

**CITY OF GREAT FALLS, MONTANA
AGENDA REPORT**

**AGENDA # 14
DATE: March 15, 2005**

ITEM Set Public Hearing on Resolution 9462 for Water, Sewer, and Storm Drain Rate and Fee Changes

INITIATED BY Bond Covenant Requirements and Capital Improvement Needs

ACTION REQUESTED Set the Public Hearing On Resolution 9462 for Water, Sewer, and Storm Drain Rate and Fee Changes

PREPARED BY Martha Capps, Operations Supervisor

APPROVED BY Coleen Balzarini, Fiscal Services Director

RECOMMENDATIONS:

Staff recommends the City Commission set a Public Hearing on proposed Water, Sewer, and Storm Drain rate increases for the regular commission meeting on April 19, 2005.

MOTIONS:

I move the City Commission set a Public Hearing for 7:00p.m. at the April 19, 2005 regular commission meeting to receive public comment on Resolution 9462, addressing the proposed rate and fee increases for the water, sewer and storm drain systems.

SYNOPSIS:

Each year, staff reviews and analyzes the financing needs of the Water, Sewer, and Storm Drain Funds. The review allows us to insure the City has the funding necessary to finance day to day operations, and provide for any capital improvements, emergency main breaks, or replacements. These funds also provide the financing to run the Waste Water Treatment Plant effectively. Adjustments in utility rates are necessary to provide adequate revenue to meet annual operating requirements, finance the capital improvements program, meet debt service coverage requirements and to maintain appropriate reserves.

The Black & Veatch Management Consultants study done in April of 2001 provided the City with a ten year guideline of minimal, but necessary rate increases, based on annual averages of 3.0% inflation, 0.5% growth, capital reserves of \$500,000 and required minimum debt service coverage of 125%. The annual growth of consumption (system usage) is based on recent historical trends. The gradual rate increases avoid an exceptionally large rate change in any one given year.

The proposed water, sewer, and storm drain charges, rate structure, and fees are attached in the Appendixes A, B, and C. With the proposed rates starting May 2005 the average residential utility bill will increase approximately 1.56% or \$.63. This is derived from a water increase of 2.0%, a sewer increase of 1.0%, and a storm drain increase of 1.0%.

BACKGROUND:

Attached are:

1. Calendar for Water, Sewer and Storm Drain Review
2. Rate Increase History for the Water, Sewer and Storm Drain Funds, and Ordinance 2623 excerpts, showing the bond covenants for reporting and maintenance of rates
3. The Proposed Notice for Publication
4. Resolution 9462 to Establish Water, Sewer, and Storm Drain Rates
5. Comparisons of current versus proposed charges, rate structures, and fee structures are shown in Appendixes A, B, and C of the resolution.

**WATER, SEWER, STORM DRAIN FUNDS
REVENUE RATE INCREASE HISTORY**

	Rate Increase		
	Water(%)	Sewer(%)	Storm Drain(%)
1995	3.0	4.0	na
1996	4.0	3.0	na
1997	4.0	3.0	na
1998	4.0	3.0	na
1999	0.0	0.0	na
2000	2.7	4.75	na
2001	3.0	8.1	na
2002	2.5	8.1	10.0
2003	2.0	8.1	10.0
2004	2.0	2.0	8.0

For the 10 year period 1995-2004, the average rate increase is:

Water(%)	Sewer(%)	Storm Drain(%)
2.72	4.41	2.8

Rate Change Comparison

It is City practice to constantly keep up to date with regular, incremental rate changes while keeping in mind the difficulty that many customers have in making ends meet. Postponing rates often create a sudden return to reality when rates can no longer be ignored, and large rate increases are suddenly imposed.

	FY98	FY99	FY00	FY01	FY02	FY03	FY04
(in %)							
Special Assessments:							
Street Districts	10.0	10.0	na	10.0	na	3.2	10.0
Boulevard Districts	2.0	na	na	5.0	na	na	na
Sanitation							
Residential	na	7.0	na	na	na	3.0	na
Commercial	na	7.0	na	3.0	3.0	na	3.0

Other Charges and Fees Included

The water rate change also applies to Fire Hydrant charges. Fire hydrants are integral to the water system as a whole, and included as a monthly charge within the rate structure rather than a once a year special assessment. These water and sewer rate changes include water and sewer fees. Unlike other rates, fees do not have any impact upon monthly water and sewer bills. They are one time charges, such as; construction, repair or replacement of water services, fire lines, and sewer, water lab services, or repair of business fire lines.

Capital Improvement Program

The City maintains meticulous records, schedules and monitoring of the water and sewer systems. Theoretically, repair and replacement should be done according to the Capital Improvement Program (CIP). While the CIP is a useful benchmark and indicator of priorities, it is not the only consideration. The City combines the CIP with maintenance records and current condition analysis to determine current financing needs.

Rate Change Notice

A Public Notice for utility rate changes must be published. 69-7-111, M.C.A requires a municipal rate hearing whenever municipal utility rates, charges, or classifications are to be changed, with procedures as follows:

1. Publish notice of hearing in a newspaper
 - a. First publication no more than 28 days prior to the public hearing
 - b. Publish at least 3 times at least 6 days apart
 - c. Last publication no less than 3 days prior to the hearing
2. Mail a notice of hearing to each utility customer and the Montana Consumer Counsel
 - a. At least 7 and no more than 30 days prior to hearing
 - b. Include an estimate of increase in the customer's average bill
3. Published Notice must contain
 - a. Date, time, and place of the hearing
 - b. Brief statement of the proposed action
 - c. Address and telephone number to contact for further information

Resolution 9226, Resolution 9227, Resolution 9334 Provides Terms and Conditions relating to the Water, Sewer, and Storm Drain Revenue Bonds, respectively, including:

Section 8.09 Rates and Charges

. . .The City covenants and agrees that the rates, charges and rentals to be charged to all users shall be maintained and shall be revised whenever and as often as may be necessary, according to schedules such that (i) the Revenues for each Fiscal Year will be at least sufficient to pay the principal and interest on all Bonds to become due in such Fiscal Year, to establish and maintain the Reserve Requirement, to pay promptly the reasonable and current Operating Expenses and to provide reserves for the repair and replacement of the System, and (ii) the Net Revenues for each Fiscal year will be at least equal to 125% of the maximum Principal and Interest Requirements for all future Fiscal Years. In the event the City does not demonstrate full compliance with the rate covenant prescribed herein for any Fiscal Year, the City shall retain a nationally recognized independent Consultant within 60 days of the day of the applicable Fiscal Year for the purpose of reviewing the existing rates and charges and making Bondholder recommendations for compliance with the covenant. The City covenants and agrees to implement the recommended rate changes and other recommendations of such Consultant within six months of the delivery of the applicable Consultants report.

**FY 2005/2006 Water, Sewer, and Storm Drain
Rate Review Calendar**

Staff Meeting Analysis

Tuesday, February 21, 2005

Staff Presentation to City Manager

Friday, March 4, 2005

Presentation of Rate Analysis

Tuesday, March 15, 2005
Commission Work Session

Set Public Hearing

Tuesday, March 15, 2005
City Commission Meeting

Publish Public Notices

1st Notice – Friday, March 25, 2005

2nd Notice – Friday, April 1, 2005

3rd Notice – Friday April 8, 2005

Mailed Notices

To the various utility billing districts during the period of March 31, 2004 to April 11, 2005

Public Hearing

Tuesday, April 19, 2005
City Commission Meeting

Commission Final Action

Tuesday, April 19, 2005

Water, Sewer, and Storm Drain Rates Take Effect

Ten days after final approval
(April 29, 2005)

PUBLIC NOTICE
PUBLIC HEARING ON RESOLUTION 9462
WATER, SEWER, AND STORM DRAIN RATE INCREASE

The City of Great Falls is proposing to raise, water, sewer and storm drain utility rates, effective 10 days after final approval by the City Commission. The increases are necessary to meet bonded debt coverage, to keep up with inflation, to cover the cost of service, and provide for necessary capital improvements. A public hearing will be held on April 19, 2005 at 7:00 p.m. in the Civic Center Commission Chambers.

Residential customers typically have a ¾" meter and use 1300 cubic feet of water per month with a winter average of 750 cubic feet of water per month. A typical residential customer would see rate increases as follows:

A water bill increase from \$20.11 to \$20.54 per month

A sewer bill increase from \$15.71 to \$15.87, and

A storm drain bill increase from \$4.25 to \$4.29 based on (7500 sq ft)

These monthly bills include base service charges of \$3.95 for water, \$1.40 for fire hydrant, \$4.89 for sewer, and \$1.32 for storm drain

The metered water rates would increase:

From \$0.75 to \$0.77 per hundred cubic feet for the first 300 cubic feet per month, and from \$1.26 to \$1.29 per hundred cubic feet for all water over 300 cubic feet per month.

The sewer rates would increase:

From \$1.04 to \$1.05 per hundred cubic feet for the first 300 cubic feet per month, and from \$1.72 to \$1.74 per hundred cubic feet for all water over 300 cubic feet per month.

The storm drain rates would increase:

From \$1.31 to \$1.32 for the monthly base rate, and from \$0.000392 to \$0.000396 per square foot of lot size (up to a 15,000 sq ft. maximum size)

For further information contact a Utilities Customer Service Representative at 727-7660 or in Room 104 of the Civic Center, 8:00 am to 5:00pm