

# PROCEEDINGS OF CITY COUNCIL MILES CITY, MONTANA

## SPECIAL COUNCIL MEETING      February 2, 2016 7:00 p.m.

### CALL TO ORDER

The Special Council meeting was held Tuesday, February 2, 2016, in the City Chamber Room at City Hall, 17 S. 8<sup>th</sup> Street, Miles City, Montana. Mayor John Hollowell called the meeting to order. Council Members present were Ken Gardner, Rachel Sloan, Dwayne Andrews, Susanne Galbraith, Jeff Erlenbusch, Brant Kassner, Kathy Wilcox and John Uden.

Also present were Police Chief Doug Colombik, Public Utilities Director Allen Kelm, Public Works Director Scott Gray and City Clerk/Minute Recorder Lorrie Pearce.

### PLEDGE OF ALLEGIANCE

Mayor Hollowell led the Council in the Pledge of Allegiance.

### PUBLIC HEARING

#### **A. RESOLUTION NO. 3881: Resolution of the City of Miles City, Montana Increasing the Rates for the Users of the City's Sewer System**

*Mayor Hollowell called for comments from proponents*

Director Kelm explained the rate increase is from orders of the Montana Department of Environmental Quality and the Environmental Protection Agency. The process started in 2007 with a Request for Proposal on how to fix everything. Once the pricing came back it was evident the City could not afford to fix everything at once. The City made an agreement with DEQ and EPA to fix the problems in phases. Phase I cost the City 2.4 million dollars, with 1.2 million dollars paid from the sewer fund and the rest was paid by grant dollars and loans. At that time the rate was raised approximately \$3.00. The influent plant (Phase I) is complete and now phase II is about to start. Phase II will cost the City 6.4 million dollars. There is help with a \$600,000 grant and the City will borrow \$6 million. The sewer increase was set by the City of Miles City, its engineer firm and its bonding counsel. The increase would pay for debt payment and continue operation and maintenance of the treatment plant.

*Mayor Hollowell called for comments from proponents three times, then opponents.*

Jerry Backland, 603 Eichler, said he thought Mr. Kelm did an excellent job and these things are needed. He understands that all facilities need upgrades. He added that he is retired and lives on a fixed income and believes there are a lot of other people in the same situation.

Ronna Molstad, 512 Woodbury, said she was also a retiree and would like to see the rate increase structured on water usage. She is very water conscious and it is really brutal paying the full price when using only 500 to 600 gallons a month.

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Director Kelm said with the first restructure proposed, which was charging for water used, all residents would pay more than the structure the City has presented tonight.

Hunter Tetschner, 117 North Prairie, said his water bill was \$44 a month using 5000-6000 gallons and his fathers was \$34 a month using 900 gallons a month. His father's rates would be raised to \$78 a month and his would be raised to \$50 a month. He did not understand how that was calculated.

Director Kelm explained the water usage is read in December, January, February and March and divided by four, which gives the monthly average sewer usage. These are the months where all usage is inside, not outside(washing vehicles, watering). The increase is only on the sewer, not the water because the upgrade is for the sewer only. He added that Water and Sewer revenues fund the Water and Sewer Treatment Plants; it does not fund General Fund or any other fund.

Hunter Tetschner asked why it took so long to present the rate increase, it was a ten year process, why is it going to be a 97% hit right now and a 2% increase for the next 10 years and how many years will it take to pay off the loan. He also wondered why the income for sewer was not accrued through the years for situations like this.

Director Kelm said the City hired a technical associate agency to come up with a rate structure and it took them almost a year to come up with a structure. The City thought it would take a couple of months to get the restructure completed and then the City could make the increase into two increases. That did not happen, so now the City has to make one large increase and 2% after that for 10 years. He said the City has to get this upgrade done in a specific time to get the prices that the City needs. The loan is for 20 years at a 1.75% interest charge during construction and a 2.75% interest charge after construction and the 2% increase is to cover the price inflation on items for up keep. He added the income for sewer had been used for maintenance and sewer line replacement. Also the city had new water tanks at Carbon Hill and Riverside Park.

Fred Tetschner, 906 Schmalse, asked why the City didn't bill the increase gradually instead of one shot.

Director Kelm said time got away from the City.

Gary Ryder, 15 South Strevell, stated his issues with the rate

increase:

- At a Custer County District meeting, LeRoy Meidinger (a city representative on the board) stated that he thought there should be more money in the reserve fund
- Thought the 97% increase was huge and thought there should be a summary report on the history as to how the Sewer got into this situation
- Is there any huge water rates in future
- Over years the City did use the water/sewer money to help administrative fund operate
- He wanted to work with the City but felt the public needed more information and more history of the past

Jerry Meidinger, 15 River Street, said he lived by himself and had never used 3000 gallons of water. He used 700 gallons last month and was wondering where the 2300 gallons went. He also asked what the \$2.00 charge is on the

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January bill.

Director Kelm explained with using the first restructure it would cost residents more by using the actual water usage scale. With that structure a resident would be charged \$25.00 with no water used. Then it would cost \$3.77 for every thousand gallons used after that. So in the end it would cost almost 29.00, which is more than what you would pay with this proposal.

Director Kelm explained that the \$2.00 charge on the January bill is collection for what the State charges the City. It is a onetime bill every year.

Matt Kercheval, 702 North Earling, was concerned with the waste water treatment plant passing its life span and now putting 7 million dollars into it, would the plant last another 20 years. He also asked if the City would consider retrofitting to methane.

Director Kelm said the 20 years is the payback period for a loan. He said the City has done a wonderful job keeping up with the maintenance of the plant and felt it is in really good condition. As far as methane retrofit, Kelm said the capital expense would be catastrophic, the system is made for a 20 million water usage per day and the City has a 2 million water usage per day.

Engineer Brad Koenig said the plant had been taken care of incredibly well. With the upgrade, the City will be replacing old equipment that needs to be retired. The City will be replacing with cutting edge technology that will help conserve energy and keep cost low.

Mr. Backlund asked about other outstanding debts, and said in the past the water and sewer dollars had gone into the General fund. He asked if there were any guarantees that that would not happen again. He also wondered if the City could go through the State for lower interest loans.

Director Kelm explained that now the water and sewer pays administrative fees to the General Fund, which means that everybody pays their fair share.

Engineer Koenig said that the Intercep loans are for five years, after that the City would have to come up with another source for another loan. The best answer was to go with the 2.5% interest for 20 years. He felt it was a sure thing.

Debra Hanson, 901 Pleasant, asked for a definition of the minimum rate and what the increase would actually be and what the 35% usage increase is.

Director Kelm explained the minimum rate for a 5/8" hookup is \$12.95. The increase would be \$12.56 for a total of \$25.51. The commercial rate now is \$14.72 with an increase of \$14.28 for a total of \$29.00. He said the 35% is calculated at .97 cents per thousand gallons.

Mrs. Hanson said with the increase she will have to raise rent, which means less money spent around town.

*Mayor Hollowell called for comments from opponents three times and, hearing none, the hearing was closed.*

### **NEW BUSINESS**

- A. RESOLUTION NO. 3881: Resolution of the City of Miles City, Montana Increasing the Rates for the Users of the City's Sewer System**

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\*\* *Councilperson Galbraith moved to approve Resolution No. 3881, and seconded by Councilperson Erlenbusch.*

Councilperson Uden said that nobody wants to impose this rate on anybody. If the City doesn't pass the 6.4 million dollar resolution there will be issues with DEQ. If the upgrade is not complete there will be a \$10,000 fine every day the City is not in compliance, so approval is the only route we have. He said that he is retired and did not want the increase himself and felt that no one on the Council wanted it either, but there is no choice.

Councilperson Wilcox said she received a call from Ralph Dukart who expressed that senior citizens have no other resource for money and will be forced to move out of their homes.

Mayor Hollowell said in the past the City kept rates as low as possible and nobody wants this increase. The City had been working on the regulation for 8 years and it took a lot of time to figure out what regulation needed to be compiled to.

Director Kelm explained the old regulation were 126 thousand colonies per 100 mills for fecal coliform, which the City was able to meet. Then four years ago a new permit was presented and it changed from coliform to e-coli. The City had to buy a new incubator for the test. The new test went down to 126 thousand colonies per 81 mills. The City cannot meet that and that is why the City had to put a plan in place to have a disinfection area. The City replaced the UV infection in phase I and now it's time for phase II. He said he was sorry that the increase is high, but he did not feel comfortable presenting to Council a raise with no numbers to back it up. He said he did not have any idea of the cost for the project until now.

**\*\*The motion passed 8-0**

### PUBLIC COMMENT

None

### ADJOURNMENT

\*\* *Councilperson Uden moved to adjourn the meeting, seconded by Councilperson Wilcox, and passed unanimously.*

The meeting was adjourned at 8:25 p.m.

  
John Hollowell, Mayor

  
Lorrie Pearce, City Clerk