

RACINE WATER UTILITY

NEW LARGE CUSTOMER REC FEE

PAYMENT DEFERRAL POLICY

In the past, the Racine Water Utility (“Utility”) has expended significant sums of money to pay for regional water infrastructure improvements that are necessary to sustain future growth that includes new residential and commercial development in the City of Racine, Village of Sturtevant and Village of Mt. Pleasant (collectively the “Municipalities” or individually a “Municipality”). Those expenditures have enabled large commercial developments to locate in the Municipalities without having to extend infrastructure to provide water service to the developments.

The Municipalities, via water service agreements and/or ordinances, have instituted a system that requires new residential and commercial developments to pay contract connection charges for each new water service connection, more commonly referred to as “REC Fees”, that allow the Utility to recover the cost previously paid by the Utility for regional water infrastructure improvements. The intent of requiring the payment of REC Fees when new developments occur is to have the users of the extended regional water infrastructure improvements pay for those improvements, as opposed to passing the cost of those improvements onto all customers of the Utility in the form of increased water rates.

The determination of the amount of REC Fees to be paid for a new development is based upon the anticipated water usage of the development expressed as a multiple of the annual water usage of a typical single-family residence. Currently REC Fees are required to be paid in full by the Municipality where the development is located within 30 days after the granting of certain permits for the new development. Although each Municipality generally collects the REC Fees from the property owners of new developments and pays the amount collected to the Utility, each Municipality is primarily obligated to pay all REC Fees.

As used herein, the term “new large commercial development” means either:

1. The construction of improvements to real property on an entirely vacant tax parcel(s) for a new use requiring a new water service connection, with expected water usage of 50 or more RECs, for a new building or facility that is not in existence at the time a Municipality submits a water connection charge worksheet to the Utility for the new use; or
2. The construction or modification of improvements to real property for a change of use or the addition of a new use, with expected water usage of 50 or more RECs, on any tax parcel already

connected to the Utility's water system at the time a Municipality submits a water connection charge worksheet to the Utility for the new or changed use.

It is recognized that the payment of REC Fees by potential new large commercial developments with expected water usage of 50 or more RECs involves substantial sums that may be a disincentive for said developments to locate in the Municipalities. At the same time, it is recognized that the Utility has expended the money to pay for the regional water infrastructure improvements based upon the agreements and ordinances of the Municipalities that require the payment of REC Fees.

In order to enable the Municipalities to better attract new large commercial developments, the Utility will provide the Municipalities with the option to pay REC Fees for new large commercial developments over time under the following terms and conditions:

1. For new large commercial developments for which the contract connection charge is based upon not less than 50 nor greater than 99 RECs, the Municipality where the development is located may pay the contract connection charge over a period of 15 years, provided that the Municipality executes a promissory note made payable to the Utility for the full amount of the contract connection charge plus interest at the rate of 1% per annum. The promissory note shall: (i) allow for prepayment at any time without penalty, (ii) be satisfactory to the Utility and substantially in the form attached hereto as Exhibit "A", and (iii) be executed by the Municipality and delivered to the Utility prior to the granting of a building permit for the development by the Municipality.

2. For new large commercial developments for which the contract connection charge is based upon greater than 99 RECs, the Municipality where the development is located may pay the contract connection charge over a period of 20 years, provided that the Municipality executes a promissory note made payable to the Utility for the full amount of the contract connection charge plus interest at the rate of 1% per annum. The promissory note shall: (i) allow for prepayment at any time without penalty, (ii) be satisfactory to the Utility and substantially in the form attached hereto as Exhibit "A", and (iii) be executed by the Municipality and delivered to the Utility prior to the granting of a building permit for the development by the Municipality.

This policy shall not apply to any amount due pursuant to a recalculation of a contract connection charge by the Utility pursuant to any applicable water service agreement or ordinance.

The Utility reserves the right to modify or terminate this policy at any time.

EXHIBIT "A"
PROMISSORY NOTE

\$ _____

Racine, Wisconsin
_____, 20__

FOR VALUE RECEIVED, the undersigned, _____, a Wisconsin municipal corporation ("Borrower") promises to pay the Racine Water Utility, a municipal public utility governed by the Racine Waterworks Commission ("Utility") the principal sum of _____ Dollars (\$ _____) in 180/240 equal installments of principal and interest in the amount of \$ _____ commencing on _____, 20__ and on the same day of each month thereafter, plus a final installment of the unpaid principal balance and accrued interest due on _____, 20__ ("Maturity Date").

Interest Rate. The unpaid principal balance of this Note outstanding from time to time shall bear interest prior to maturity at an annual rate equal to 1.0% for the period commencing on the date hereof until this Note is paid in full.

Payments. All payments of principal and interest on this Note shall be made in immediately available funds in lawful currency of the United States of America on the due date at 800 Center Street, Racine, Wisconsin 53403, or at such other address as the Utility may designate to the Borrower in writing. If a payment is 10 days or more late, the Borrower shall pay the Utility a late fee of 5% of the scheduled payment or \$25, whichever is greater, up to the maximum amount of \$250 per late fee.

Prepayments. The Borrower may prepay this Note at any time without premium or penalty. Any prepayment of this Note shall be applied first to accrued but unpaid interest and then to principal payments in the inverse order of maturity.

Default. Borrower agrees that time is of the essence with respect to payment of principal and interest when due, and in the performance of the terms, conditions and covenants contained herein. As used in this Note the term "event of default" means the occurrence of any of the following: (a) the Borrower fails to pay (i) principal on this Note when the same becomes due and payable, whether at a stated payment date or by acceleration or (ii) interest on this Note, or any fee or other amount payable under the Note, when the same becomes due and payable; (b) any representation or warranty made in this Note is false in any material respect on the date as of which it is made or as of which the same is to be effective; (c) the Borrower fails to comply with any term, covenant or agreement contained in this Note; (d) the Borrower becomes insolvent or fails to pay its debts as they become due; or (e) the taking of an action by the Borrower to become the subject of proceedings under the United States Bankruptcy Code or under a state receivership law or statute, the execution by Borrower of a petition to become a

debtor under the United States Bankruptcy Code or a state receivership law or statute, the filing of an involuntary petition against the Borrower under the United States Bankruptcy Code or a state receivership law or statute; or the entry of an order for relief against the Borrower under the United States Bankruptcy Code or a state receivership law or statute. Upon the occurrence of an event of default the holder of this Note may, at its option and without notice or demand, declare this Note to be, and this Note shall thereupon become, immediately due and payable, and as to an event of default under subsection (e) of the above definition of event of default, this Note shall, without action on the part of the Utility or any notice or demand, become automatically due and payable. The Utility shall have all of the remedies upon default provided in this Note, as well as any remedies under applicable law.

Expenses. The Borrower agrees, to pay on demand all out-of-pocket expenses incurred by the Utility in connection with the enforcement of this Note, including the reasonable fees and expenses of the Utility's counsel.

Governing Law. This Note is being delivered in and governed by the laws of the State of Wisconsin and shall be interpreted and the rights and obligations of the parties hereunder enforced in accordance with the laws of the State of Wisconsin.

The Borrower hereby expressly waives presentment, protest and notice of acceleration, nonpayment and dishonor, and agrees to pay all costs of collection, including reasonable attorneys' fees.

_____, a
Wisconsin municipal corporation

By _____

Mayor/Village President

Attest:

City/Village Clerk