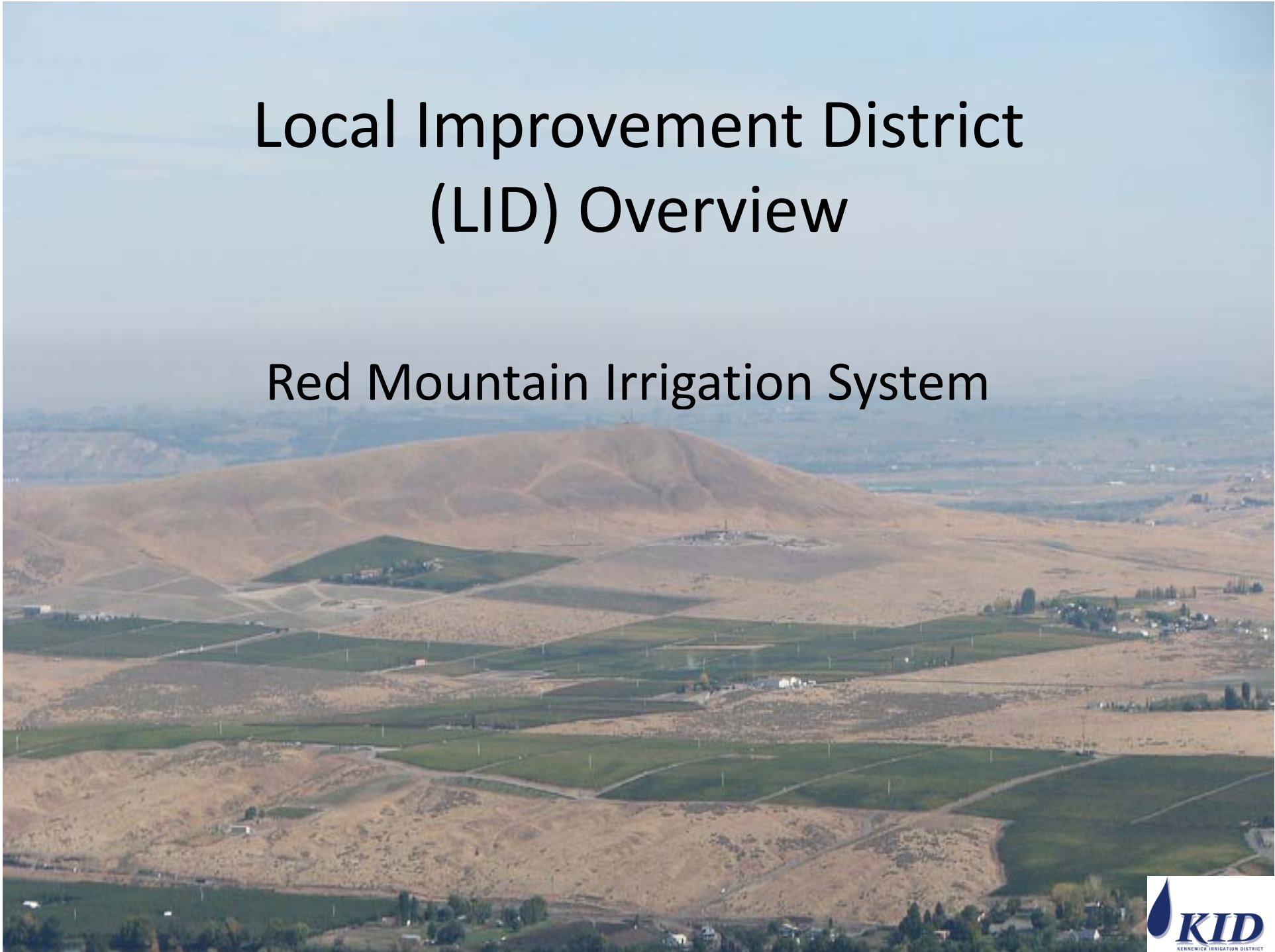


# Local Improvement District (LID) Overview

## Red Mountain Irrigation System



# An LID Is...

- A funding mechanism for engineering & construction of capital improvements
- Uniquely American & dates back to colonial times
- Administered and funded by the KID

# An LID...

- Is governed by the Revised Code of Washington, Section 87 & other applicable sections
- Is a special assessment district created for the repayment of design, construction & funding costs
- Is NOT a self-governing special purpose district

# Capital Improvements Constructed by an LID...

- Are engineered, bid & constructed to the KID's standards
- Become the property/infrastructure of the KID
- Are operated and maintained by the KID

# LID Funding Does Not...

- Include the normal rates and tolls of the KID for service provided by KID, through the new infrastructure
- Include charges for maintenance and operation of the infrastructure

# Basic LID Phases

1. Pre-petition
2. Petition
3. Feasibility, preliminary engineering, preliminary assessment method and assessment roll
4. LID Formation Hearing
5. Engineering and construction contract bid
6. Review of bid and total LID costs.

# Basic LID Phases (Continued)

7. Construction
8. Final cost accounting & preparation of the Final Assessment Roll
9. Final Assessment Roll hearing
10. Record Final Assessment Roll with County Assessor. Liens placed on properties for full amount. Repayment administration by KID.

# LID's Have the Reputation of Being:

- Difficult to administer
- Take a lot of agency staff time
- Progress very slowly
- A public relations nightmare

# How an LID Becomes a Nightmare

1. The LID participants thought they were getting a much better system than what was constructed
2. Those opposed to the LID do not get involved, do not come to the informational meeting and public hearings thinking no action will kill the LID process
3. The LID participants think the cost estimate and preliminary assessment roll presented at the LID formation hearing are guaranteed and final, and think the agency is cheating them when the final costs are different

# How an LID Becomes a Nightmare (Continued)

4. It is determined at the construction contract bid opening that the estimate for the total cost at the LID formation hearing was too low and the higher cost kills the project, leaving the LID participants to pay for engineering and administration that will provide them nothing
5. Participants do not understand the repayment mechanism including the LID lien
6. The LID participants must understand the LID does not include the annual service assessments or power costs

# Critical Components of a Successful LID

1. The performance & capacity expectations for the system are clear
2. All proposed LID participants get involved & understand that not making written protest before or at the LID public hearings implies consent to the LID by RCW 87.03.486
3. The initial engineering estimate is very conservative to assure costs don't kill the project when the construction bids are received

## Critical Components of a Successful LID (Continued)

4. It is understood the actual project costs, not the estimate presented at the LID formation hearing, are what determine the final assessment roll
5. All the terms of repayment; length, interest, lien, etc., are clear
6. The LID participants understand the LID repayment does not include the annual service assessments