

FOUR CORNERS WATER AND SEWER DISTRICT MINUTES

Public Rate Hearing

September 25, 2018 – 6:30 PM

Monforton School, 6001 Monforton School Road, Bozeman, MT

Board Members Present: President Cory Klumb, VP Nancy Flikkema, member Phil George, member Peter Thatcher.

District Staff & professional personnel present: Marty Gagnon & Brad Hammerquist representing MMI, District council Susan Swimley, Staff Administrator Amy Ellingson, Board Secretary Maralee Parsons.

Members of the public present: Paul & Rhonda Springer, Dave & Carol Scheck, Rick & Robin Miller, Terry & Kathy Ryles, Kelly & Penni Hoagland, Josh & Matt Chamberlin, John & Cynthia Knox, Erica Droge, KC Barnhardt, Ryan Stoment, Mike Kover, A&T Marchwick, Shawn & David Markman, Joe Seaman, Heather Kern, Jenny Larson, Marcie Hahn Knoff.

President Cory Klumb called the meeting to order at 6:31 PM. He introduced the members of the Board and staff present, and provided a brief background on the rate hearing. He noted that the Board is comprised of homeowners and property owners in the District, whose bills will also go up if rates increase. He stated the goal of the Board is to encourage the conservation of water, which is a finite resource, noting that the District is bumping up against its water limitations, and things need to change. He encouraged public comment during the presentation.

Brad Hammerquist reviewed the presentation on Water and Sewer Change of Rate for Volume. Public comment provided throughout the presentation is documented at the end of each section and is divided into questions asked and answered by the Board, District engineer or council, and public comment not specifically posed and addressed as a question.

Slide 1: WATER VOLUME

- Conserve Water
- Currently potable water is used for irrigation in some areas
- Need to stay within District's Water Rights
- .25 acres should need approximately 16,000 gal/month for irrigation

Slides 2, 3 & 4: WATER VOLUME RATE IMPACT

Typical Homeowner = No Impact (majority of homes in the District)

User Category 1 – Non-Typical Homeowner Example A

Monthly Usage	28,000 gal (during irrigation)
Water Base Rate	\$36.72
Water Base Volume	4,000 gal/month

<u>Currently</u>	
First 4,000 = \$0	
4001 – up = \$67.20	
Total Water Charge	\$103.92

<u>After Increase</u>	
First 4,000 = \$0	
4,001 – 10,000 = \$18.00	
10,001 – 20,000 = \$35.00	
20,001 – 28,000 = \$56.00	

Total Water Charge \$145.72

User Category 1 – Non-Typical Homeowner Example B

Monthly Usage 45,000 gal (during irrigation)
 Water Base Rate \$36.72
 Water Base Volume 4,000 gal/month

<u>Currently</u>	<u>After Increase</u>
First 4,000 = \$0	First 4,000 = \$0
4001 – up = \$114.80	4,001 – 10,000 = \$18.00
Total Water Charge \$151.52	10,001 – 20,000 = \$35.00
	20,001 – 30,000 = \$70.00
	30,000 – up = \$210.00
	Total Water Charge \$369.72

User Category 3 – Commercial Example

Contract EDU 3.5 EDU
 Water Base Rate \$128.52/month (3.5 EDU x \$36.72)
 Water Base Volume 14,000 gal/month (3.5 EDU x 4,000 gal)
 Actual Monthly Usage Range 48,088 – 152,129 gal
 Average Monthly Usage 83,203 gal

<u>Currently</u>	<u>After Increase</u>
First 14,000 = \$0	First 14,000 = \$0
14,001 and up = \$194	14,002 – 20,000 = \$36
Total Water Charge \$322.52	20,001 – 30,000 = \$120
	30,000 – up = \$1,276.87
	Total Water Charge \$1,561.39

Issue: 70,000 gal deficit (17.5 EDU)

Remedy: Customer purchases additional EDU and Additional Water Rights or reduces use

Public Comment on Water Volume Rate: Questions & Responses:

How do you know how much water is used for irrigation?

We don't. There is a single meter per household, but you can compare your summer and winter bills to give you an idea of how much is being used for irrigation vs. used on normal household use.

What do you consider an average size lot? I have a ¾ acre lot.

There are a variety of sizes of lots within the District. In Northstar & Middle Creek, most are below ½ acre. About 120 lots in the District right now are ½ acre or larger. We haven't done an average, but ¼ acre is a pretty good average size lot. The size of the lot used in Non-Typical homeowner Example A is a 10,000 sq. ft. lot.

What determines your user categories?

The use of the lot determines the category. A single family home is Category 1, except Gallactic Park is category 2, because their DEQ approval is for a higher volume of water than other developments. Categories 3 and 4 are commercial categories.

Is the increase you are presenting tonight negotiable?

The purpose of this meeting is to have a conversation with you so we can make a decision.

You stated the motivation for this change is because you aren't meeting the numbers needed to

run the system, and also to promote water conservation. Can you clarify the percent of each?
They are close to 50/50.

Is there data on how short the revenue is? That might help people understand the reason for the increase. I also don't think its fair for the Board to prioritize for me water consumption, because I believe less plastic is more of a priority right now.

The District has a finite amount of water to sell. Once we are out of that water, we are done. We are over-using water at this point. It is the Board's job to protect the finite resource we are managing.

Why are more people being allowed to come into the District?

When they annex in, they bring water rights with them (purchased through Utility Solution or other source).

Where does all the water go when we water our grass?

Your plants use it, and when you over water, it goes back into the aquifer, but we (the District) don't get any credit for that. From DNRC's perspective, it's gone, since there is no way to monitor or quantify that.

What are the numbers? How far over water use are we?

We don't have the data right here, but the District's water rights are finite. The District must mitigate, that is, they have to put back in the ground every gallon of water the district consumes. Wastewater that is treated goes back into the ground. 95% of the water going into the home goes into the sewer system. 5% of the water going into the home needs to be mitigated. We use existing surface water rights from the properties that were developed and put those surface water rights back into the ground. We have to mitigate 100% of water used in irrigation. We only have so much irrigation water (in the ballpark of 113-acre feet). As soon as we've used all of that water, we can no longer mitigate, and we are over that amount now by about 50-acre feet. It's expensive to buy more, plus we are in a closed basin. The purpose of this rate increase is to ratchet back water consumption.

How are we so much under? Any business plan would have numbers to review.

At the time of the purchase from Utility Solutions, we did not have access to all of their financials, so we did not have an exact idea of what it would cost to run the system. We also do not have sufficient reserves built up for the system for replacement parts that will be needed. The equipment is aging and we don't have sufficient reserves to replace it. We only bought the system - it would have cost us \$10M more if we wanted to also purchase the reserves. This rate increase does not fully fund the reserve as it should, so from that perspective, this is a modest rate increase.

Can you guys provide some guidelines on how/when to irrigate?

We could absolutely develop some guidelines.

How long have you guys been aware of this overuse of water?

We've been discussing it for about 3-4 months.

Why is there a water shortage? I see water everywhere, where is it all going? I see farmers irrigating all over.

The Missouri River basin is over appropriated, which means there are too many water rights for what is available, that's why it's a closed basin. Farmers have the right to use that water as a priority. Some canals are shut off in July. We have junior water rights that we use for mitigation that get shut off in July, so we can't mitigate with that. If each one of you is using 1/3 more water than you should be, it wouldn't take a lot of people to ratchet down their irrigation usage to

where it should be so we can take our finite water resources a lot further.

Why don't you tell Gallatin Heights that they shouldn't require us to landscape our yards?
Homeowners who are buying here should talk to their HOA's.

Would you say no to future developers because there is not enough water?

We tell them they need to purchase water rights (from Utility Solutions) for as much water as they will use, then we put together an agreement that states that the water rights are to be transferred to the District. The agreement lists the amount of water they are entitled to use and, should they exceed that amount, lists remedies at the District's disposal, including the right to shut off their water, or ask them to buy more water rights. But we inherited many contracts that don't state such remedies.

Is there a method to how you came up with the tiering? Is it based on average use?

Average water use is all over the map. 4,000 gallons has always been included in the base rate. 4,000 gallons for household use, plus 16,000 gallons for irrigation, is where the 20,000 level came from, and then we proportioned that for the tiers.

Is the base rate changing?

No, we already changed it.

Are you allowing new businesses to come in and build here?

Yes, if they bring the water rights with them. They purchase water rights from Utility Solutions, and then pay for the right to use the District's water and sewer infrastructure. The pinch point is the amount of water the District can legally use, and some businesses are using considerably more water than they bought the right to use, and everyone else in the District is subsidizing that.

Have you broken down by subdivision area, if they are using more water than they are contracted to use?

Middle Creek and Black Bull do not irrigate off our system, they have their own, separate irrigation system. With regard to the rest of the District, we have not analyzed the water use of by subdivision.

How will you raise the money you need for your reserve fund if you don't raise the base rate, plus you are asking people to conserve, so you will make less money.

There is more to the plan than what we are talking about tonight. Building reserves is in the District's budget. Also, if the usage goes down, some of the operational costs will also go down.

Can you build sub-groups of category 1 (residential) by lot size to make it fairer?

Lot size approach would encourage cross-subsidy, and wouldn't encourage conservation.

Other General Public Comment on Water Volume Rate (not specifically posed and addressed as a question:

It feels like we are being punished for having larger lots like in Gallatin Heights. We had an agreement with you when we purchased our lot, and I don't know how you guys could be this far off to where we now are seeing an \$800 increase.

The intent is not to punish people for larger lots. Having a larger lot comes with higher taxes, and it's a personal choice to purchase a larger lot. Rates are set at public hearings, and can be changed year to year. The District is not trying to make money out of this, we are here to cover the cost of the bills and get people to conserve water.

We just bought our house in Gallatin Heights, and designed our landscaping based on what we were told the water bills would be.

I am scared that what you are proposing is my water bill will be as expensive as my mortgage. We are required to put in a certain amount of trees and landscaping. I can't afford that.

If you are not paying for the water you are using, we are all paying for that bill. We also just passed an ordinance that allows owners of lots 1 acre and above to apply to the District for a permit to punch an irrigation well.

I live in Elk Grove and we held out becoming a part of the District, but it was recently approved. We were told we would have lower water and sewer rates if we joined the District, now we hear our rates are going up. We don't get the deal we were promised when the HOA voted to be a part of the District. It was noted that Elk Grove rates were higher because properties in the District were taxed, and Elk Grove was not taxed when it was not part of the District.

There are other areas of the country (like Sandy UT) which have set up rates based on lot size, in order to encourage water conservation, which also have a tiered system, but not as drastic. Water conservation shouldn't have a negative impact on the resale value of our homes, or which make this an undesirable place to live.

The resale of our property is affected by the rates you are charging. I would not have bought my house if I had known my water would go up so much.

I think most people would agree that consumption is a fair way to pay for things, and conservation is a good thing too. I hope we don't have to go through this every year.

If the District needs to buy more water, I would hope that you could search around for someone else other than the original seller (Utility Solutions) who was less than transparent at the time of the sale.

A comment was raised by a member of the public, that Elk Grove homeowners did not receive the mailing which noticed this public hearing; they learned of the meeting from their HOA website. On advice of District council, it was decided that the Board would not make any decisions at this meeting on the proposed rate changes that have been discussed. The rate hearing will resume at a future date, at which point the Board will discuss and vote. The Board also commented that they wanted to think about public comment heard tonight. Sufficient written notice of the date of continuation of the hearing will be provided.

District engineer Brad Hammerquist continued with the presentation for sewer volume rate changes to receive public comment:

Slide 6: SEWER VOLUME

- Base volume for sewer is 4,000 gal per month per EDU (included in the base rate)
- Experiencing wastewater volumes in excess of contracted amounts
- Processing the excess wastewater causes:
 - Higher costs (energy, chemicals, disposal, etc.)
 - Stress on facilities
 - Limits access to adding additional customers
- For Category 1 and 2 accounts rates will be based on average use during winter months (Nov-March)
- Winter averaging will begin next year.
- Winter averaging will not be used for Category 3 and 4 accounts (commercial)

Slide 7 & 8: SEWER VOLUME RATE IMPACT:

Typical Homeowner = No Impact

User Category 1 – Non-Typical Homeowner Example:

Sewer Base Rate \$46.00/month
 Sewer Base Volume: 4,0000 gal/month

Winter Time Averaging to establish a new base (November – March)

Example:

	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>
Gallons used	5,000	6,000	5,000	7,000	5,000
Over 4,000	1	2	1	3	1 = 8/5 = 2

2 x \$2/1,000 gal = 44 would be added to the Base Rate fee the next year.

Total sewer charge \$46 + \$4 = \$50/month

This monthly sewer charge would be applied starting with the April 2019 bill.

Category 3 & 4 Commercial User Example:

Contract EDU 3.5 EDU
 Sewer Base Rate \$161.00/month (3.5 EDU x \$46.00)
 Sewer Base Volume 14,000 gal/month (3.5 EDU x 4,000 gal)
 Actual Monthly Usage Range 48,088 – 152,129 gal
 Average Monthly Usage 83,203 gal

Impact:

0 – 14,000	\$0
14,001 – 20,000	\$37.80
20,001 – 30,000	\$ 126.00
30,001 – up	<u>\$1,330.00</u>
	\$1,493.80

Total sewer Charge \$161 + \$1,493.80 = \$1,654.80/month

Cause: Business more successful than planned. Failed to buy more EDU's and Water Rights to match growth.

Remedy: Customer purchases additional EDU and additional water rights – or – reduces use.

Board comment noted that volume charge for sewer is new, and they are using a start-up approach. The key problem they are trying to solve is the cross-subsidy of businesses, as illustrated in the above example.

Public Comment on Sewer Volume Rate: Questions & Responses:

How do businesses initially determine their usage?

They usually come in with a conservative estimate, often from an engineering study, and they want to conserve their cash. For whatever reason, businesses often become more successful and consume more water, and historically there has been no review on the part of the District to review usage and adjust appropriately. Now we are putting into our contracts a clause stating that if usage goes over 10% the District can adjust the billing. However, most older customers do not have that in their contracts. There are about 30 businesses in the districts in this

position. It was noted that some companies are already taking corrective action and spending money to correct the problem.

SPECIAL ASSESSMENT EQUALIZATION RATE (applies to all properties annexed into the District since 12/23/2015)

District council Susan Swimley showed a map illustrating properties that annexed into the District after the purchase from Utility Solutions (12/23/15). She noted that the District secured funding for the purchase to be paid through a special assessment bond, which is levied annually against the properties within the District boundaries. She said the District had informed all properties which annexed since 12/23/15 of the intent to proportionately assess their properties as well, but the District's bond council has provided his legal opinion that the District may not impose the proportionate cost through special assessment on properties annexed after 12/23/15. She noted that the special assessment has decreased per property owner as the number of property owners increased (\$635 year 1; \$608 year 2; \$533 year 3). She is proposing that in order to ensure that all properties in the District proportionately contribute to the purchase of the system, the District enact a Special Assessment Equalization Rate, which would apply to all properties annexed into the District since 12/23/15. This would be collected on the property's monthly bill, rather than on their taxes. She noted that she is working with the District's bond council to enact a legislative fix, which, if passed, would allow future annexed lots to be assessed. It was noted that the next round of assessments is October 2018. There was no public comment.

The meeting adjourned at 8:25 pm.