

resources to get water to them but by paying somebody to deliver it. If the rates are raised extravagantly, some of the families will be bankrupt. He thinks they are being asked to pay too much.

Patti Brookman, 1777 Buffalo Trail, asked if there would be discussion to change the proposed bulk rate.

Mayor Olson stated that the council would review the process including a standpipe, costs for maintaining a standpipe, and the cost to the customer.

Patti asked questions regarding the proposed rate increase to Fox Water, the EDU of 250 households, the monthly charge for the 2-inch pipes, the per gallon charge, and the base rate.

Council Member Poehls stated that Fox Water's flow is approximately 1.5 million gallons of water per month. The city has calculated that an average household uses 6,000 gallons a month. The figure of 1.5 million gallons of water divided by 6,000 units is 250 households. If an average household uses 6,000 gallons, Fox is supplying 250 households with water. A water user can figure out its monthly cost for Fox Water by multiplying 6 times \$6.80, and that figure would be the monthly house cost for Fox Water before the markup.

Patti asked additional questions regarding the \$6.80 charge per 1,000 gallons, whether the costs to produce clean water and the maintenance for city lines is built into the \$6.80, and the higher cost to non-city residents.

Mayor Olson asked Mary Embleton to respond.

Mary stated that the proposed rate of \$6.80/1,000 gallons for the bulk water resellers combines the volumetric rate and the base rate so it would be the same as the rate for in-town residents. That is the charge to whomever buys water from the city, and that is where the city's obligation ends.

Patti stated that the charge includes maintenance costs for pipes, lines, hydrants and the system. She asked the council to continue working on the bulk water resale rate. She has no problem paying what it costs to develop the water and a fair profit on the development of the water. She does have a problem with paying for all of the lines, the hydrants, and all that is being kicked back on the rest of them.

Mayor Olson stated that the city is trying to set forth an equal dwelling unit, which indicates that the city resident does not bear the burden of water being sold outside the city. He encouraged Patti to have Mary show her the facts and figures that substantiate what he said. He told Patti that the city has to be held accountable to its ratepayers, and she is not one of the city's ratepayers.

There was further discussion between Patti and Mayor Olson. He again stated that public notice would be given for future council discussion on the bulk water resale issue.

Ron Willis, 5115 Chief Brave Wolf, stated that the city spoke about the cost of infrastructure, the repair of the pipes, etc., at the public hearing. He thinks everyone understands that those cost money. If the city goes ahead with the proposed rate increase, puts Fox Water out of business, and does not install a standpipe or two, many people would not have water. He spoke regarding revenue loss to the city if Fox Water did not buy the 1.5 million gallons of water and non-residents purchased water at other locations. He continued to speak and stated that he would purchase his water in Billings.

Mayor Olson asked if there was any other public input.

Scott Hook, 3175 Red and King Gulch Road, remembers when the City of Laurel was in the water business and how bad it was at the location. The city would have to hire someone to maintain a standpipe.

Mayor Olson asked if there was any other public input. There was none.

Mayor Olson asked if there was any council discussion.

Council Member Stamper stated that a lot of numbers, facts, and fallacies have been floating around for the past couple weeks. He suggested the need to publish information more clearly to get more

understanding. If he understands the motion on the floor, the council is putting the rate increase forward for implementation in six months. He asked if that would allow the council to make changes within the six months.

Sam stated that, if the motion passes, the proposed increase for city residents would take effect on January 10th. Councilman Poehls' motion states that the resale rate would not take effect until June 1st. To make any changes within the six months, the city would have to hold public hearings and go through the process again. The council could not decide to make a change on June 1st. If no changes are made, no further action would be needed.

Council Member Poehls provided an explanation for his motion. After studying the issue, essentially a non-resident has been paying approximately \$30 per month for their water based on the 6,000 gallon figure. That \$30 a month is \$5 less than city residents have been paying, the average being about \$35/month for city residents for the same amount of water. That \$30 per month for non-residents is after Fox Water has made its profit. Their profit is their business decision, and he does not care about it. This proposal is that, regardless of where water is dispensed in the City of Laurel, whether to a non-resident or a resident, the same price will be paid for the water. The person who purchases water at the standpipe should pay the same rate as city resident who turns on their tap and has water dispensed to them. That is why the \$6.80 per 1,000 gallons was developed, because it was confusing to figure base rate and flowage. The other problem is that the City of Laurel is not currently able to dispense water to non-residents. The only option for a non-resident is to buy water from Fox, which is fine. Fox may have a very good business in hauling water and he does not know what they charge once the water is dispensed. As stated in his proposal, a water users group could buy a piece of property and ask that a standpipe be installed to purchase water. The city could conceivably sell them water, but the city needs a basis to sell the water, which would be the \$6.80 flowage rate. The third option is to instruct the city to find out what standpipes would cost, how many are needed, and the cost to install the standpipes and the cost to dispense water to non-residents. That is why he proposed the six-month period between January 1st and June 1st to get it accomplished. If the council has to have more public hearings, that is fine. But he does not think the city should continue selling water at the current rate to non-residents. Legally, a decision needs to be made on the water rate within thirty days of the public hearing.

Council Member Stamper stated that the statement regarding legal obligation clarified the situation.

Mayor Olson stated that the council will be discussing the issue at workshops periodically. He hopes the discussion will provide opportunity to bring forward exactly how staff came to the consensus of the proposed rate. The more the information people have, the clearer the issue will become as to the fair and equitable rate was determine for in-town users and bulk water resale.

Council Member Eaton asked what rate would be charged to the 2-inch standpipes the water resellers use if the council voted in favor of Council President Poehls' motion.

There was further discussion.

Mayor Olson stated that the EDU's is a separate issue from the resale of water. He wonders how the city would be looked on by its ratepayers if the EDU charge for bulk water resale were separated and not approved.

Sam Painter stated that the motion delayed the creation of a class of users called the bulk water resale, which is in the water rate structure. If that is delayed until June 1st, the rest of the charges will become effective. The bulk water resale charge for a 2-inch meter would be \$214.20, and they would pay the same as a resident pays. Otherwise, the city would be completely not equitable and an advantage would be created for one class within the city.

Council Member Stamper requested that the motion be read back.

The council secretary read the motion: "Motion by President Poehls to approve Resolution No. R09-138, with a change to the bulk water resale rate effective as of June 1, 2010, seconded by Council Member Mace."

Sam stated that, if the motion is applied, the only bulk water resale rate is the two lines on the document and it does not impact the rest of the rates. He recommended that the rates be applied to everyone equally in the city until June 1st. The bulk water reseller would have the same increase as the resident user.

Sam stated that Councilman Poehls' motion included language to delay the effective date of the bulk water resale rate to June 1st, 2010. That is the motion currently being discussed for a vote.

Mayor Olson stated that the motion does not address the EDU but it just addresses the resale of water.

Mary Embleton gave a background history on the city's bulk water resale. The last time the city had a bulk water resale in the water rate structure was in 1997. It was at a rate of 25 cents per 75 gallons, which equates to \$3.33 per 1,000 gallons. The standpipe was removed in 2001, which was a year after the council gave the Public Works Director, Larry McCann, permission to remove it. A couple reasons were given to remove the standpipe. It was old and required maintenance and updating. It was written up in an audit finding that the city needed to insure that the standpipe dispensed 75 gallons for each quarter. Another reason given was that it was competing with private business. At the time, disagreement was voiced because the city's water system was here first, long before any standpipes were built by anyone. In 2000, the council adopted a resolution to allow the removal of the standpipe across the street. At that time, it brought in around \$20,000 a year. The water office had to count quarters in the office, but that was accepted as part of the job. It is on record that the city finally removed the standpipe a year later after a second standpipe was built by a private enterprise, Fox Water. The next water rate increase in 2003 was a three-year increase and was phased in at 6%, 6%, and 10%. The last increase was put into effect in 2005. That water rate structure did not address bulk water resale at all. So the city went from having a bulk water resale rate to having no rate at all, and now the proposal before the council is to put the bulk water resale rate back in again, whether it is made effective now or on June 1st.

Mayor Olson asked if there was any further council discussion.

A vote was taken on the motion to approve Resolution No. R09-138, with the change that bulk water resale would become effective June 1, 2010. All seven council members present voted aye. Motion carried 7-0.

ADJOURNMENT:

There being no further business to come before the council at this time, the meeting was adjourned at 6:49 p.m.




Cindy Allen, Council Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 5th day of January, 2009.



Kenneth E. Olson, Jr., Mayor

Attest:



Mary K. Embleton, Clerk-Treasurer