

MINUTES OF THE CITY COUNCIL OF LAUREL

October 18, 2011

A regular meeting of the City Council of the City of Laurel, Montana, was held in the Council Chambers and called to order by Mayor Ken Olson at 6:30 p.m. on October 18, 2011.

COUNCIL MEMBERS PRESENT: Emelie Eaton Doug Poehls
 Bruce McGee Mark Mace
 Chuck Rodgers Chuck Dickerson
 Tom Nelson Norm Stamper

COUNCIL MEMBERS ABSENT: None

OTHER STAFF PRESENT: Sam Painter
 Chad Hanson, Great West Engineering

Mayor Olson led the Pledge of Allegiance to the American flag.

Mayor Olson asked the council to observe a moment of silence.

MINUTES:

- **Council Minutes of October 4, 2011**

Motion by Council Member Nelson to approve the minutes of the regular meeting of October 4, 2011, as presented, seconded by Council Member Rodgers. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

- **Special Council Minutes of October 11, 2011**

Motion by Council Member Rodgers to approve the minutes of the special meeting of October 11, 2011, as presented, seconded by Council Member Nelson. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

CORRESPONDENCE: None.

PUBLIC HEARINGS:

- **Zoning variance request to allow a mobile home in Residential 6000 zoning – 215 East 5th Street, Lots 3-4, Block 22 of Laurel Realty Second Subdivision.**

Heidi Jensen stated that the public hearing was for the Kero variance at 215 East 5th Street. She stated that the applicant and the applicant's representative pulled the item from the agenda, as they do not wish to seek the variance any longer. At this time, Heidi asked the applicant or her representative to speak and formally pull the request.

Fred Keller, 7339 Symatra Place, Billings, Montana, stated that he attended on behalf of Anne Kero, who was seeking a variance for her property at 215 East 5th Street. He stated that Anne has pulled that application. Due to the circumstances involved with the application, Fred requested that the city council refund her application fee. Because of the lack of public support at the last meeting, Anne decided not to seek residency in the City of Laurel and will be moving her home to Bozeman. Fred stated that Anne would have been a great asset to the community and unfortunately will not be here.

Fred stated that a couple of things of concern came about during the proceedings. One was the issue about the differences between HUD Code and IRC Modular Code. He showed a copy of the IRC Code for both light commercial and residential instructions and a current HUD Code for HUD code homes, which is very detailed. The concern that people had in regards to HUD coded homes going in a city lot were warranted prior to 1976, when there was no HUD code and modular homes, or

trailer houses as they were called then, certainly were not built to any standards. The current building standards and the required testing by the State of Montana are very severe. Fred stated that the differences in plumbing and wiring specs are very minute. He stated that it is not just an issue of a steel frame versus a non-steel frame. There are modular homes built that have a steel frame underneath them, so a home could come into this community that is modular approved and have a steel engineered frame that is part of the actual floor truss system of the house.

Fred stated that Anne will be sorely missed by her friends and neighbors in the Laurel community. Fred pointed out that many people were worried about what would happen to property values in the neighborhood if Anne put her home there. Anybody that has had a real estate appraisal done knows that there are comps and it takes more than one property to bring down the value significantly. Because Anne's project was of greater value than the homes in the area, he thinks her house certainly had a lot more architectural appeal than some of the basic boxes that are being built as site built homes. Fred encouraged anyone to call him regarding the code issues.

Heidi stated that Fred was correct that the council is the only body that could waive the fees. The council adopted the fees and they cannot be waived by staff. If the council wants to refund the fees, the council needs to make a motion and vote on that aspect of Fred's request.

Mayor Olson asked Heidi how the fees are determined.

Heidi stated that they were set according to how much time it takes for the planner to prepare the staff report for the planning board, do the mailings, send out the certified mail at \$7.00 to \$8.00 an envelope, and put the notices in the newspaper for the hearings for the variance. The fee is not arbitrary and the expense has been already spent by the Planning Department to get the variance to this point.

Council Member Poehls asked that the information and the totals be discussed at next week's council workshop for determination the following week.

Mayor Olson stated that the process would be discussed at the workshop and the determination would then go to the next regularly scheduled council meeting for council deliberation.

- **Intent to increase the water and sanitary sewer rates and charges to become effective on November 10, 2011.**

Mayor Olson stated that the public hearing was for the City of Laurel's intent to increase the water and sanitary sewer rates and charges to become effective on November 10, 2011. He stated that a representative of the applicant would present the issue to the council, public input would be accepted, and any questions from the public would be recorded and answered by the staff after the public comment period closed.

Mayor Olson asked Chad Hanson, Great West Engineering, to present the information to the council. Mayor Olson explained that, at the end of the last rate increase, the council recommended that the city contract with the on-call engineering firm to prepare a sewer and water rate study.

Chad works for Great West Engineering in Billings as a professional engineer and has seventeen years of experience. Great West Engineering generally specializes in municipal work for cities, towns, and districts and has been the on-call engineer for the City of Laurel since 2007.

Chad gave a PowerPoint presentation to the council and audience. He stated that the City of Laurel owns and operates large municipal water and sanitary sewer systems to serve the community. The sewer rates were last increased in 2005 and the water rates were last reviewed in 2010. A separate bulk water rate was part of the 2010 rate, and there was significant public comment on the water rate and specifically the bulk water rate. At that time, the council decided to back up a step and requested that Great West Engineering, under the on-call contract, prepare a water and sewer rate study.

Chad explained that water, sewer and solid waste systems must be operated by the city as an enterprise fund, which means they have to run like a business off the fees they collect. They cannot use any taxes or mill levies. They could go out for a general obligation bond, but it has to run and be accounted for separately just like a business, and can only operate off the fees it collects and rates it charges, as stated in Montana Code Annotated. One recurring comment during the 2010 rate hearings was that there was no cost difference to pipe water to a bulk water station, an industry, a

house or any other user in the system. There is some validity to this argument if strictly considering the distribution system. However, larger users put an exponentially disproportionate demand on the water and wastewater treatment plants because they have finite capacities and capabilities. The engineers started looking into the rates. The accounting system the city uses separately tracks the water plant and the rest of the water system, as well as the wastewater treatment plant and the rest of the sewer collection system. Since there was some validity to the comments, the engineers decided to place base rates, or the flat rate everyone pays, on the distribution system for the water and the collection system for the sewer. The usage charges would then be tied to the water treatment plant and the wastewater treatment plant because the amount of water pumped through both plants directly affects everything, including O&M costs and future expansion needs. Everything is tied to the demand. Great West prepared the water and sewer rate study for the city, presented the draft in June, and since responded to comments.

Chad stated that he reviewed the historic use first, using the three full years from 2008 through 2010. Using the city's usage records, he found out that residential users in the city represent 91 percent of the users but their usage was only 29.4 percent. There is some disproportionate usage there since the homeowners are not using the bulk of the water. For the sewer, residential users were 92 percent and used about 63 percent of the sewer.

Chad explained that rates are calculated backwards by first figuring out how much revenue is needed to run the system, keep it running, and plan for the future. Much of the rate study is based on guidelines in AWWA Manual M1 (Principles of Water Rates, Fees and Charges). AWWA is the American Water Works Association and is an industry standard for engineering firms and cities across the nation. The cash needs approach was used to calculate the revenues. The cash needs approach includes four components: operation and maintenance (O&M) costs; reserves that need to be set aside for future expansion and replacement; existing debt service; and capital expenditures on any known large capital improvement projects.

The next step was to identify the O&M costs for each system. For the water system, the budget is slightly higher than the annual average because the city deferred maintenance for quite awhile that can no longer be deferred. The city has done a good job of coming in a little under budget every year, so there has been some conservatism there. For the sewer system, there is a little increase in the budget because the city is trying to do some replacement collection system lift station work to address problems throughout the system.

Reserves are a component for a city to set aside money for needed replacement, to address emergencies and to address leaks. The City of Laurel uses depreciation values as the reserves instead of setting aside a percentage of O&M as a reserve. The city uses the depreciation that is calculated as part of the annual accounting, which is a fairly standard and accepted practice. A graph in the PowerPoint presentation showed a summary of the last three fiscal years and the average depreciation from each component of the system.

Debt service is the existing loans for the systems. The City of Laurel has made numerous improvements to the systems and is carrying a large amount of debt. Water system debt requires annual loan payments of about \$850,000. The loans go back to 1998 when a new clearwell was built at the water treatment plant and a new intake was built in the river because the river channels shifted and left the old intake high and dry. In 2009-2010, Great West worked with the city to get grant funding to offset the rest of the loan. A project at the water treatment plant rehabilitated the filter media because the filter media at the plant was losing capacity. The water plant was originally designed to filter 10 million gallons per day. (At the time of the project, the city's capacity was only 4 million gallons per day due to plugged under drains and old filter media.) The filter media and a lot of the other controls were rehabbed and the capacity was increased to 6 million gallons per day. There are still some problems with the sedimentation basins at the front end and the 10 million gallons per day cannot be reached without further improvements to create additional capacity. Construction projects to replace 100-year-old 4-inch cast iron mains have also been done.

The sewer system debt is more recent. Phase 1 of the recommended wastewater improvements was done in 2005. There is a large trunk line that collects the majority of the city's wastewater and transports it to the wastewater treatment plant and it runs through agricultural fields. The line was old clay tile pipe and the city replaced it with PVC. In the summer, the plant cut the infiltration from groundwater down by a million gallons a day. Not treating an extra million gallons of groundwater makes a treatment plant last longer. Work was recently done on the Village Lift Station, the Elm Lift Station, and the head works at the treatment plant. These are part of the projects needed to keep



the wastewater treatment plant in compliance. Chad reviewed a summary of the existing debt and how it is broken out by the plant versus the system portion.

Every city and municipality faces capital expenditures. No one likes to raise taxes and rates, but large capital improvements are needed as equipment wears out. The city is facing some large future capital expenditures in the sewer and the water systems and wanted to incorporate those costs into the rates. The water main system is a pressurized distribution system. Significant portions of the system are 100-year-old cast iron undersized 4-inch pipes with a lot of leaks. Fire protection throughout the city does not meet standards, as there is not enough available flow and pressure because of some smaller pipes and the lack of storage. In the higher areas of town, there is not enough pressure to meet minimum requirements. At the water treatment plant, the sedimentation basins are the biggest concern. Raw water is taken from the river, and the sedimentation basins and mud chambers are the first to drop the heavy silt and sand out before it gets to the filters. Chad showed some pictures of what the 50-year old concrete looks like, and it is a huge concern at the treatment plant. A different engineering firm prepared the city's Water Facility Plan, and Great West Engineering prepared an amendment in 2008. The plan identified the deficiencies in the system and the needed corrections, and then phased them out over time. Phase 1 and a portion of Phase 2 are complete. Phase 1 included the intake, rehabilitating the filters and some projects at the water treatment plant. The remaining improvements under Phase 2 and 3 include new sedimentation and flocculation basins at the water treatment plant. If those failed, they could not provide emergency domestic use. In the summer when the muddy river was flowing, the filters would have had about an hour before they were clogged with no way to backwash them, and the storage tank would have been out of water until it could be fixed. It is a big concern. Main lines around town need to be replaced. Additional storage is needed to improve fire protection throughout the community and to provide service to the entire areas of the system. Expansion of the water treatment plant is also needed. The estimated cost of the remaining work is \$27.5 million. Chad suggested a 20-year window before the city could even begin to get that entire amount of work done.

Chad stated that the sewer system is a gravity sewer collection system. There are a couple lift stations and the sewer flows to the wastewater treatment plant. The treatment plant currently has rotating biological contactors (RBC's) that were put installed in the 1980's and were cutting edge at that time. However, the RBC's do not provide the treatment as originally thought, so the existing flows at the treatment plant are now overloaded. The current system is not well-suited for pending ammonia and nutrient limits that are required in the state. Treated effluent from the treatment plant is discharged to the Yellowstone River under a discharge permit that is part of the EPA regulations administered by the State Department of Environmental Quality. The permit contains limits on the effluent for BOD, total suspended solids, E. Coli, and other things. Since July 2008, the plant has had 24 violations of the discharge permit. Six violations were for the BOD concentration/loading, which is biological oxygen demand that is an indicator used for the effectiveness of the treatment. Fourteen violations were for the BOD percent removal, two were for total suspended solids, and two were for percent removal on total suspended solids. In June 2013, a new E. Coli limit goes into effect and the existing treatment plant is incapable of meeting that limit and the chlorine residuals as it is set up. The city does not want to wait until 2013 to address this.

Chad spoke regarding some of the city's pending sewer improvements. A wastewater facility plan was prepared in 2004. Phase 1 addressed the trunk line to the treatment plant and reduced inflow from groundwater by a million gallons a day. Phase 2 was split into several phases. The city received some American Recovery and Reinvestment Act (ARRA) money and moved ahead sooner than expected on the lift stations and the head works. Phase 2A2 is the major expansion of the wastewater treatment plant. This includes adding an activated sludge system to the plant (oxidation ditches) and retrofitting the existing clarifiers. Phase 2B is the addition of ultraviolet disinfection to meet the final effluent limits for E. Coli. Great West is currently working on the preliminary design, which will go to final design by the end of the year for construction starting next summer. The estimated cost of the improvements is \$6 million.

Chad stated that the rate calculations were straightforward once the revenues needed to cover the annual costs in the water and sewer systems were determined. The city currently uses the uniform rate structure, with a base rate and a usage rate of so many dollars per 1,000 gallons of usage. This rate structure is common in communities with less than 5,000 customers. Great West reviewed several rate structures and determined that the uniform rate structure fits Laurel best. The city has elected to implement an EDU (equivalent dwelling unit) system. The EDU system is becoming an industry standard in Montana and is strongly promoted by state funding agencies that offer grants and low interest loans. The EDU system takes the standard 3/4-inch line of service to a residential home as one equivalent dwelling unit. For larger services, it is a ratio of the area of the service. A

2-inch service is 7.14 times the area of a ¾-inch line and is calculated at 7.14 dwelling units. The EDU unit should account for any disparity in the use of the distribution system and the demand placed on it because a 2-inch line can pull 7.14 more times flow out of the system since flow is the direct result of the area. The city previously instituted the EDU system for the water rates and now proposes to do the same for the sewer rates. To determine the base rate calculations for the proposed rates, all of the expenses identified for the water and sewer systems were reviewed. Using the average number of EDU's for the three-year period in the city, Chad calculated \$21.75 per month per EUD for the water and \$19.24 per EDU per month for the sewer. These base rates are actually lower than the existing base rates because the costs are being shifted. The usage rates will go up because they will be based on the two treatment plants. The annual costs for the water treatment plant to produce the water and the costs for the wastewater treatment plant to treat the water were divided by the annual water usage. The cost calculation was \$2.86 per 1,000 gallons for the water treatment plant and \$5.27 per 1,000 gallons for the wastewater treatment plant. The city is carrying a large amount of debt and could apply for additional loans. The city has been very successful to get available loans, but the remaining chunk of a \$6 million project has to come from somewhere. The loans carry interest and closing costs and are not just a straight cost. City staff had asked Chad to figure out a proposal for a capital improvements surcharge on the rates. The surcharge would be accounted for separately and put into a special reserve fund for capital improvements. This would enable the city to save the money to reduce the amount of debt and ultimately reduce future rate increases. The proposed capital improvement surcharges are \$4.00 per month per EDU for the water rate and \$6.00 per month per EDU for the sewer rate. The proposed surcharge rates would increase by \$1.00 per month per EDU on July 1st for the next five years.

Chad explained the proposed rate structure as broken down by the EDU services. The rate structure includes the base rates for water and sewer, the surcharges for water and sewer, and the usage rates for water and sewer. The rates are based on the size of service and the EDU. For a ¾-inch service, the current average monthly water bill of \$42.01 would increase to \$44.84, which is a \$2.82 increase for water. That would escalate with the larger services because of the EDU factors. For the sewer, the current average rate of \$39.33 would increase to \$46.44. The sewer rates have not increased since 2005. Copies of the Water and Sewer Rate Study are available at city hall.

Mayor Olson stated that questions would be answered at the end of the public comment.

Mayor Olson opened the public hearing and read the rules governing the public hearing.

Mayor Olson asked three times if there were any proponents. There were none.

Mayor Olson asked three times if any opponents wished to speak.

Louis Metzger, 601 West 8th: "To tell you the truth, I don't think that this water and sewer rate issues are right. We have a lot of people living in this town that are living on incomes that they don't get anything else. They get a certain income a month and that's it. And there's a lot of us out here that aren't going to be able to afford that. Are we going to have something like what this lady did earlier and decided to move out of town? Are we going to start losing our people? Are you trying to run the rest of us out? Do you want it just for people that are making over \$100,000? Or would you like to have it the community that we had when I started growing up here? This is ridiculous. Everything that this city does is costing us more and more and more money all the time. Where was the capital improvements twenty years ago? Why are we having streets that get tore up and are left there for over a year? This is uncalled for. There are a lot of things this city is doing that, it makes me so angry. We're having problems paying for our water bills now. How are we going to pay for them when you increase them and then keep increasing them and increasing and keep increasing them? When is the decrease going to come? Or are we ever going to have a decrease? Are we going to continually have the highest water rates in the City of Montana or in the State of Montana? Are we going to continue that? We are tired of it. All of us are. We are sick and tired of it. Now do something about it, and not raise our rates, cause we can't afford it. Thank you."

Kevin Burson, 108 Durland Avenue, has "been a Laurel resident for eighteen years. Can't say I can complain about it, but rates are getting exorbitant and I find it is going to make it hard for a lot of people to move in here, live here. I have heard it from a lot of other people. One thing I would like to address, whatever decision goes on here, I would like to know why no change to current rate for raw water. This is a service being provided by the city. That rate should be under consideration to help support some of this capital development or water rates or sewer or whatever. It is a service the city is providing. It should be analyzed and brought into these figures also. I ask that of you all. Thank you."

Duke Nieskens, 1135 12th Avenue, stated that “adding on to the raw water charge, it is my understanding that there is an agreement that the raw water rate cannot be increased unless the residential rate is increased. When was the last time that the raw water rate was increased and why isn’t it being addressed at this time? Also, when was the last time that the water audit was performed and are all services being metered? Parks, refinery, are all potable water lines being metered? If not, why aren’t they? Are all fire lines metered or are they flat rated? Most fire lines that the city provides water to, it is my understanding, are potable water. They should be part of the rate increase also. And I don’t see any rate increase for the sewer based on EDU’s for anything larger than 6-inch, when under water, we have up to 10-inch. And I think that should be looked at also because if there’s any 10-inch lines, their sewer rates should be adjusted accordingly. And that’s all I have.”

Pat Kimmet, 2130 Saddleback Drive, represented CHS Refinery. “I will be brief, but we, like others here are concerned about the proposed increases. We do understand the need to properly fund the water supply infrastructure so that we have a system that can meet the demands of our growing community. I applaud all of you, the leaders of our community, for your forward-looking thinking. However, the proposed increase of over 50 percent at one time seems just a bit excessive. This is especially true after the significant increase made less than two years ago in the base rate of our city water supply lines. Based on the city’s calculations on the report, the projected rate increase for the refinery’s water cost alone will increase by several hundred thousand dollars per year. It’s a significant change for us. At a time when refineries are shutting down in our country on the east coast because of foreign competition, we are deeply concerned about any additional costs that may affect our ability to compete for the long term. The refinery on the south side of Billings pays the same rate per gallon as we currently pay. After this increase, we will pay over 50 percent more per gallon than they do. This does put us at a competitive disadvantage. The rate study references that some of the many system improvements recommended in the Laurel Water Facility Plan and 2008 Amendment that Chad referred to earlier, have been completed, but that much work remains, such as the construction of the new sedimentation and flocculation basins in order to meet the needs of our community. We support the completion of this work and we understand it costs money to do that. And we also understand that the work is needed soon and so we would support moving it along as quickly as you can. And we also understand that it must be paid for, but we ask that the city consider all forms of funding, such as grants that are available as you proceed with this work, in addition to increasing our per gallon cost. We also ask that you review the facility plan to confirm that it is current. I know it’s a few years old now, even with the amendments, and that it can indeed serve as a master plan that will provide for the long-term needs of our community so that we don’t look back twenty years from now and say, why didn’t we get this done? CHS appreciates the effort that you have put into the rate study that was done. I also thank you for asking for input on how we can work together to optimally address the problem. We would ask that you please consider our concerns as you make your final decision. Thanks for all that you folks do for our community.”

Ozzie Boeshans, 502 Woodland: “I am both a resident and a property owner, manager of a small apartment complex. And on my calculations for our property, our water rate would go up 22 percent, our sewer rate 55 percent. And so as I look at our monthly costs to own and operate a housing unit, it takes a significant portion of our profit to fund the proposed increase. And so we have two choices. We can either absorb the cost and make less money or pass it on to the tenants. Well, as you look at the competitive prices in the community and my partners and I were considering, where do we want to build our next project, and so you look at Laurel and you say, well, why would I build in Laurel because the profitability of doing so becomes less and less with each increase. The property taxes we pay already are amongst the highest that I am aware of in most states. And so what I would ask is pretty much the same as what Mr. Kimmet was asking. I would encourage you to look at grants and to review very carefully the plan that has been laid out, because I’m sure it has been generated over many months and years, but it’s the first time I’ve really heard about it. But you have to wonder how carefully has it actually been examined. I know that a lot of the infrastructure is failing, but I don’t know how rigorously you have examined what the alternatives are. Are there any other cost things that could be done so that you could encourage people to live in Laurel? I think another gentleman made the comment, you know, it’s like you are going to drive the residents out and that’s not really what you want to happen. There needs to be a way to generate the appropriate revenue to fund the system without driving off the residents that live here and failing to attract new residents. Thank you.”

Tim Bronk, 715 Wyoming Avenue, is the superintendent of the school system. “First of all, I would like to thank everybody for having this hearing so that we can speak our opinions on this. Mostly, I guess, I have some questions for you that I hope you have time to answer. The rate increase as I see



is going into effect would go into effect quite immediately. However, the school district operates on a budget that we put together in the summertime, approved in August or so, and then that runs us through the fiscal year, which is until June 30th of the following year. We did not budget the increase, budget this kind of money into our budgets for the coming year. So I guess I'm hoping that there is some flexibility in that start date because we don't have the money in our budget to do it. We are already at, have our school system really maxed out to where we can possibly function well the way it is. And maybe some of these other questions have already been asked in other ways. But I guess I'm wondering have other water supply options been considered? Is there some other option of providing water supply rather than taking it out of the river? I haven't heard that. Are we building any growth into the capacity of this new plant so that as the city does grow, are we going to be in the same position ten years down the road or is this going to be something that has some growth in it? The last gentleman asked about are there other grants or funding options that are being sought and are they going to be sought and those be able to be interjected on an ongoing as we go forward over the course of the next ten or fifteen years. If they are, how will that affect the current rates? Will those rates then be reflective of any grants or other types of funding that come in? I guess one thing I thought of is could it be considered to put this out to the voters to do like a bond issue rather than through a rate structure? I don't know if your enterprise funds or how your funding and all of that works with the city necessarily, so I don't know that. We heard that this is going to replace some of the old infrastructure, the clay and the cast iron infrastructure that is in the community, and I'm wondering does this plan include replacing all of that so we don't have to worry about that in the future? Is this something that will be taken care of then so that's a worry that we don't have to worry about? And could this infrastructure be separated, the cast iron and the clay infrastructure, be separated from the capital improvements so that maybe they are funded more through SID's or some other way. I guess those would be the questions that I have. Again, we need water at the school. It would be very difficult for us to have nearly 2,000 kids in a place where we don't have water for drinking and toilets and cleaning and everything else, including the lawns and the landscaping. We are a big user of water and we know that. We appreciate the water and we appreciate having it. But it does seem like the rates are going up substantially. Thank you."

Cindy Fox, 9407 Laurel Airport Road: "There is a lack of fair process here. Fair process would have been to provide the public records and communications between the City and its consultant that our lawyer, John Alke, requested on May 13, 2011. Here's the request (she showed the letter). The effect of this refusal is to deny any meaningful opportunity to prepare for tonight's hearing. A fair process would have provided both the public records that have been requested and the time to prepare a meaningful response and alternatives to the commission's proposal. In closing, I ask why is the city going out of its way to frustrate meaningful citizens input and ask the questions, why the rush? Why the secrecy? And why isn't city government giving its own citizens a fair chance?"

Jean Kerr, 1128 9th Avenue: "I have reviewed the letter that came to me. I also watched this presentation twice as far as what the needs are to the city, as far as the sewer and the water updates. I realize that we do need infrastructure and the changes that we need to do we have to raise money. I do also agree with the concerns as far as bulk water. I do know that there has been a concern as far as not equal payment. I feel that as a resident of Laurel that basically that water plant is paid by the Laurel residents. Anybody that lives outside of the city limits should be paying the same amount of rates that we do and if I choose to live out of the city limits, I don't pay the city taxes, I don't pay the same rates as Laurel people do, and yet there's expectations that there should be less money spent. And I don't agree with that. I agree that the amount of money that is spent to make water potable needs to be also shared by all. And I also think that bulk water rates should be looked upon with scrutiny as well. Thank you."

Kurt Lord, 418 West 12th Street: "I just have this little problem in this day and age. It seems like everything I go to buy anymore is up 2, 3, 4 percent. I go buy groceries at Costco or I go buy gas at Costco or my utilities cost more, taxes, insurance, everything, more and more. The only thing that don't include in this is my wages. Sooner or later we can't afford all these raises, you know. I personally think that any increase over 5 percent in this short of time in a year period is kind of absurd. Thank you."

Mark Wallace, 1216 Valley Drive: "To begin with, not that it matters, but I do have a degree in accounting, and I think there's been some creative accounting on this. Existing average charges, proposed average charges, the base charge dropped \$8.25. But you put a \$4.00 surcharge on there and then you put a \$1/month per EDU on there annually and that makes it to \$26.75, so there's actually, in all reality, there's only a \$3.25 difference from your old base rate. I can't figure out what the usage is. I don't know the percentages, so I haven't figured them out and I just figured these out tonight. But the existing rates are \$1.80 per 1,000 gallons and the proposed rate is \$2.86

per 1,000 gallons. That's a 61 percent increase. I mean inflation is going up and everything is going up and I know that we need work done at the water plant and the sewer plant, but I don't know what it is for the refinery or a (inaudible words) plant, I haven't figured out the percentages. But like Pat, Mr. Kimmet, he spoke and it's going to increase their rate greatly. Most people, unless you got a well, most people can't even afford to water their own. You water your lawn, you're getting \$150, \$160, \$170 water bill. Like I say, this is basically a 61 percent increase. I think this, there's got to be a better way. What I'm saying is whether it is a bond issue, if we do need rate increases, let's do them gradually. I don't know, I just, going from \$1.80 to \$2.86 is 61 percent increase. That's \$1.06 more per 1,000 gallons that the customer is going to use. Like that one gentleman said, I don't know how a lot of people, especially on a fixed income, are going to be able to afford this. And I think the city council ought to definitely reconsider these rate increases. Thank you."

Donna Wagner, 1043 Montana Avenue: "One thing I'm wondering about that we did here last year when the people from Helena were here that Mrs. Fox brought down, they did say that we could not pick and choose who pays what for water. And at that time it was brought out that Water Specialties and the refinery did have special rates. I wonder if that has been corrected. And also that's all we hear, we don't have any money, we don't have any money. And just last week, no it's been about three weeks ago, there was a gentleman that said he came to buy his permit to put shingles on his roof. All of the roofs that were done in this town this summer. He was told that he didn't need any. There wasn't anybody doing code work and so just skip all that. Well, look at all the money that's just going down the tubes because contractors have said Laurel has extremely high permit rates. I don't think this is right just to let something go when there's money that could be coming in."

Megan Wall, 504 Santa Fe Drive: "I guess I have a question or concerns about the quality of water that's coming out of the current infrastructure and if we are really triaging something that is on its last leg or should we be building something different. I don't know much about the water system that we have now, so my question is what kind of filtration system do we have on our water plant? Is the technology on it up to date, and will it last another ten years? Are we flushing more money down the drain in trying to fix this? So from what it sounds like, it's kind of an emergency to deal with these issues, but do we need to look at it differently and if we are investing in our city, which we should be, is there a better way to do it. So I just brought in, this is about four months of filtration on city water. This is a new one and this is just three to four months (she showed two filters). It's unacceptable and most people don't have a filtration system on their home. So that's my main concern. Thank you."

Monica Johnson, 707 East 6th Street: "Good evening. I recently started riding a bicycle and going through Laurel and discovering there are lots of homeowners that take great pride in their yards and they are not going to be able to do that. And I'm not sure if I understand, but you no longer can drill a well in your back yard to get the groundwater. So all of us rely on water to make this town, in essence, our home, look presentable. You are going to have people come in from Billings, from wherever, driving through town and what's going to happen is they are going to look at parched landscapes. People are not going to be able to take care of their properties. It's going to diminish the property value, my property value. It's just not right. Thank you."

Mayor Olson asked three times if there were any other opponents. There were none.

Seeing no others, Mayor Olson stated that the questions recorded by the city's attorney, Sam Painter, would be answered at this time.

The first question was why no changes to the current raw water are being considered.

Chad stated that the raw water rate was adjusted in 2010. The refinery is the only user in the city that can pull the raw water. The raw water comes directly off the intakes and CHS participated in the cost of putting in special pumps to do that. He stated that he thought there was a contract with the refinery for the cost.

Sam stated that the city entered into an agreement for raw water, which is water that does not go through the plant and the treatment process. CHS participated with the city to pay a substantial portion of those costs, which is a different scenario. Under the city code, the city has entered into a water user agreement with the refinery for raw water only.

There was another question about raw water and someone wondered if fire lines are metered or if they are flat rates.

Chad did not think the fire lines are metered and he would have to ask staff how or if they are billed.

Mayor Olson stated that he did not believe they are billed. The only fire suppression lines he knows that are metered are sprinkler systems inside a particular industrial building that are typically tapped to the meter.

The next question asked why there is no EDU increase for 10-inch sewer lines.

Chad explained that the EDU base rate would apply to any size service for water or sewer. It would just be multiplied by the EDU factor. The letter that went out for the proposed rates included some of the sizes, and in that three-year span, he looked at some of the sizes. There is one 10-inch water service, but the largest sewer service during the three-year period was a 6-inch service. There were no larger sewer services in the billing records of the city. There are some other sizes missing, such as the 2¼ inch. If there were no services, he did not list them in order to save space. However, any size meter up to 36-inch would be determined by the base rate multiplied by the EDU.

The next question asked if the rate for potable water was somehow tied to raw water rates.

Chad stated that raw water is a special use agreement, as he understands it.

Sam stated that they do not have anything to do with each other.

The list of questions from the superintendent was next, and one question was if there would be flexibility in the effective date.

Chad stated that would be determined by the council and the mayor.

Sam explained that it would be the city council's decision how they want to phase in the effective date. As currently written, there is a date it is intended to start; however, the council could alter that as it deems just and reasonable.

The next question was whether the city studied other water supply options.

Chad stated that the water and the wastewater facility plans are both three-inch thick documents. They are written in a standard outline for the funding agencies as required by the State. In the studies, the engineers had to identify the deficiencies and any viable alternatives to address the deficiencies. The alternatives presented in the water facility plan probably included rehabilitating the existing plant, building a new plant, microfiltration versus some different technologies, groundwater wells, etc. The engineers would have looked at O&M costs, capital costs, and life cycle costs in making their recommendations.

The next question was whether the city is considering or adding capacity for future growth in doing these improvements.

Chad stated that some of the rehab at the water treatment plant is needed to get operations up to the design capacity. Right now, the plant can operate at about 6 million gallons a day, which is what they have been running at 24/7 most of the summer because of the high turbidity of the water and the demand. The wastewater treatment plant preliminary design looks at 20-year growth projections and estimated flows to make sure there is growth capacity for the community.

The question of whether the city is currently seeking grants and how the grants would impact future rates was stated.

The city can apply for the Treasure State Endowment Program every other year, and the next application cycle is in the spring of 2012. The city received a grant from the Department of Natural Resources Renewable Resource Grant Program, CDBG, and is no longer eligible. Chad stated that the city has been very proactive, and the city has the facility plans in order to apply for grants. The city received a \$750,000 TSEP Grant for the wastewater treatment plant. Some of that was used for the head works at the Village Lift Station and the Elm Street Lift Station because there was an opportunity to get some ARRA money and some loan forgiveness, so the city split the project into a smaller phase. In the last eight years, the city has received almost \$4 million in grants and loan forgiveness for the water and sewer projects and has been actively seeking every grant available with great success.

The next question asked if receiving grants would ultimately reduce the amount of debt the city is carrying.

Chad stated that it is a direct relationship, as the more the grants, the less the loan and the lower the rate.

The next question asked if the improvements could be funded through a bond issue or general obligation bond.

Chad thinks that the enterprise funds can issue revenue bonds and go through an election. The city has tried to pursue the grant funds and the low interest loans through the State Revolving Fund, which has some forgiveness with the ARRA program and has a better rate than bonds.

There was a brief discussion. Since MCA statutes regarding bonds and enterprise funds were out of Chad's expertise, he did not comment further.

The next question asked if the current plan includes replacement of all cast iron and clay pipes.

The water facility plan calls for the replacement of three to four blocks every other year. A lot of that is the depreciation or reserve fund built into the rates so the money builds up and then is part of the city's ongoing capital improvements. In some bigger projects and some of the high priority areas, leaks get addressed sooner. There is an ongoing plan to eventually and prioritize those. The city keeps track of which areas in town have the most leaks and tries to address those areas first.

The next question asked how cast iron and clay pipe replacement are funded and if replacement could be funded through an SID and not through water rates.

Chad was not sure if an SID could be tied to an enterprise fund. SID's are usually geared toward streets and sidewalks, and he has done several with the city on that type of project. Replacement is funded from the reserves/depreciation fund, which is supposed to replace deteriorating components, and from the capital plan.

The next question was why the city is rushing and working in secret.

Sam stated that public documents are available at the city. There have been numerous public meetings, and the agendas are posted and public hearings are published in the newspaper. There is not any secrecy. The engineer provided a very good outline of how the rates were calculated. Sam asked Chad, as the city's engineer, if he had further information that has not been provided to the city or that is not available to the public.

Chad stated that everything has been provided. The draft and final reports were provided at council meetings. At the staff's request, he met with owners about the report, including the school and the refinery. The staff also met with Rutt's. To his knowledge, there has been no secrecy or rush. From his perspective as the consultant, the city has been diligent about slowing the process down and spent time reviewing the information in the report.

The next question was regarding last year's discussion of special rates for different users and whether that has been corrected.

Chad stated that, other than the special use agreement for raw water, he was not aware of any other rate. The proposed rates have no differentiation between residential, commercial or industrial rates. Rates are determined purely on the size of the service and the usage. There is no differentiation between any categories of user, even though the state code allows the city to differentiate between residential, commercial and industrial.

The next question asked about the city's current filtration system and if the technology is outdated.

Chad stated that the current sand filter technology is not outdated. The filters were recently rehabilitated, and a more modern under drain system, new media, and new apparatus for the backwashing process were installed. It meets all of the required EPA standards. Some of the stuff in the filter is tuberculation from the old cast iron mains. Once the water is treated, pieces of the cast iron main deteriorate and go back into it. He stated that the water would not look like that if it was filtered right out of the clear well at the treatment plant. Drinking water is usually crystal clear to the naked eye, but there is still stuff in the water that is not harmful. With a well, there are always sand

particles and things that people do not necessarily see. The filter takes a certain size particle out based on health threats, but some fine particles and silt still get through.

The question asked if it is worth spending money to rehabilitate or improve the existing water plant.

Chad stated that the water facility plan, which was written by a different firm, looked at the alternatives. A new treatment plant versus rehabbing is typically ten to twelve times more expensive. A \$2 million rehab would cost \$16 to \$20 million for a new plant. The firm that wrote the plan is very capable, and Chad is sure that they looked at the alternatives and the plan to go ahead and rehab the plant. The plant is performing well, but components have met their life span and need to be replaced. Chad thinks it is worth rehabbing versus building a new plant.

The final question was whether or not citizens can drill wells in their back yards to water their grass.

There was discussion regarding DNRC regulations, changes to the water rights laws and exemptions for wells in the last legislative session, and the city's ordinances.

Monica Johnson: "I would have to research it. Just in the back of my mind, I do believe it was something two or three years ago, somebody said you cannot drill a well in your back yard anymore."

Mayor Olson stated that he has been involved with the city for about fourteen years and does not remember that, but he will get the information to her.

Mayor Olson asked if there were any other questions.

Louis Metzger, 601 West 8th: "I asked a question. Where is the money that should have been going into this capital to keep our infrastructure going? Where has that been until all the sudden you decide you want to put this in there? Where has it been for the last 30 years? Where is the money going that we have been paying for the last 30 years? We want to know that. And is our water department running in the red?"

Chad stated that he understood Louis' concern, and he could not argue that the infrastructure should have been done 20 or 30 years ago. Chad runs into that with all his clients across the state. Great West Engineering has been the city's on-call engineer since 2007, and Chad stated that more has happened in this town in the last three years than he remembered in the previous ten years he worked out here. The council and mayor cannot change the hand they were dealt but they are doing their best. Chad stated that the water and sewer guys do a great job trying to minimize costs and run things as efficiently as possible. But the fact is that they were handed a treatment plant that was not taken care of like it should have been.

Louis Metzger: "And whose fault is that that it wasn't taken care of the way it was? All these gentlemen and lady sitting here, all your cohorts, all the council members did not even think about later down the road. I want my children to continue to grow in this town and they are not going to be able to if you keep raising everything on us, so every time we turn around, we have to dig deeper and deeper and deeper into our pockets and make a choice between food and water."

Mayor asked if the questions had been answered.

Cindy Fox, 9407 Laurel Airport Road: "I would like to know why on your report you just have an estimated annual income for water and sewer. It's based on the On your report, you have an estimated annual income of \$2,440,612. And an expenditure of \$1,757,922.00, which leaves an excess of \$682,690."

Chad asked which table she was using.

Cindy Fox: "and on the sewer you have an estimated annual, I mean you only have 2,346 customers on ¾-inch lines in Laurel. What does the town of Laurel have for population? A lot more. My way of thinking is there is probably only a hundred on cisterns and the rest are on wells, which is about 66 percent of Laurel is on wells. So these people and businesses are carrying the rest of the amount and I don't think that's fair. The sewer you are having a profit of \$156,787, which leaves a total of \$839,477, and with this new rate increase the profit will be \$1,792,295. I took it off your report."

Chad stated that he did not know exactly which table she used and he would need to review it to see where she got the numbers from the report. Chad offered to meet with Cindy and asked Mayor Olson if it would be appropriate to set up an appointment through city staff.

Duke Nieskens, 1135 12th Avenue: "I had a question, when was the last water audit performed and are all the services metered that are on potable water?"

A water audit is done annually and everything is metered except for the fire services.

Mayor Olson commented that a few county users were acquired through a contract for an easement. If the city had to use some of their property to run a city pipeline through, then part of the agreement included a waterline going to them. There are meters on the service lines that are located in the county.

Megan Wall, 504 Santa Fe Drive: "How does the sand compare to membrane filtration?"

Chad stated that the membranes are getting better all the time. The cost is significantly greater than a sand filtration plant and they do filter much smaller media. Laurel does not need to go to microfiltration in order to meet the current drinking water standards. It increases O&M costs because the filter has more stuff that has to be backwashed and handled. He would have to look at the facility plan to see if membrane technology was reviewed. Membrane filtration would require an entirely new plan, and there is no way they could retrofit this plan for membrane.

Megan Wall: "So you are saying that ____?" (Inaudible, as she did not approach the microphone.)

Chad answered that what the city treats for at the wastewater treatment plant is totally different. It is biological oxygen demand, which is an indicator of total suspended solids. It is stuff that is added to the water by dishwashers, showers, bathrooms. They are not really tied together.

Megan Wall: "If ____ quality of ____ gets to the home looks like this, then the quality of water coming into the sewer treatment plant is still going to be a burden on those filtration systems and they are going to ____ more rapidly, wouldn't they?" (Inaudible, as she did not approach the microphone.)

Chad answered yes, but he would have to bring in some high/low process person from Denver to tell him exactly how that happens, and it is negligible for anything being measured.

Megan Wall: "I have a question about the raw usage and if that entails what they put back into the sewer, because obviously they are not paying it on the front end or they paid for all the costs of holding the raw water, but then they are still putting it into the sewer so that's still an excess."

Chad stated that none of the raw water goes back into the sewer.

Pat Kimmet stated that "we (CHS) have our own discharge into the river. It's separate from the city sewer, so the only thing that goes through the city's sewer is our sanitary sewer for our toilets."

Chad asked if the bath house and the office building were the only sewer services.

Pat Kimmet: "We have a number of office buildings, but it's the water that you wash your hands with, not the processed water. The large majority of what we use goes to our processes and water that is left over is discharged and does not go through the city's sewer. We do our own wastewater treatment."

Chad thanked Mayor Olson and the council.

Monica Johnson, 707 East 6th Street: "I just have a quick question. What does Walmart fall under? Does it fall under city limits or county?"

Mayor Olson stated that Walmart is in the city.

Monica Johnson: "So Walmart would also . . . I know Cenex is here for this, but we don't see anybody from Walmart and they have big business out there, so it would affect their water rates as well. I just wanted to know if they were in the city limits."

Mayor Olson again stated that Walmart is in the city limits.

Megan Wall, 504 Santa Fe Drive: "Just had one more question. From my understanding, some of the improvements on the water treatment are mandated upon us by Federal departments. And are we receiving funding to meet those mandates? Because I'm not a paranoid person, I'm not worried about somebody throwing a dead cat into the water treatment center, but . . ."

Chad stated that there are federal mandates, but there is no federal money. The State Revolving Fund, which is a loan program through the state, offers communities a low interest loan. There are grants, which are more driven by the State of Montana than from a federal level. The city has been very successful with grants. Laurel, along with every community in the state, is facing federally mandated regulations, particularly in the wastewater treatment plant, but there is no funding.

Megan Wall: "I was talking more about the Homeland Security mandate."

Chad stated that some Homeland Security grants can be applied for through the system. If specifically talking about covering the sedimentation basins, the city would apply for Homeland Security grants because they are the ones that want the basins covered.

Megan Wall asked if "the grants are fully funding it or a small smidgeon."

Chad has not gone through the program and did not know how the city ranked or the state of the federal budget.

Mayor Olson stated that there was no one available in that area of expertise and this was not the time or place for that discussion.

Mayor Olson asked for any other comments.

Tim Bronk: "Just a follow-up question. When we are doing these infrastructure repairs and replacement of pipes and such, does this money that we are talking about for doing that, does that include all the work of repairing the street or is that just the work under the street and then the minimal repairs that we need to make to the streets or how do we do that? I'm thinking if we are going to do all the repair, then we should look at those bus routes first."

Mayor Olson explained that utility cuts are done when there is a waterline repair. The utility cut is the width that is allowed by statute to allow access of machinery to repair the pipe. The water department has to repair the asphalt over a utility cut. With anything larger than a utility cut, the repair is incumbent upon the street maintenance fund.

Mayor Olson closed the public hearing.

Letters of opposition to the proposed increase in water and sewer rates were received from Rose Bear, Marvin Carter and Zach Kerbis.

CONSENT ITEMS:

- **Clerk/Treasurer Financial Statements for the month of September 2011.**
- **Approval of Payroll Register for PPE 10/02/2011 totaling \$168,370.63.**
- **Receiving the Committee Reports into the Record.**

--Budget/Finance Committee minutes of October 4, 2011 were presented.

--City-County Planning Board minutes of October 6, 2011 were presented.

--Council Workshop minutes of October 11, 2011 were presented.

--Laurel Urban Renewal Agency minutes of September 19, 2011 were presented.

The mayor asked if there was any separation of consent items. There was none.

Motion by Council Member Mace to approve the consent items as presented, seconded by Council Member Poehls. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

CEREMONIAL CALENDAR: None.

REPORTS OF BOARDS AND COMMISSIONS: None.

AUDIENCE PARTICIPATION (THREE-MINUTE LIMIT): None.

SCHEDULED MATTERS:

- **Confirmation of Appointments.**

Laurel Police Reserves:

Mayor Olson appointed Bill Rash to the Laurel Police Reserves.

Motion by Council Member McGee to approve the Mayor's appointment of Bill Rash to the Laurel Police Reserves, seconded by Council Member Mace. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

- **Resolution No. R11-108: A resolution of the City Council authorizing the Mayor to sign a contract with Blacktop, Inc. for utility cut repairs on the 200 block of Fifth Avenue.**

Motion by Council Member Eaton to approve Resolution No. R11-108, seconded by Council Member Poehls. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

- **Resolution No. R11-109: Resolution relating to Special Improvement District No. 112 and Special Improvement District No. 113; Final levy of special assessments on property within the districts for the purpose of financing the cost of certain local improvements.**

Motion by Council Member Dickerson to approve Resolution No. R11-109, seconded by Council Member Poehls. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

ITEMS REMOVED FROM THE CONSENT AGENDA: None.

COMMUNITY ANNOUNCEMENTS (ONE-MINUTE LIMIT): None.

COUNCIL DISCUSSION:

Council Member Poehls stated that the Emergency Services Committee would meet on Monday, October 24th, to discuss the shooting range issue.

Council Member Mace stated that the Public Works Committee meeting was cancelled since there were no discussion items.

Council Member Mace spoke regarding the project on Southeast 4th Street. He has had a lot of discussions with people and it is great to see the project happen. It is really great that the business owners are paying for it, the city does not have to find the funding, and the business owners are happy about the project. Council Member Mace stated that the project is being done right, and he hopes the city can keep people from cutting into the street from this point on.

Council Member Stamper apologized that he did not help with the bridge work over the weekend, but he spent the day with his son before he left again. He asked regarding the council retreat that had been scheduled on Saturday.

Mayor Olson stated that the council retreat was postponed, as there was a scheduling conflict for Dan Clark. There was discussion regarding scheduling the council retreat in the evening on



Tuesday, November 22nd, which is an open night for the council. The council will discuss this at the next council workshop.

Council Member Stamper mentioned that the Park Board's discussions are hinging on the council's discussion at the council retreat.

Council Member Rodgers stated that the Cemetery Commission would meet on Wednesday, October 19th, at 5:30 p.m. The main discussion topic will be the American Legion's request to put a 10x12 storage shed next to the shop at the cemetery for storage of equipment and headstones.

Council Member Rodgers thanked Mayor Olson and Council Members Nelson, Poehls, and Dickerson for helping at the bridge.

Mayor Olson spoke regarding the work done at the footbridge, Kurt Markegard's donation of the eight rocks, the fabric and the landscape rocks, and the need to landscape another area that would be difficult to maintain otherwise. He thanked Council Members Eaton and Rodgers for their work on the project and for their insistence that additional railing was needed to protect the children that use the bridge.

Council Member McGee mentioned that, since he rode as a Police Reserve with a Laurel police officer until 5:00 a.m. on Saturday morning, he was not able to help with the project. He commended the work that has been done because it looks much better and is safer.

Mayor Olson attended an Exxon debriefing luncheon on Monday. Those attending included ExxonMobil, FWP, Federal EPA representatives via phone, DEQ, Jim Ronquillo, Richard Clark, Jim Reno, Bill Kennedy, the Billings Gazette and some contractors. The EPA has determined that any further work would cause more harm than good, so they are ceasing the operations. At one time, Exxon had over a thousand people on site in the area, and there are currently one hundred or less in the area. Jimmy James is the new area Vice-President of Pipeline for ExxonMobil. Mr. James informed the attendees that Gary Preussing, the Vice-President of ExxonMobil, will not be around as much but that ExxonMobil will continue to have a presence here. Mr. James and Dale Getz will represent ExxonMobil regarding Laurel's concerns with Riverside Park.

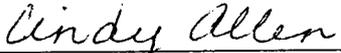
Mayor Olson stated that a work session is scheduled in Big Timber on Tuesday, October 25th, from 9:00 a.m. to 4:00 p.m. Roles and responsibilities will be discussed in the morning and MMIA will discuss liability issues in the afternoon. Contact the clerk/treasurer for more information.

UNSCHEDULED MATTERS: None.

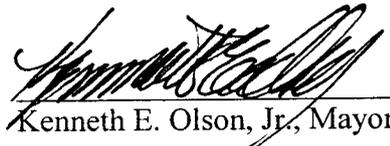
ADJOURNMENT:

Motion by Council Member Stamper to adjourn the council meeting, seconded by Council Member Mace. There was no public comment or council discussion. A vote was taken on the motion. All eight council members present voted aye. Motion carried 8-0.

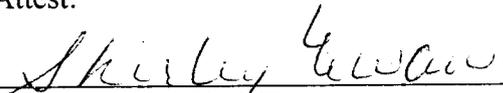
There being no further business to come before the council at this time, the meeting was adjourned at 8:44 p.m.


Cindy Allen, Council Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 1st day of November, 2011.

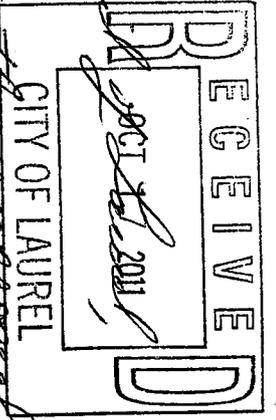

Kenneth E. Olson, Jr., Mayor

Attest:


Shirley Ewan, Clerk/Treasurer

Oct 13, 2011

Dear City Council



I do ~~not~~ protect the proposed water rate modification, - also known as "raising prices."

I do not want to pay more for water here in Laurel especially since my water frequently has the color of pond water.

No Thankyou, but there is no need to raise water rates.

Respectfully,
SIGNED,
Jack Kolbe, Laurel resident.

Kerbis
503 Woodland
Laurel, MT 59044

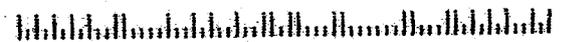
BILLINGS MT 591

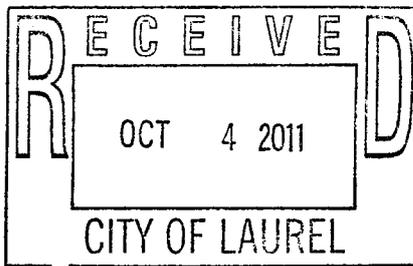
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City of Laurel Water
Laurel City Council Hearing
115 West 1st Street
Laurel, MT 59044

5904460001





October 3,2011

To Whom it concerns,

I am writing a formal complaint about the water and sewer increase that is being proposed. I for one am not on board. Typically I pay around \$25 per month extra just to keep my yard watered during the summer months. I have always felt that since my heating fuel is not costing me much, that it was worth it to enjoy my green lawn and gardening. In case you haven't noticed we are dealing with a recession here, no one is getting cost of living raises or being able to save for retirement on a scale that would even make it possible to retire, because the cost of living is out of control. Have any of you noticed the amount of homes in this town that have let their yards burn up because they cant afford to keep it watered already? There are a lot of elderly people and people living on a fixed income in this town who can't afford to live here much less keep up with the water, gas and electricity rates. What happens to them now? This increase will raise my monthly bill about \$30, which means I will be paying an extra \$50 per month during the summer, it takes all the enjoyment of gardening and turns it into just another burden.

I remember a time when mothers were able to turn on the sprinkler in the yard and all the neighborhood children would come over and play for hours. Now children just stay inside and sit at a computer, TV, game box, or on the phone. They are shipped off to the pool or water park when the parents are able to afford it, "you think \$2 is not expensive?"; add the cost of say four children twice a week for three months, yep! Another \$242 to squeeze into the budget. Now parents have to choose to either water their lawn from May to October (\$250) or get their children active. I suppose you will be saving the elderly and disabled around \$280 per season on lawn care costs, but you will have turned backyard enjoyment into unemployed lawn care workers and property ruin.

According to your official notice, the city has never had a capital improvements plan, I suppose that is how you can justify burdening current residents with fixing a deteriorating system. Where do you suggest we plant that new tree on Arbor Day? I suppose we could plant it in the city park because the residents can't afford to keep it watered.

Respectfully,

Rose Bear
315 W 6th St.

Please forward this objection to the Clerk/Treasurer, for I am needing to save money on stamps so I can afford to do laundry.

10/18/11

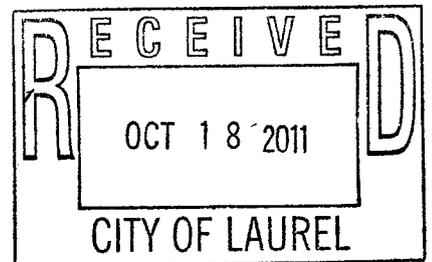
Laurel City Council;

my neighbors and others.

hope the city council agrees:

1. That everyone pays the same price for treated water.
2. We always thought that 1,000 gallons was the same regardless of the size of the pipe.
3. We in the city get a double whammy by paying the same price for sewer.
4. The price of water is too high now as you see boulevards & lawns go unwatered.

5. Be fair to everyone
Thank you
Marvin Carter



WATER AND SEWER RATE PUBLIC HEARING

City of Laurel, Montana
October 18, 2011

Background

- ❑ City of Laurel owns, operates, and maintains extensive municipal water and sanitary sewer systems to serve the community.
- ❑ Last increased sewer rates in 2005.
- ❑ Last reviewed water rates in 2010.
 - Revised rates included a separate bulk water rate.
 - The City Council rescinded the bulk water rate after significant public comment and requested Great West to prepare a rate study.
- ❑ Water and sewer systems must be operated as "enterprise funds".

Enterprise Funds

- ❑ Section 7-7-4424 of the Montana Code Annotated (MCA) requires that municipal water, sanitary sewer, and solid waste funds be "self supporting".
- ❑ Rates, fees, and charges must be sufficient to:
 - Pay when due all bonds and interest on the bonds for the payment of which the revenue has been pledged, charged, or otherwise encumbered, including reserves for the bonds; and
 - Provide for all expenses of operation and maintenance of the undertaking, including reserves.

Distribution of Costs

- ❑ A reoccurring comment during the 2010 rate hearings stated that there is no cost difference to pipe water to a residence versus a larger user.
- ❑ Some validity to this argument if only considering the distribution system.
- ❑ At the same time, larger users place a disproportionate burden on the water and wastewater treatment plants due to finite capacities and capabilities.

Base Rate vs. Usage Charges

- ❑ The water enterprise fund is separately tracked for the Water Plant and Water System.
- ❑ Likewise, the sewer enterprise separately tracks the Sewer Plant and Sewer System.
- ❑ This allows for a base rate to be calculated to cover expenses of the Water System and Sewer System.
- ❑ Usage charges can then be based upon the cost to run the Water and Sewer Plants.

2011 WATER AND SEWER RATE STUDY

Summary of Findings and Recommendations

Historic Usage

| Summary of Water Usage (2008 - 2010) | | | | | |
|--------------------------------------|---------------|-----------------|------------|-------------|-----------------|
| Category | Average Value | | | Percentage | |
| | Residential | Non-Residential | Total | Residential | Non-Residential |
| Usage (gallons/month) | 16,105,000 | 38,751,600 | 54,856,600 | 29.4% | 70.6% |
| Services | 2,438 | 241 | 2,679 | 91.0% | 9.0% |

| Summary of Sewer Usage (2008 - 2010) | | | | | |
|--------------------------------------|---------------|-----------------|------------|-------------|-----------------|
| Category | Average Value | | | Percentage | |
| | Residential | Non-Residential | Total | Residential | Non-Residential |
| Usage (gallons/month) | 9,199,100 | 5,476,800 | 14,675,900 | 62.7% | 37.3% |
| Services | 2,388 | 213 | 2,601 | 91.8% | 8.2% |

Revenue Projections

- ❑ Utility rates are typically calculated based upon estimated revenue necessary to cover expenses.
- ❑ The cash-needs approach described in AWWA Manual M1 (Principles of Water Rates, Fees, and Charges) includes four components to calculate necessary revenues.
 1. Operation and Maintenance (O&M) Costs
 2. Reserves
 3. Debt Service
 4. Capital Expenditures

O&M Costs

Water System O&M

| Summary of Water Plant Expenses by Fiscal Year | | | | |
|--|-----------|-----------|-------------|-----------|
| Fund | Actuals | | | Budget |
| | 07-08 | 08-09 | 09-10 | 10-11 |
| Annual O&M | \$659,639 | \$633,623 | \$1,068,420 | \$867,000 |
| Average Historical O&M | \$787,227 | | | - |

| Summary of Water System Expenses by Fiscal Year | | | | |
|---|-----------|-----------|-----------|-----------|
| Fund | Actuals | | | Budget |
| | 07-08 | 08-09 | 09-10 | 10-11 |
| Annual O&M | \$486,713 | \$479,718 | \$461,416 | \$645,423 |
| Average Historical O&M | \$475,949 | | | - |

Sewer System O&M

Reserves

| Summary of Sewer Plant Expenses by Fiscal Year | | | | |
|--|-----------|-----------|-----------|-----------|
| Fund | Actuals | | | Budget |
| | 07-08 | 08-09 | 09-10 | 10-11 |
| Annual O&M | \$400,964 | \$437,191 | \$717,555 | \$736,042 |
| Average Historical O&M | \$518,570 | | | - |

| Summary of Sewer System Expenses by Fiscal Year | | | | |
|---|-----------|-----------|-----------|-----------|
| Fund | Actuals | | | Budget |
| | 07-08 | 08-09 | 09-10 | 10-11 |
| Annual O&M | \$328,703 | \$293,306 | \$333,909 | \$520,155 |
| Average Historical O&M | \$318,639 | | | - |

Annual Depreciation

- City bases reserves on depreciation of each system in lieu of a calculated reserve fund.

| Annual Depreciation | | | | |
|---------------------|-----------|-----------|-----------|-----------|
| Fund | 2008 | 2009 | 2010 | Average |
| Water Plant | \$283,395 | \$280,180 | \$281,225 | \$281,600 |
| Water System | \$127,322 | \$123,607 | \$126,347 | \$125,759 |
| Sewer Plant | \$118,283 | \$110,200 | \$123,561 | \$117,348 |
| Sewer System | \$109,183 | \$102,003 | \$114,056 | \$108,414 |

Debt Service

Water System Debt

- Significant improvements have been made to the water system in the last 12 years.

| Loan | Annual Cost | Note |
|--------------------------------|------------------|----------------------------|
| 1998 SRF Loan (\$5,250,000) | \$384,000 | New Clearwell at WTP |
| 2003 SRF Loan (\$2,541,000) | \$186,760 | New Intake Structure |
| 2009 SRF Loan (\$690,000) | \$79,175 | WTP Filter Rehab |
| 2010 SRF Loan (\$838,500) | \$99,469 | New HS Pumps at WTP; Rehab |
| Johnson Controls (\$1,040,336) | \$94,499 | WTP Control System |
| TOTAL | \$842,902 | |

Sewer System Debt

- Recent improvements to the sewer system have reduced flows to the WWTP from groundwater infiltration by 1 million gallons per day in the summer.

| Loan | Annual Cost | Note |
|-----------------------------|------------------|---------------------------|
| 2005 SRF Loan (\$1,376,478) | \$98,569 | Phase 1B: Trunkline Rehab |
| 2009 SRF Loan (\$359,300) | \$20,096 | Phase 2A1: Lift Stations |
| 2010 SRF Loan (\$846,000) | \$60,831 | Phase 2A1: WWTP Headworks |
| TOTAL | \$181,433 | |

Existing Debt Summary

| Debt Category | Water Fund | Sewer Fund |
|------------------------------------|------------|------------|
| Maximum Annual Payment (2010-2015) | \$842,902 | \$181,433 |
| Plant Portion | 84% | 38% |
| | \$708,038 | \$68,944 |
| System Portion | 16% | 62% |
| | \$134,864 | \$112,488 |

Capital Expenditures

Water System

- ❑ Pressurized Distribution System
 - Significant portions are 100 year old cast iron pipe.
 - Large numbers of leaks in cast iron sections.
- ❑ Fire Protection limited in some areas of community due to undersized mains and limited storage.
- ❑ Inadequate pressure in higher portions of town and cannot provide service to airport area.
- ❑ Water Treatment Plant (WTP)
 - Failing sedimentation and flocculation basins.
 - Unable to meet peak demand this summer due to turbidity in river.

Failing WTP Sedimentation and Flocculation Basins



Pending Water Improvements

- ❑ Water Facility Plan and 2008 Amendment identified and prioritized necessary improvements to water system into three phases.
- ❑ Phase 1 and a portion of Phase 2 are completed.
- ❑ Remaining improvements under Phase 2 and 3 include:
 - New Sedimentation and Flocculation Basins at WTP
 - Mainline Replacements
 - Additional Storage and Creation of Third Pressure Zone
 - WTP Expansion
- ❑ Estimated Cost of Remaining Work = \$27.5 million

Sewer System

- ❑ Gravity Collection System with 2 Lift Stations
 - Areas of Deteriorated and/or Aging Sewer Mains
- ❑ Wastewater Treatment Plant (WWTP)
 - Treatment Provided by Rotating Biological Contactors (RBC's)
 - Overloaded at Existing Wastewater Flows
 - Not Well Suited for Pending Ammonia and Nutrient Removal Requirements
- ❑ Discharge Permit
 - Treated Effluent from WWTP Discharged to Yellowstone River Under MPDES Permit No. MT0020311
 - Permit Contains Limitation on Several Effluent Parameters

Effluent Limit Violations

- ❑ Discharge Permit
 - Treated Effluent from WWTP Discharged to Yellowstone River Under MPDES Permit No. MT0020311
 - Permit Contains Limitation on Several Effluent Parameters
- ❑ 24 Violations Since July 2008

| | |
|--|----|
| ▪ BOD ₅ - Concentration/Loading | 6 |
| ▪ BOD ₅ - % Removal | 14 |
| ▪ TSS - Concentration/Loading | 2 |
| ▪ TSS - % Removal | 2 |
- ❑ Existing facility **will not** be able to meet final *E. Coli* effluent limits, which become effective June 1, 2013.
- ❑ Elevated levels of *E. Coli* in discharge considered an acute health risk!

Pending Sewer Improvements

- ❑ Wastewater Facility Plan also prioritized necessary improvements.
- ❑ Phase 1 and 2A1 previously completed.
- ❑ Phase 2A2 Wastewater Improvements
 - Add Activated Sludge System to Plant (Oxidation Ditches)
 - Retrofit Existing Clarifiers
- ❑ Phase 2B Wastewater Improvements
 - Addition of UV Disinfection for WWTP Effluent
 - Necessary to Meet Final Effluent Limits for *E. Coli*
- ❑ Estimated Cost of 2A2 and 2B = \$6 million

Rate Calculations

Rate Structure

- ❑ City currently utilizes a Uniform Rate Structure with a base rate and usage charge.
 - Commonly used by small utilities with less than 5,000 customers.
 - Study recommended continued use of uniform rate structure after exploring several other methodologies.
- ❑ City has elected to implement an EDU system for both the water and sewer rates.
 - Strongly promoted by state funding agencies.
 - Becoming an "industry standard" in Montana.

Equivalent Dwelling Units (EDU's)

- ❑ Considers 3/4" service line (typical residential connection) as 1 EDU.
- ❑ EDU's increase proportionally with area of service connection.
- ❑ Accounts for increased demand on system by larger services.

| Size of Service | EDU's per Service |
|-----------------|-------------------|
| 3/4" | 1.00 |
| 1" | 1.79 |
| 1 1/4" | 2.78 |
| 1 1/2" | 4.00 |
| 2" | 7.14 |
| 3" | 16.00 |
| 4" | 28.57 |
| 6" | 64.00 |
| 10" | 177.77 |

Base Rate Calculation

| Water System | | Sewer System | |
|----------------------|------------------|----------------------|------------------|
| Expense | FY 2011 Budget | Expense | FY 2011 Budget |
| O&M Costs | \$645,423 | O&M Costs | \$520,155 |
| Depreciation | \$125,759 | Depreciation | \$108,414 |
| Debt Service | \$134,864 | Debt Service | \$112,488 |
| Total | \$906,046 | Total | \$741,057 |
| Avg. EDU's | 3,471 | Avg. EDU's | 3,209 |
| Annual Cost per EDU | \$261.03 | Annual Cost per EDU | \$230.93 |
| Monthly Cost per EDU | \$21.75 | Monthly Cost per EDU | \$19.24 |

Usage Charge Calculation

| Water Plant | | Sewer Plant | |
|-----------------------------------|--------------------|-----------------------------------|------------------|
| Expense | FY 2011 Budget | Expense | FY 2011 Budget |
| O&M Costs | \$867,000 | O&M Costs | \$736,042 |
| Depreciation | \$281,600 | Depreciation | \$117,348 |
| Debt Service | \$708,038 | Debt Service | \$68,944 |
| Total | \$1,856,638 | Total | \$922,334 |
| Avg. Annual Water Usage (gallons) | 650,000,000 | Avg. Annual Sewer Usage (gallons) | 175,000,000 |
| Cost per 1,000 | \$2.86 | Cost per 1,000 | \$5.27 |

Capital Improvements Surcharge

- ☐ Suggested as a means to reduce and graduate future rate increases for pending capital improvements.
 - Collected surcharges will be specifically tracked and only used on capital improvements.
 - Additional monies saved for projects will reduce future debt and associated loan costs and interest payments.
- ☐ Recommendations of Public Works:
 - \$4 per month per EDU for water rate.
 - \$6 per month per EDU for sewer rate.
 - Increase each by \$1 per month per EDU on July 1st for next 5 years.

Proposed Rate Structure

| Service | | Proposed Water Rates | | Proposed Sewer Rates | |
|-----------------|-------------------|--------------------------|------------------------|--------------------------|------------------------|
| Size of Service | EDU's per Service | Base Rate | Capital Imp. Surcharge | Base Rate | Capital Imp. Surcharge |
| ¾" | 1.00 | \$21.75 | \$4.00 | \$19.24 | \$6.00 |
| 1" | 1.79 | \$38.94 | \$7.16 | \$34.45 | \$10.74 |
| 1¼" | 2.78 | \$60.47 | \$11.12 | \$53.50 | \$16.68 |
| 1½" | 4.00 | \$87.01 | \$16.00 | \$76.98 | \$24.00 |
| 2" | 7.14 | \$155.31 | \$28.56 | \$137.40 | \$42.84 |
| 2½" | 11.16 | \$242.76 | \$44.64 | \$214.77 | \$66.96 |
| 3" | 16.00 | \$348.04 | \$64.00 | \$307.91 | \$96.00 |
| 4" | 28.57 | \$621.48 | \$114.28 | \$549.81 | \$171.42 |
| 6" | 64.29 | \$1,398.49 | \$257.16 | \$1,237.21 | \$385.74 |
| 8" | 113.78 | \$2,475.03 | \$455.12 | \$2,189.61 | \$682.68 |
| 10" | 177.78 | \$3,867.21 | \$711.12 | \$3,421.24 | \$1,066.68 |
| Usage Charge | | \$2.86 per 1,000 gallons | | \$5.27 per 1,000 gallons | |

Estimated Impacts to Water Rates

| Meter Size | EDU's | Existing Average Charges | | | Proposed Average Charges | | | | Monthly Increase |
|------------|--------|--------------------------|-------------|-------------|--------------------------|-----------|-------------|-------------|------------------|
| | | Base | Usage | Total | Base | Surcharge | Usage | Total | |
| ¾" | 1.00 | \$30.00 | \$12.01 | \$42.01 | \$21.75 | \$4.00 | \$19.09 | \$44.84 | \$2.82 |
| 1" | 1.79 | \$53.70 | \$41.07 | \$94.77 | \$38.93 | \$7.16 | \$65.25 | \$111.34 | \$16.38 |
| 1¼" | 2.78 | \$83.40 | \$99.51 | \$182.91 | \$60.47 | \$11.12 | \$158.12 | \$229.70 | \$46.79 |
| 1½" | 4.00 | \$120.00 | \$122.52 | \$242.52 | \$87.00 | \$16.00 | \$194.66 | \$297.66 | \$55.15 |
| 2" | 7.14 | \$214.20 | \$260.21 | \$474.41 | \$155.30 | \$28.56 | \$413.44 | \$597.30 | \$122.89 |
| 3" | 16.00 | \$480.00 | \$253.70 | \$733.70 | \$348.00 | \$64.00 | \$403.10 | \$815.10 | \$81.40 |
| 4" | 28.57 | \$857.10 | \$178.20 | \$1,035.30 | \$621.40 | \$114.28 | \$283.14 | \$1,018.82 | (\$16.48) |
| 6" | 64.29 | \$1,928.70 | \$2,822.11 | \$4,750.81 | \$1,398.31 | \$257.16 | \$4,484.02 | \$6,139.49 | \$1,388.68 |
| 10" | 177.78 | \$5,333.40 | \$45,500.40 | \$50,833.80 | \$3,866.72 | \$711.12 | \$72,295.08 | \$76,872.92 | \$26,039.12 |

Estimated Impacts to Sewer Rates

| Meter Size | EDU's | Existing Average Charges | | | Proposed Average Charges | | | | Monthly Increase |
|------------|-------|--------------------------|----------|------------|--------------------------|-----------|----------|------------|------------------|
| | | Base | Usage | Total | Base | Surcharge | Usage | Total | |
| 3/4" | 1.00 | \$25.57 | \$13.76 | \$39.33 | \$19.24 | \$6.00 | \$21.20 | \$46.44 | \$7.11 |
| 1" | 1.79 | \$31.96 | \$62.17 | \$94.13 | \$34.44 | \$10.74 | \$95.80 | \$140.98 | \$46.85 |
| 1 1/4" | 2.78 | \$47.30 | \$92.06 | \$139.36 | \$53.49 | \$16.68 | \$141.86 | \$212.03 | \$72.67 |
| 1 1/2" | 4.00 | \$63.93 | \$179.53 | \$243.46 | \$76.96 | \$24.00 | \$276.65 | \$377.61 | \$134.15 |
| 2" | 7.14 | \$102.28 | \$196.32 | \$298.60 | \$137.37 | \$42.84 | \$302.52 | \$482.73 | \$184.13 |
| 3" | 16.00 | \$191.78 | \$341.90 | \$533.68 | \$307.84 | \$96.00 | \$526.84 | \$930.68 | \$397.00 |
| 6" | 64.29 | \$639.25 | \$423.90 | \$1,063.15 | \$1,236.94 | \$385.74 | \$653.20 | \$2,275.88 | \$1,212.73 |