

RESOLUTION NO. 3881

RESOLUTION OF THE CITY OF MILES CITY, MONTANA INCREASING THE RATES
FOR THE USERS OF THE CITY'S SEWER SYSTEM

RECITALS

WHEREAS, the City of Miles City, Montana (the "City") has undertaken to provide sewer services to local residents and businesses through its municipal sewer system (the "System"); and

WHEREAS, the City Council of the City (the "Council") has established a monthly rate for the System; and

WHEREAS, the City has determined that it is necessary to undertake certain improvements to the System, including construction of a UV disinfection facility, a protective building surrounding the UV channel, improvements to the solids handling capabilities of the System and related improvements (the "Improvements"); and

WHEREAS, based on information provided to the City by Robert Peccia & Associates (the "Engineer"), the estimated total cost of the Improvements is approximately \$6,604,000, which amount is subject to change; and

WHEREAS, the City anticipates issuing a sewer system revenue bond (the "Bond") in the estimated amount of \$6,004,000 to pay for a portion of the costs of the Improvements, to fund a debt service reserve for the Bond and to pay costs of issuance of the Bond; and

WHEREAS, costs of the Improvements in excess of the proceeds of the Bond are expected to be paid from a Treasure State Endowment Program grant in the amount of \$500,000 and a Renewable Resource Grant and Loan Program Grant in the amount of \$100,000; and

WHEREAS, it will be necessary for the City to collect sufficient revenues to repay the Bond, to pay the costs associated with the operation and maintenance of the System and to establish appropriate reserves; and

WHEREAS, the City has determined that the current rate system does not produce sufficient revenues and has worked with the Engineer to determine what level of rate increase will produce sufficient revenues; and

WHEREAS, under Section 69-7-101, Montana Code Annotated, the City has the power and authority to regulate, establish, and change, as it considers proper, rates, charges, and classifications imposed for utility services to its inhabitants and other persons served by the municipal systems. Rates, charges, and classifications must be reasonable and just; and

WHEREAS, a notice of public hearing was mailed to all users of the City's System notifying them that pursuant to Resolution No. 3880, adopted January 13, 2016, it was the intention of the City to increase the rates and charges for users of the System and notice of public hearing was published as required by Section 69-7-111. A public hearing was held on February 2, 2016, at 7:00 p.m in the City Council Chambers at City Hall, 17 South 8th Street, Miles City, Montana, for the purpose of hearing comments from the public on the sewer rate increase; and

WHEREAS, all persons appearing were given an opportunity to speak at the public hearing.

NOW, THEREFORE, BE IT RESOLVED by the City Council (the "Council") of the City as follows:

Section 1. Fixing of Rates. Commencing with the March 2016 billing, rates and charges for the use and availability of the System will be as set forth on Exhibit A, attached hereto and incorporated herein by reference.

Section 2. 2% Annual Increase. In addition to the rates set forth on Exhibit A hereto, the City shall implement an annual 2% increase to the "minimum rate" for metered users and the flat rate for unmetered users. The annual 2% increase will be implemented in the first billing cycle of each fiscal year, commencing with the July 2016 billing for the 2016/17 fiscal year, and will continue for 10 years, through and including a 2% increase in the July 2025 billing for the 2025/26 fiscal year.

Section 3. Determination of Annual Budget for System. At least once every year the Council shall determine the amount of money needed to pay the costs of the System including but not limited to: (a) the payment of the reasonable expense of operation and maintenance of the System; (b) administration of the System; (c) the payment of principal and interest on any bonded or other indebtedness of the System; and (d) the establishment or maintenance of any required reserves, including reserves needed for expenditures for depreciation and replacement of facilities, as may be determined necessary from time to time by the Council or as covenanted in the ordinance or resolution authorizing any outstanding bonds of the System. Based on the annual needs of the System, the Council will establish monthly charges for the use of the System.

Section 4. Further Rate Increases. Subsequent adjustment to the rates and charges for the use of the System will be made by a resolution of the Council duly adopted after a public hearing with notice thereof given as provided by law, if required.

Section 5. Effective Date of Resolution. This resolution shall be immediately filed with the City Clerk and shall become effective 10 days after filing with the City Clerk.

Passed and approved this 2nd day of February, 2016.



John Hollowell Mayor

ATTEST:



Lorrie Pearce City Clerk

EXHIBIT A

WASTEWATER RATES

Commencing with the March 2016 billing, the rates and charges for the use and availability of the System shall be as follows:

Residential: **\$25.51 Minimum**
\$3.771 / 1,000 gallons after 3,000 gallons. Amount over 3,000 gallons to be based on winter water use average (December, January, February and March) over 3,000 gallons.

Commercial: **\$29.00 Minimum**
\$5.387 / 1,000 gallons after 3,000 gallons. Based on yearly water use average per month. Excessive Biochemical Oxygen Demand (BOD) ((BOD-200) / 200 = 0.2019/1,000 gal.) Excessive Suspended Solid (SS) ((SS-250) / 250) = 0.0996/1,000 gal).

Industrial: Federal regulations provide that industrial class users must pay an additional amount for the sewerage that, during the design life of the System, will equal the E.P.A. share for that user proportional use of the system capacity.

The following formula will be used to calculate these charges:

$$\frac{\text{E.P.A. funds allocated to category}}{\text{System capacity for category}} \times \frac{\text{Unit of Measurement}}{\text{Project Design Life}}$$

Cost Per Unit Flow

The design flow is 1,980,000 gal/day minus 10% infiltration equals 1,782,000 gal/day. The cost is \$2,157,164 and the design life of the system is 20 years, therefore:

$$\frac{\$2,157,164}{1,782,000} \times \frac{1000}{20 \text{ yr}} = \$60.53 \text{ per } \frac{(1000 \text{ gal})}{\text{day}} \text{ per year}$$

Cost Per Pound BOD

The design BOD is 4,500 lbs/day, the BOD cost is \$858,357 and design life of the system is 20 years, therefore:

$$\frac{\$858,357}{4,500 \text{ lbs/day}} \times \frac{1}{20 \text{ yr}} = \$9.54 \text{ per } \frac{(1 \text{ lbs})}{\text{day}} \text{ per year}$$

Non-City Users: **\$20.41 Minimum**
\$3.771/1,000 gallons used after 3,000 gallons.

Unmetered Residential: \$44.78, based on an average of 6,500 gallons of water used per month. If no water meter is installed to measure the actual water used, then the average “in City” user of the same class will be used in determining the user flow.

Unmetered Commercial: \$56.52, based on an average of 6,500 gallons of water used per month. If no water meter is installed to measure the actual water used, then the average “in City” user of the same class will be used in determining the user flow. This classification cannot be used by industrial users outside the City to avoid the industrial cost recovery provisions as set forth in CFR 35.95-11 and CFR 35.928 through 35.928-4 (Ref. Federal Register, Wednesday, September 27, 1978 Part III).

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of the City of Miles City, Montana (the "City"), hereby certify that the attached resolution is a true copy of Resolution No. 3881 entitled: "RESOLUTION OF THE CITY OF MILES CITY, MONTANA INCREASING THE RATES FOR THE USERS OF THE CITY'S SEWER SYSTEM" (the "Resolution"), on file in the original records of the City in my legal custody; that the Resolution was duly adopted by the City Council of the City at a meeting on February 2, 2016, and that the meeting was duly held by the City Council and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

I further certify that, upon vote being taken on the Resolution at said meeting, the following Council Members voted in favor thereof: Susanne Galbraith, Ken Gardner, Rachel Sloan, John Uden, Brant Kassner, Kathy Wilcox, Jeff Erlenbusch, Dwayne Andrews; voted against the same: None; abstained from voting thereon: None; or were absent; None

WITNESS my hand officially this 2nd day of February, 2016.

A handwritten signature in cursive script that reads "Lorrie Pearce". The signature is written in black ink and is positioned above the printed name and title.

Lorrie Pearce City Clerk