

CERTIFICATE AS TO RESOLUTION AND ADOPTING VOTE

I, the undersigned, being the duly qualified and acting recording officer of City of Miles City, Montana (the "City"), hereby certify that the attached is a true copy of Resolution No. 3864, entitled: "RESOLUTION OF INTENTION OF THE CITY OF MILES CITY, MONTANA TO INCREASE 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 its regular meeting on November 24, 2015, 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notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.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, Jerry Partridge, Mark Ahner, John Hollowell, Roxanna Brush and Dwayne Andrews; voted against the same: None; abstained from voting thereon: None; or were absent: None  
WITNESS my hand officially this 24<sup>th</sup> day of November, 2015.

  
City Clerk

RESOLUTION NO. 3864

RESOLUTION OF INTENTION OF THE CITY OF MILES  
CITY, MONTANA TO INCREASE RATES FOR THE USERS  
OF THE CITY'S SEWER SYSTEM

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, pursuant to Section 69-7-111, Montana Code Annotated, the City Council of the City (the "Council") shall order a public hearing prior to the passage or enactment of an ordinance or resolution imposing, establishing, changing or increasing rates, fees, or charges for services or facilities.

NOW, THEREFORE, BE IT RESOLVED by the Council as follows:

Section 1. Current User Charges. The City currently charges a monthly sewer charge for the use and availability of the System, all as set forth on Exhibit A, attached hereto and incorporated by reference.

Section 2. Intent to Increase Sewer User Charges. It is the intent of the City to implement a rate increase, commencing with the January 2016 billing, for the use and availability of the System, as set forth on Exhibit B, attached hereto and incorporated herein by reference. The City does not currently intend to increase the cost per unit flow or the cost per pound BOD to industrial users.

Section 3. Rate of Proposed Increase. The proposed increase to the “minimum rate” represents an increase of approximately 97% over the existing minimum rate for residential users, commercial users, non-city users, unmetered residential and unmetered commercial users. The proposed increase to the usage charge represents an increase of approximately 35% over the existing usage charge for residential users, commercial users and non-city users. For residential users, commercial users or non-city users using 4,000 gallons of water per month, the proposed rates represent an increase of approximately 119% over the existing rates.

Section 4. Proposed 2% Annual Increase. In addition to the proposed rate increase set forth on Exhibit B hereto, the City proposes to implement an annual 2% increase to the “minimum rate” for metered users and the flat rate for unmetered users. The proposed 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 5. 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 6. 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 7. Public Hearing. A public hearing on the rate increase will be held on December 22, 2015, commencing at 7:00 p.m. in the City Council Chambers at City Hall, 17 South 8th Street, Miles City, Montana.

Section 8. Notice. 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 *Miles City Star*, a

newspaper of general circulation in the City, on December 4, December 11 and December 18, 2015, in the form and manner prescribed by law, and to mail or cause to be mailed a copy of said notice to all persons served by the System and to the Montana consumer counsel at least 7 days and not more than 30 days prior to the public hearing. The mailed notice must contain an estimate of the amount that the customer's average bill will increase.

Section 9. Effective Date of Resolution. This resolution shall become effective upon passage.

Passed and approved this 24th day of November, 2015.

  
\_\_\_\_\_  
Mayor

Attest:

  
\_\_\_\_\_  
City Clerk

EXHIBIT A

CURRENT WASTEWATER RATES

The City currently charges all users of the System a monthly amount as follows:

- Residential:** **\$12.95 Minimum**  
\$2.793 / 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:** **\$14.72 Minimum**  
\$3.990 / 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:** **\$10.36 Minimum**  
\$2.793/1,000 gal. used after 3,000 gallons.

**Unmetered Residential:** \$22.73, 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:** \$28.69, 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).

**EXHIBIT B**

**PROPOSED WASTEWATER RATES**

Commencing with the January 2016 billing, the City proposes to increase monthly minimum rates for residential, commercial, non-city, unmetered residential and unmetered commercial users, and proposes to increase usage rates for residential, commercial and non-city users 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).