in this program is done by subdivision, the property owners of each subdivision must organize and decide amongst themselves. The District will schedule a reconstruction project only after all property owners within that subdivision have executed:

- the participation agreement (see Exhibit "B")
- easement agreement (see Exhibit "C"), for subdivision without the necessary utility easement.

To permit the District to plan and schedule projects, all agreements for a given subdivision must be signed and submitted by December 15th for that project to be constructed during the following calendar year.

It is anticipated that these water main projects would be constructed during the spring or summer months of the following year. Actual construction activities are expected to last three to eight weeks for each improvement project.

POLICY EXHIBITS:

- | | |
|-------------|-------------------------------------|
| EXHIBIT "A" | Project Explanation Letter |
| EXHIBIT "B" | Project Participation Agreement |
| EXHIBIT "C" | Water Facilities Easement Agreement |
| EXHIBIT "D" | Project Costing Example |
| EXHIBIT "E" | Subdivision Example |

QUESTIONS AND ANSWERS:

AUTHORIZATION:

Approved by the Board of Commissioners on **November 16, 2015.**


Margaret Wiggins
President, Board of Commissioners
Date Signed: 11-18-15


Fanny Yee
General Manager
Date Signed: 11-17-15

Project Explanation Letter

Date: _____

Mr. and Mrs. Property Owners
 XXXXX NE XXX Street
 City, WA ZZZZZ

Account Number: _____

Dear Mr. and Mrs. Owners:

The purpose of this letter is to inform you about a program the District is starting that may affect your water service and your private access road.

You may or may not be aware that the properties in your subdivision are supplied water from the meter boxes that are located in the public right of way through long service lines (also known as "spaghetti lines") typically under your private road. Most properties in the District are connected to meter boxes at their property line adjacent to the public right-of-way or off of a meter box connected to a District water main in an easement within or adjacent to their property. All of the water piping between the meter and your home is privately owned. This means you currently have the responsibility for the repair and maintenance of these spaghetti lines and the road they are under. This arrangement is an old way of development and is no longer permitted with new subdivisions.

Through changes in property ownership, many property owners served by these private water service lines are not aware of their predicament until the private service line starts leaking and they call the District for repair. Unfortunately, the cost to repair these private water lines are their own. On top of that, these spaghetti lines were typically installed in private roads that usually deteriorate due to lack of proper maintenance and repeated excavations for the repair of the spaghetti lines.

As a result of these types of issues, the District is proposing a project to assist you in resolving these problems before they reach a critical state, leaving you with a large unanticipated construction bill. In summary, the District will install a public water main in the private road with new water services to each property, with the meter boxes located directly adjacent to the homes, for a fixed cost. In addition, the private roadway will be repaved as part of the project. A copy of the policy explaining this project is attached. Please note that this is not a forced initiative. You and all of your neighbors must agree in order for a project to move forward in your area. If you and your neighbors are interested in a permanent solution with predictable costs and financing, please attend the informational meeting at the date and time set out below:

Place:	Northshore Utility District in the Northshore Room
Address:	6830 NE 185 th Street, Kenmore, WA 98028
Time:	5:30 p.m. to 7:00 p.m.
Date:	XXXX

Sincerely,

Dave Kaiser
 Engineering Director

PRIVATE WATER SERVICE LINE UPGRADE PARTICIPATION AGREEMENT

This agreement is made this ___ day of _____, 201__ by and between Northshore Utility District, a Washington state municipal corporation ("District") and _____ and _____ ("Owner").

RECITALS

- (a) Owner is the legal owner of certain real property with the address of _____ and King County, Washington, tax parcel number of _____, along with an undivided interest in the adjacent shared private access road ("Property").
- (b) District owns and operates a public water distribution system with a service area that includes Property.
- (c) Property is a part of a potential private water service line upgrade project ("Project"), also known as Project No. ___, which also includes the following neighboring tax parcels:

along with their respective undivided interest in the adjacent shared private access road.

- (d) All or almost all tax parcels included within Project are connected to the District's distribution system via privately-owned long water service lines ("Spaghetti Lines") installed within said shared private access road. Since construction, the Spaghetti Lines have deteriorated.
- (e) Owner and all other property owners included within Project are interested in a long-term solution.
- (f) District is willing to facilitate a long-term solution under certain conditions.

AGREEMENT

Owner and District agree as follows:

- (1) District will finance, administer and manage Project to:
 - (a) Install an appropriately-sized water main in the above-described shared private access road in accordance to District's standards and specifications ("New Main").
 - (b) Repave the above-described shared private access road after the New Main installation.

- (c) Relocate the water meters to the property line of each tax parcels included in Project for reconnection.
- (2) Upon completion, District will accept New Main for service and ownership as a public facility.
- (3) The repaved shared private access road will remain the private property of its existing owners.
- (4) Owner will be charged, and agrees to pay for, his/her/their share of the Project costs with the checked option below:
 - A one-time payment of \$_____ due the date the New Main improvements are complete.
 - A bi-monthly surcharge of \$_____ for a period of fifty (50) years from the date the New Main improvements are complete, with the option to pay off the unpaid balance at any time in the future.
- (5) This agreement is conditioned upon the execution, by all other property owners included within Project, of (i) a similar participation agreement and (ii) the attached easement agreement (if Project area does not have an existing utility easement acceptable to District).
- (6) All terms, conditions and provisions herein shall be covenants running with Property and shall be binding upon Owner, successors, heirs and assigns. A copy of this agreement shall be recorded against Property with the King County Recorder's Office.

OWNER:

DISTRICT:

Owner-1 Name

Fanny Yee, General Manager
Northshore Utility District

Date: _____

Date: _____

Owner-2 Name

Date: _____

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ and _____ is/are the person(s) who appeared before me, and said person acknowledged that he/she/they signed this instrument and acknowledged it to be his/her/their free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature

Printed Name

NOTARY PUBLIC in and for the State of Washington
residing at: _____

Commission expires: _____

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Fanny Yee is the person who appeared before me, and said person acknowledged that as the General Manager of Northshore Utility District, she is authorized to sign this instrument for the uses and purposes mentioned in the instrument.

Dated: _____

Signature

Printed Name

NOTARY PUBLIC in and for the State of Washington
residing at: _____

Commission expires: _____

WATER FACILITIES EASEMENT AGREEMENT

This instrument is made this ____ day of _____, 201__ by and between _____ and; _____ and; _____ herein called the "Grantor", and Northshore Utility District, a municipal corporation of King County, Washington, herein called "Grantee".

- 1. For and in consideration of value paid by Grantee, and other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, Grantor hereby grants and conveys to Grantee, its successors and assigns, a perpetual easement for the water lines with necessary appurtenances over, across, along, in, upon, under and through, the following described real property in King County, Washington, more particularly described as follows ("Real Property"):

[Empty rectangular box for Real Property description]

- 2. This Easement consists of all that portions of Real Property legally described as follows ("Easement"):

[Empty rectangular box for Easement description]

- 3. Grantor further conveys and grants to Grantee a temporary construction easement ("Construction Easement") for all purposes during the construction of said water lines with necessary appurtenances over, across, along, in, upon, under and thorough Easement, together with the right of ingress and egress (through Real Property) for the foregoing purposes. Construction Easement is to commence on the date of this instrument and to terminate at such time the water lines and appurtenances have been accepted for maintenance and operation by Grantee. The legal description of Construction Easement is as follows:

[Empty rectangular box for Construction Easement description]

- 4. Grantee shall have the right without prior institution of any suit or proceeding at law, at times as may be necessary, to enter upon Construction Easement through Real Property for the purpose of installing, constructing, operation, maintaining, repairing, altering, making connections or reconstructing said water lines and appurtenances, without incurring any legal obligation or liability therefor; provided that if the area within Easement is disturbed by such installation, constructing, operating, maintaining, repairing, altering, making connections or reconstruction of said water lines and appurtenances, Grantee shall restore the Easement area to a condition equal to or better than the condition prior to construction.

- 5. Grantor shall retain the right to use the surface of Easement, so long as such use does not interfere with the installation, construction, operation, maintenance, repair, alteration, connection to or reconstruction of said water lines and appurtenances. Grantor, Grantor's heirs, successors and assigns shall not place or have placed upon Easement or Construction Easement obstructions such as a building(s) or structure(s) of a permanent nature, building or structure overhangs, rockeries, retaining

walls, trees or shrubs. Any appurtenances constructed to be at grade (such as manhole cover) shall be left at grade and not to be covered by fill or other material.

- 6. All impediments placed on an easement in violation of the terms of the easement agreement may be removed by Grantee at Grantor's expense. Any expenses incurred by Grantee in removing the impediment shall become a lien on Real Property if not paid within 30 days of invoice.
- 7. Grantee shall indemnify, defend and hold harmless Grantor, Grantor's heirs, successors and assigns from any and all claims for injuries and/or damages suffered by any person which may be caused by the of exercise of the rights herein granted, provided, that Grantee shall not be responsible for any injuries and/or damages to any person caused by Grantor.
- 8. This Easement and the covenants herein shall be equitable servitudes or covenants running with Real Property and shall be binding upon the successors, heirs, and assigns of both parties hereto.
- 9. Grantor warrants that the Grantor has clear title to Real Property, Easement and Construction Easement and warrants the Grantee title to, and quiet enjoyment of, Easement and Construction Easement conveyed herein.
- 10. If either party is required to bring legal action to enforce or enjoy the covenants and rights granted by this agreement, the prevailing party shall have the right to recover all attorney's fees, witness fees, costs and expense associated with the legal pursuit or resulting from the denial of these rights, whether in mediation or arbitration, at trial and on appeal, and in any bankruptcy proceeding.

Grantor:

Grantor:

Signature

Signature

Print Name

Print Name

Grantee:

Signature
Northshore Utility District
By its General Manager, Fanny Yee

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature

Printed Name

NOTARY PUBLIC residing at _____
and for the State of Washington
Commission expires: _____

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in the instrument.

Dated: _____

Signature

Printed Name

NOTARY PUBLIC residing at _____
and for the State of Washington
Commission expires: _____

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Fanny Yee is the person who appeared before me, and said person acknowledged that as the General Manager of Northshore Utility District, she is authorized to sign this instrument for the uses and purposes mentioned in the instrument.

Dated: _____

Signature

Printed Name

NOTARY PUBLIC residing at _____
and for the State of Washington
Commission expires: _____

Project Costing Example

(A). Project Cost Allocation

The average project cost for all affected properties is \$17,603.39 per lot (2015 estimate). The District will reduce the average reconstruction project cost by: (i) the local facilities portion of the connection charges paid by the affected properties located within a pre-existing utility local improvement district, and (ii) the local facilities portion of the depreciation costs for the water distribution system based on the average number of years of service of all affected properties. The cost for a Partial Benefit Participant is not affected by a pre-existing ULID. The District will add an interest charge using the current applicable 50-year revenue bond (serial maturity) rate of 4.25%. The resulting reconstruction project costs allocated to each affected lot will be collected as bimonthly surcharge over fifty years (from the date of reconstruction) as follows:

Property Class	No ULID	Pre-existing ULID
Average Reconstruction Project Costs	\$17,603.39	\$17,603.39
LESS Average Local Facilities Connection Fee Credit	\$0	\$1,130.25
LESS Average Local Facilities Depreciation Credit	\$660.69	\$660.69
EQUALS Average Net Reconstruction Project Costs	\$16,942.70	\$15,812.45
Applicable Bond Rate	4.25%	4.25%
Full Benefit, 50-year, Bimonthly Surcharge	\$137.12	\$127.98
Partial Benefit, 50-year, Bimonthly Surcharge	\$35.63	\$35.63

See below for explanation of calculations

(B). Format and Examples of Participation and Surcharge

In the diagram in Exhibit "E" – Subdivision Example, lots 2 through 9 are FBP's who receive water service via a Spaghetti Line. Lots 1 and 10 are connected directly to the District's water main. Lots 1 through 9 all access the public right-of-way using the private road, while Lot 10 accesses the public right-of-way directly. If the District were to construct a public water main in the private road to serve these lots, all property owners with ownership interest in the private road must sign an easement agreement to allow the installation and location of the proposed water main unless a public utility easement is already in existence. The project will include repaving the private road. Lots 2 through 9 will be assessed the full surcharge for the project costs. As a PBP, lot 1 will be assessed a reduced surcharge for the road repaving cost only, but it will have no right to connect to the newly constructed water main. Unless there is a road maintenance agreement covering all ten lots, lot 10 is a NBP and will not be assessed a surcharge at all. If the whole subdivision is covered by a joint road maintenance agreement, then lot 10 will be treated like lot 1 as a PBP. However, if lot 10 is also supplied via a Spaghetti Line installed in the private road, it will be surcharged as a FBP even if it does not use the private road for ingress and egress.

Assuming this subdivision was created from a large lot within a ULID and a local facilities charge was paid by the original large lot, the surcharge will be assessed for a period of fifty years as follows:

Full Reconstruction Bimonthly Surcharge: \$127.98 (for each 8 FBP's)

Road Paving Only Bimonthly Surcharge: \$35.63 (for PBP)

Subdivision Example

