

RESOLUTION NO. 2014-Res. # 002

RESOLUTION OF INTENT TO RESTRUCTURE AND CHANGE RATES FOR USERS OF THE CITY OF POLSON MUNICIPAL WATER AND SEWER SYSTEMS

RECITALS

WHEREAS, the City of Polson (City) has the power and authority, to regulate, establish, and change as it considers proper the rates, charges, and classifications imposed on utility services to its inhabitants and other persons served by the its water and sewer systems (Section 69-7-101, et seq, MCA). Rates, charges and classifications must be reasonable and just;

WHEREAS, the water and sewer rates have not been increased since 2009 and rates have not kept pace with increasing operating expenses, water debt service and capital improvements;

WHEREAS, the current water rate structure is complex with separate rate classes for commercial users and residential users and further differentiated by meter size;

WHEREAS, the City is undertaking a major water project called the "Downtown Looping Project" in fiscal year 2014-15 and anticipating the construction of a well on the east side of the City when land can be purchased;

WHEREAS, the City has recently completed a Preliminary Engineering Report (PER) and the Polson City Commission (Commission) has chosen to support, in the public interest, the construction of a mechanical wastewater treatment plant using a membrane bioreactor treatment (MBR) process to replace the existing lagoon system in fiscal year 2016-17 and 2017-18 with preliminary design and equipment procurement occurring in fiscal year 2015-16;

WHEREAS, the Commission has proposed to fund such capital improvements by the issuance of long term obligation bonds and accordingly, finds that it will be necessary and prudent for the City to collect revenues toward the repayment of such obligation;

WHEREAS, the Commission has hired a consultant for the purpose of equitably and reasonably spreading the service charges over the users and consumers of the water and sewer systems and has received a report upon which this Resolution is based;

WHEREAS, based on the consultant's report and the proposed rate changes, the estimated water rate increase for the average residential customer with a ¾" meter and usage of 5,000 gallons per month would be \$8.95 per month. This is based on the difference between the current minimum charge of \$13.93 and \$0.00 for usage (a usage allowance of 5,000 gallons is part of the minimum charge) and a proposed minimum charge of \$18.08 and \$4.80 for usage (a usage allowance of 2,000 gallons would be part of the minimum charge). The estimated sewer rate increase for the average residential customer with a ¾" meter and average winter water usage of 5,000 gallons would be \$50.25 per month. This is based on the difference between the current minimum charge of \$6.43 and \$13.95 for usage (there is no usage allowance) and a proposed minimum charge of \$41.73 and \$28.90 for usage (there would be no usage allowance). The combined estimated increase for water and sewer for this customer would be \$59.20 per month;

WHEREAS, pursuant to Section 69-7-111, MCA, the Commission is required to hold a public hearing on the issue of imposing, establishing, changing or increasing rates, fees, or charges for services or facilities;

WHEREAS, the Commission, by separate ordinance, shall amend the Polson City Code to reflect the restructuring of the rates and charges; and

WHEREAS, it appears in the best public interest for the ratepayers and citizens of the City of Polson that a hearing be held upon the following proposal.

NOW, THEREFORE, BE IT RESOLVED that it is the intention of the City Commission to restructure and change the method and rates for the water and sewer systems of the City of Polson, as follows:

Section 1. Restructure of Water System Rates. All rates and charges for water service shall be based upon meter size of service.

Section 2. Water Service Charges. Effective August 7, 2014, the Water Service charges shall be changed in accordance with Exhibit A attached hereto and made a part hereof.

Section 3. Sewer System Charges. Effective August 7, 2014 the Sewer Service charges will be changed in accordance with Exhibit B attached hereto and made a part hereof.

Section 4. Snowbird Water and Sewer Charges. Effective August 7, 2014 charges will be added in accordance with Exhibit C attached hereto and made a part hereof.

Section 5. Determination of Annual Budget for the Water and Sewer Systems. At least once each year the City Commission shall determine the amount of money needed to pay the following costs of the Water and Sewer Systems:

- (a) payment of the reasonable expense of operation and maintenance of the systems;
- (b) administration of the systems;
- (c) the payment of principal and interest on bonded and/or other indebtedness of the systems; and
- (d) the establishment or maintenance of required reserves, including reserves needed for expenditures for depreciation and replacement of facilities, as may be determined necessary from time to time by the Commission or as covenanted in the ordinance or resolution authorizing any outstanding bonds of the systems.

The Commission, thereafter, shall establish rates and charges to meet the service capacity and demands of the ratepayers.

Section 6. Further Rate Increases. Subsequent adjustment to the rates and charges for the use of the Water and Sewer Systems will be made by a resolution of the Commission in accordance with Montana law.

BE IT FURTHER RESOLVED THAT a public hearing on the rate changes for the Water and Sewer service will be held on July 7, 2014, commencing at 5:30 PM at the City Council Chambers, 106 1st St E, Polson, Montana.

BE IT FURTHER RESOLVED THAT the City Clerk is hereby authorized and directed to publish or cause to be published a copy of a notice of the passage of this resolution in the Lake County Leader on June 19, 2014; June 26, 2014 and July 3, 2014, and to mail or cause to be mailed a notice to all persons serviced by these utilities at least seven (7) days and not more than thirty (30) days prior to the public hearing. The mailed notice will be in the form of a letter and must contain a reasonable estimate of the average amount that the ratepayer will be charged under the proposed resolution. Any person desiring accommodation for attendance at such hearing, or for further information about the hearing or rate structure change and new rates, contact the City Clerk at the above address or phone 883-8203. The City Council Chambers is a handicap accessible facility.

PASSED AND ADOPTED by the City Commission of the City of Polson, Montana, this ____ day of June, 2014.

Effective Date: _____

Heather Knutson, Mayor

Attest:

Cora Pritt, Clerk

Approved as to form and content:

M. Richard Gebhardt, City Attorney

City of Polson
 Table of Proposed Water Rates - 06/16/2014
 Rates Calculated by Carl Brown Consulting, LLC
 Information compiled by Cindy M Dooley, CPA Finance Officer

How to Use this Table*

- 1) Locate your meter size
- 2) Locate the line for your amount of gallons used per month in thousands of gallons
- 3) Multiply the usage times the rate over usage for that line and add the monthly minimum charge to determine the charge for the month

WATER				
Meter size	Usage Over (in thousands of gallons)	Monthly Minimum Charge	Rate Over Usage Per 1,000 Gallons	Line #
3/4"		18.08		1
	2.000	18.08	1.60	2
	5.000	22.88	2.08	3
	10.000	33.28	3.54	4
1"		25.60		1
	2.000	25.60	1.60	2
	10.000	38.40	2.08	3
	25.000	69.60	3.54	4
1.5"		41.02		1
	2.000	41.02	1.60	2
	30.000	85.82	2.08	3
	60.000	148.22	3.54	4
2"		62.62		1
	2.000	62.62	1.60	2
	50.000	139.42	2.08	3
	100.000	243.42	3.54	4
3"		124.31		1
	2.000	124.31	1.60	2
	120.000	313.11	2.08	3
	240.000	562.71	3.54	4
4"		210.69		1
	2.000	210.69	1.60	2
	210.000	543.49	2.08	3
	435.000	1,011.49	3.54	4
6"		457.49		1
	2.000	457.49	1.60	2
	485.000	1,230.29	2.08	3
	975.000	2,249.49	3.54	4
Sprinkler System - Low		19.74		1
Sprinkler System - Med		26.38		1
Sprinkler System - High		39.57		1

*Example

Customer has a 3/4" meter and uses 9,000 gallons per month.

- 1) Select the rates for the 3/4" meter
- 2) Water usage is over 5,000 gallons but not over 10,000 gallons so line #3 would be selected
- 3) The usage over 5,000 gallons is 4,000 gallons or 4.000. Multiply 4.000 * \$2.08 which equals a usage charge of \$8.32.
- 4) Add the monthly minimum charge of \$22.88 to the usage charge of \$8.32 for a total water charge of \$31.20 for the month.

City of Polson
 Table of Proposed Sewer Rates - 06/16/2014
 Rates Calculated by Carl Brown Consulting, LLC
 Information compiled by Cindy M Dooley, CPA Finance Officer

How to Use this Table*

- 1) Locate your meter size and whether you are charged on a winter average water usage or actual water usage
- 2) Multiply the usage times the rate over usage for that line and add the monthly minimum charge to determine the charge for the month

SEWER				
Meter size	Usage Over (in thousands of gallons)	Monthly Minimum Charge	Rate Over Usage Per 1,000 Gallons	Line #
3/4" - AVG		41.73		1
	0.000	41.73	5.78	2
3/4" - ACT		41.73		1
	0.000	41.73	5.78	2
1.0" - AVG		47.99		1
	0.000	47.99	5.78	2
1.0" - ACT		47.99		1
	0.000	47.99	5.78	2
1.5" - AVG		60.83		1
	0.000	60.83	5.78	2
1.5" - ACT		60.83		1
	0.000	60.83	5.78	2
2.0" - ACT		78.81		1
	0.000	78.81	5.78	2
3.0" - ACT		130.17		1
	0.000	130.17	5.78	2
4.0" - ACT		202.07		1
	0.000	202.07	5.78	2
6.0" - ACT		407.51		1
	0.000	407.51	5.78	2
Sewer Only - Residential		54.17		1
Sewer Only - Commercial		284.02		1

*Example

Customer has a 3/4" meter and has a winter average of 3,000 gallons per month.

- 1) Select the rates for the 3/4" meter - average (3/4" - AVG)
- 2) Multiply 3.000 * \$5.78 which equals a usage charge of \$17.34
- 4) Add the monthly minimum charge of \$41.73 to the usage charge of \$17.34 for a total sewer charge of \$59.07 for the month.

City of Polson
 Table of Proposed Snowbird Rates - 06/16/2014
 Rates Calculated by Carl Brown Consulting, LLC
 Information compiled by Cindy M Dooley, CPA Finance Officer

The City currently does not have a monthly charge for "Snowbirds" (defined as an owner of property that requests a water shut off with the intent of having the water turned back on following an extended leave from their property lasting more than 30 days) when they request a water/sewer shut off.

This table represents the proposed minimum charge per month when water/sewer is off for Snowbirds

Meter size	Water Monthly Minimum Charge	Sewer Monthly Minimum Charge	Line #
3/4"	9.01	14.22	1
1"	16.53	20.48	1
1.5"	31.95	33.32	1
2"	53.55	51.29	1
3"	115.25	102.65	1
4"	201.62	174.56	1
6"	448.42	379.99	1
Sprinkler System - Low	19.74	N/A	1
Sprinkler System - Med	26.38	N/A	1
Sprinkler System - High	39.57	N/A	1