

MINUTES OF A CONTINUED MEETING OF THE CITY
COUNCIL OF THE CITY OF COEUR D'ALENE, IDAHO,
HELD AT THE LIBRARY COMMUNITY ROOM

June 9, 2025

The Mayor and Council of the City of Coeur d'Alene met in a continued session of said Council at the Coeur d'Alene City Library Community Room on June 9, 2025, at 12:00 p.m., there being present the following members:

Woody McEvers, Mayor

Christie Wood)	Members of Council Present
Dan Gookin)	
Kiki Miller)	
Amy Evans)	
Kenny Gabriel)	
Dan English)	

CALL TO ORDER: Mayor McEvers called the meeting to order.

Mayor McEvers noted that the purpose of the workshop was to provide an opportunity for Council to further discuss the water rates and capitalization fees following the June 3, 2025 Council meeting.

STAFF REPORT: Water Department Director Kyle Marine presented an overview of the city's water infrastructure, highlighting the importance of well sites, which are central to water distribution and quality. He explained the use of operational tools and large equipment, the SCADA system for real-time monitoring, and the water system's capacity which is up to 48 million gallons per day during peak summer usage. Mr. Marine emphasized the strain on infrastructure during peak demand and the risk of water restrictions if a well fails. He noted aging wells nearing their life expectancy and the high cost of replacements. The City operates 11 wells, 7 pressure zones, 7 booster stations, and 7 tank sites, with over 318 miles of pipe, of which 84 miles are undersized for fire flow. He also discussed the challenges of aging pipes and the department's \$900,000 annual power cost for the wells and boosters. Mr. Marine reported that the City has over 21,000 service connections which will cost around \$7,000 - \$10,000 to replace $\frac{3}{4}$ " services and the life span is 75 years. Approximately 6,700 service lines in the City are over 50 years old, with crews replacing 200-300 annually. Larger service lines require vaults due to meter size, and upgrades are ongoing. Unexpected utility issues can increase costs. Mr. Marine also addressed Council questions brought forward at the the last City Council meeting about local water rates, comparing Coeur d'Alene's rates with nearby districts noting that many are increasing rates and that some do not provide fire flow or irrigation. Addressing concerns about Sandpoint's water moratorium, he clarified it applies only to outlying areas lacking infrastructure.

Two rate scenarios were presented, with the first scenario funding the full \$84.3 million capitalization plan involving 22% annual rate increases from 2025 to 2027, then dropping to 2%

annually. This would result in a monthly increase of \$5.23 in 2025 for single-family homes, rising to \$7.80 by 2027 before dropping to under a dollar. The second scenario involves funding a reduced capital plan of \$68.3 Million involving 8.6% annual rate increases from 2025 to 2032, which is a little over \$2 a month to start and \$3.64 in 2032. Mr. Marine explained that capital fees are essential for funding infrastructure needed to support growth, such as new transmission mains, wells, and new tanks.

Mr. Marine presented the five-year capital improvement plan and the risks of a reduced capital plan. He also discussed the complexity of calculating Equivalent Residential Units (ERUs), which are based on peak day demand and must be approved by DEQ to avoid overcommitting water service. Lastly, he emphasized the aging infrastructure, with eight core assets over 50 years old and three well sites showing signs of deterioration. He stressed the importance of proactive upgrades to avoid system failures, especially during peak summer months when the system runs at full capacity. The department has saved approximately \$1.8 million for future projects like a new tank, though additional financing will be needed.

DISCUSSION: Councilmember Gabriel expressed concern about the risks of falling behind on routine maintenance. He stressed the importance of rate increases not just for capital improvements but also to maintain essential operations. Mr. Marine agreed and explained that as the City grows, water demand increases, particularly in areas farther from the aquifer. To address this, the City is considering whether to build new wells closer to high-need areas like downtown or invest in long transmission mains from high-yield zones. He assured the Council that the department is proactively planning to ensure cost-effective and reliable water service; however, they would need Council's support to stay ahead.

Mayor McEvers asked whether it makes sense to place a new well next to an old one. Mr. Marine responded that it is possible but requires careful planning and site-specific analysis. He explained that this depends on the geography with some wells being able to be placed as close as 20 feet apart without interference but areas near hillsides require wells to be spaced farther apart due to slower water movement.

Councilmember Miller requested clarification about Sandpoint's water moratorium, seeking to understand its scope and implications. Mr. Marine explained that the moratorium applies to certain parts of Sandpoint's system where water can't be adequately transferred due to infrastructure limitations. As development moves farther from the water source, it becomes harder to deliver water without major upgrades, which would typically be the developer's responsibility. Councilmember Miller asked if the moratoriums are meant to temporarily pause development while solutions are implemented, and expressed concern about Coeur d'Alene potentially facing a similar situation if infrastructure doesn't keep pace with growth. City Attorney Adams confirmed that moratoriums are temporary and usually for emergency situations.

Councilmember Miller raised concerns about how infrastructure expansion is funded, emphasizing that while growth should ideally pay for itself, the City cannot require individuals outside city limits to fund the entire water transfer system for areas that may eventually be annexed. In response, Mr. Marine explained the City's proactive approach to planning for future water needs. This includes securing land for tanks and wells, conducting test wells, and using capitalization fees

from the sale of Equivalent Residential Units (ERUs) to finance infrastructure projects. He noted that the cost of installing a well, typically between \$2 to \$3 million, continues to rise, and the City calculates ERU costs based on system capacity and service size. Councilmember Miller asked why developers don't cover all water infrastructure costs, including maintenance. Mr. Marine clarified that developers are responsible for installing on-site infrastructure such as water mains and service lines, which are then transferred to the City. However, the City retains control over the placement and funding of major infrastructure like wells and tanks to ensure system-wide efficiency. Developers pay connection fees based on service size, which contribute to funding these larger projects. This approach allows the City to strategically manage water resources rather than relying on developers to place critical infrastructure. Councilmember Gookin asked why developers can't be required to pay for wells and tanks, with the City retaining control over their placement. Mr. Marine explained that while this is possible, the City instead collects capitalization fees from developers, which allows the City to determine the most strategic locations for infrastructure. If developers were responsible for installing wells or tanks directly, they might place them in locations that don't align with the City's broader system needs. He emphasized that the City does collaborate with developers to secure suitable sites. Councilmember English stated that, rather than building multiple small or medium-sized tanks, it makes more sense to pool resources such as capitalization fees, and construct a single, larger tank that can serve multiple developments.

Councilmember Wood pointed out that the Comprehensive Plan, though only about a year and a half old, already seems outdated given current discussions. She referenced the \$6.2 million high zone water pipe scheduled for 2029 and asked whether it would be funded through capitalization fees rather than increased water rates. Mr. Marine explained that while cap fees can cover part of the cost, the project also addresses existing system deficiencies, meaning some funding must come from current user rates. He noted that the issue stems from past development and hydraulic imbalances between two tanks, which were only recently identified through updated modeling. Councilmember Wood also questioned why the Comprehensive Plan originally projected no need for debt, yet the City is now considering it. Mr. Marine attributed this shift to inflation and rising construction and labor costs, explaining that while the City uses professional studies to forecast expenses, actual costs have outpaced earlier estimates.

Councilmember Gookin noted that while the Comprehensive Plan states groundwater is the sole source, the City holds surface water rights from Lake Coeur d'Alene. Marine explained that the City maintains the old screen well site at 11th Street to preserve those rights, even though the infrastructure is outdated and not currently used. While surface water could be used for irrigation, the cost of reactivating the system is high, and building a separate water system would be more expensive than using the existing groundwater infrastructure. The City has explored grants for such projects but hasn't qualified for any so far. Councilmember Gookin also asked about "unaccounted for" water, which Mr. Marine said includes leaks and unmetered uses like fire hydrants and must be tracked to stay eligible for funding. Lastly, Councilmember Gookin pointed out a chart showing declining peak water use. Mr. Marine explained that data for 2024 and 2025 is missing due to delays in the DEQ approval process for the Comprehensive Plan. He added that water usage trends are influenced by weather patterns and rate increases, with hotter years and lower rates typically leading to higher consumption.

Councilmember Wood noted that City systems are only 30–40% efficient due to issues like broken sprinkler heads and daytime watering. She asked whether funds from the Water Department could be transferred to Parks to address these problems with city property. Mr. Adams explained that such interfund transfers are likely not allowed for routine maintenance. Councilmember Wood suggested revisiting the issue in the future, as the City should address its own inefficiencies. Councilmember English added that rate increases can encourage residents to reduce water use and fix their own irrigation issues.

Councilmember Gookin asked about water supply capacity evaluation in the Comprehensive Plan projection that the City won't reach its 53 million gallons per day capacity until 2033. Mr. Marine clarified that while the system has that capacity, peak demand during early morning hours can exceed pumping capabilities, creating short-term strain. Councilmember Gookin also asked about tank planning, including splitting the Fernan Hill and Stanley Hill zones to prevent system-wide failures during outages. Mr. Marine confirmed this has happened before and that separating the zones would improve reliability. Councilmember Gookin questioned the need for tanks at Armstrong Park and Blackwell Hill. Mr. Marine responded that those tanks are planned for future growth and would be funded through capitalization fees if development occurs. He emphasized that the City is legally required to provide fire flow, even to areas outside city limits.

Councilmember Gookin raised concerns about the funding and planning for the T1 high zone storage tank, noting that it had long been assumed funding was secured. Kyle Marine clarified that while \$1.8 million has been set aside, capitalization fees have not generated enough revenue to fully fund the project, which primarily benefits existing customers with pressure issues. As a result, the City will need to take on debt to complete the tank. Councilmember Gookin questioned why this wasn't anticipated in the previous plan, and Mr. Marine explained that the original intent was to fund it through cap and rate fees, but revenue has fallen short.

Councilmember Gookin asked how much of the \$68.3 million in projected costs could be covered without raising rates. Mr. Marine estimated the City's general maintenance budget at about \$8 million per year, totaling \$40 million over five years, leaving a \$28 million gap for system improvements. Councilmember Gookin emphasized the importance of focusing on a five-year planning window due to economic uncertainty and supported Scenario 2 of the rate plan, which delays \$16 million in projects but still funds essential maintenance. Mr. Marine agreed, noting that Scenario 2 allows the City to stay on track without overcommitting. Councilmember Evans noted that Scenario 2 carries certain risks that could directly affect constituents, to which Mr. Marine agreed.

Councilmember Wood noted the issue of what would be the appropriate rate change. She pointed out several high-usage customers and asked whether the City had contacted them or considered rate adjustments. Mr. Marine said the City does reach out to large users and has plans to hire staff to work with these residents, though staffing constraints have delayed that. He added that some users, including developers, have responded that it's cheaper to install grass and use water than to invest in more efficient landscaping. Mayor McEvers asked if the City could simply charge these users more, but Mr. Adams clarified that state law requires fees to be reasonably related to the cost of service, not used as punishment or incentive. Councilmember Gookin asked about offering incentives for conservation, such as rebates for installing efficient irrigation systems. Mr. Marine

confirmed that a small rebate program exists, where customers can submit receipts and a brief explanation to receive a bill credit. Councilmember English suggested a standardized fee for users exceeding a certain threshold. Mayor McEvers asked about the Clayton well if it would have potential in 10 years. Mr. Marine explained that while the well is tested annually, contaminant levels have not significantly decreased, making it unlikely to become a productive well site.

Councilmember Miller expressed concern about high water users passing increased costs onto tenants, which could negatively impact residents. She advocated adding more water rate tiers beyond the current three, arguing that users who consume significantly more water should pay proportionally more, as their usage places greater strain on the system. She emphasized this as a fairness issue, not a punishment. Mr. Adams noted that such a change would require study from consultants to ensure it complies with legal standards.

FIRST MOTION: Motion by Gookin, seconded by Wood to direct staff to move forward with scenario 2 at the fee increase public hearing.

DISCUSSION: Councilmember Gookin noted that Scenario 2 includes increases to capitalization fees, which would apply regardless of the chosen scenario, and Mr. Marine confirmed this to be correct. Councilmember Miller proposed the addition of more water rate tiers for high-usage customers. Mr. Marine noted that adding a new tier would require additional analysis and likely delay the public hearing currently scheduled for July 15, with rate changes set to take effect August 1. He explained that the City's rate consultants would need a few months to conduct the necessary research and legal review, and any changes would require a separate public hearing. Mr. Adams noted that adding rate tiers would come back to Council for public hearing.

ROLL CALL: Gookin Aye; English Aye; Wood Aye; Evans Aye; Miller Aye; Gabriel Aye.
Motion carried.

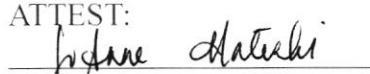
SECOND MOTION: Motion by Miller, seconded by Gookin to direct staff to review adding of additional tiers and bring forward to Council in a public hearing process prior to the next spring rate increase.

ROLL CALL: English Aye; Wood Aye; Evans Aye; Miller Aye; Gabriel Aye; Gookin Aye.
Motion carried.

ADJOURNMENT: Motion by Gookin, seconded by Wood that there being no other business, this meeting be adjourned. **Motion carried.**

The meeting adjourned at 1:18 p.m.


Woody McEvers, Mayor

ATTEST:

Jo Anne Mateski
Executive Assistant