North Valley County Water & Sewer District, Inc.
Water Rate Increase Public Hearings
6:30 p.m., Monday, January 14 and Tuesday, January 15, 2019
at St. Marie Town Hall,
Building 521, 6th Street, Meeting Room
St. Marie, MT 59231

Directors in attendance: Nick O. Chiechi, Hugh G. Frankson, and Carl Millerick

Directors absent: James A. Logan One Director position is currently vacant, awaiting appointment.

Others in attendance: Alice M. Hawkins #2, Diana Mattfeldt of CHMS, PC, Dan Kramer of MRWS, Jerry & DeAnn Ketchum #306A/B, Marv Bethea #27, Robert Esaias #179C, Autumn Aliperto #179D, Werner Marquardt #228A/B, Art & Marilyn Widhalm #307A/B, Elinor Lindsay #222B, Clayton & Bonnie Corey #178D, Ken Kautz #28, Nancy Gallagher #216B, Walter Watts #380B/C, Tina Peabody #240D, Jerry & Terry Brookshire #375C, Earl Handy #193A/B, Charles & Rebecca Daniels #53AB, Marjorie Hoffman #230C, Phillip Defelice #400D, Robert Anderson #334B, Marvin Pankaratz #177A,Suzanne Tyte #220A and Clarence Bartlett #185A/B.

Before beginning President Nick Chiechi asked if all in the room had been given handouts of information to be presented, and the public affirmed yes. Even though this was not a public meeting to conduct business, it was noted that three Directors were in attendance constituting a quorum.

Chiechi called the hearing to order at 6:30 p.m. The public was welcomed and guests from outside St. Marie were introduced. Diana Mattfeldt was representing CHMS, PC, the District's accounting firm; and Dan Kramer was representing Montana Rural Water Systems (MRWS) as the circuit rider assigned to our area.

Chiechi stated a short program overview which followed the agenda that was posted at Town Hall and at the Valley County Courthouse on January 9, 2018. Ground rules to be followed were read: (1) Please follow along with the Agenda and Handouts, (2) Make notes at bottom space of your agenda page for questions and answers following presentations; (3) In the interest of time, please hold questions until the presentations have concluded; and (4) All meeting minutes, adopted budgets, contracts, and audit reports are public records and may be provided to customers upon written request.

Chiechi gave a brief accounting of events leading up to tonight's public hearing – District formed in 1992, contract with MARCo to buy water. Agreement signed with DPRWA in 2001 because MARCo no longer wants to treat and deliver water. In 2008 many hydrants and valves and water mains were replaced through a construction project from USDA Rural Development at a cost of $1.465 million dollars. Not all water mains and hydrants on all streets were replaced. Directors had to decide how large a scope the District could afford with the limited amount of connections in place, so 70% of lines were replaced. The District was granted a guaranteed low interest loan through a water systems improvement revenue bond. Chiechi

stated DPRWA is not the primary culprit for having to increase rates and he cited the rising costs of spare parts drawing the public's attention to the table of hydrant and water main replacement parts. The District whenever possible rebuilds hydrants, but main lines when breaks happen require couplers, mechanical or electro-fusion saddles, and 6" 8" or 10" gate valves. A new fire hydrant costs $2,500.00 and NVCW&SD has recently purchased a sand blaster table with grit and has begun refurbishing hydrant parts to lower costs. Chiechi quoted the water storage tank as being inspected in 2017 and inspectors recommended relining the tank in two to four years at a cost of $80,000.00 to $100,000.00. Also noted was the fact that the yearly cost of buying water from MARCo was $28,000.00 a year and now DPRWA will be providing water at an estimated yearly price of $84,000.00. This increase in costs is due to the length of the pipeline to deliver water increasing substantially. Treated water will now come from a pipeline in Wolf Point and travel west by north (approximately 70 miles) before reaching our water tower versus coming from the water treatment plant located in St. Marie and operated by MARCo.

Chiechi asked people to go home and review and study the FY 2019 budget as adopted and contact the office with any questions to be explained. He also provided a printed basic rate comparison study conducted in 2013, 2015 and 2017 by Montana Department of Natural Resources and Conservation for anyone who was interested in studying how NVCW&SD rates compare with other towns. This study was published in January 2018 and can be downloaded at http://dnrc.mt.gov/divisions/cardd/docs/resource-development/w2asact-docs/RateStudyUpdate2017.pdf

Chiechi mentioned the District has a water loss disparity of around 40 to 50 percent. DPRWA will connect to NVCW&D at our water tower. Their meter pit is inside our water tower fence. Water pumped will be measured with no travel time needed. Water operators are watchful and have photographed and reported possible theft of water by owners and/or occupant to Directors who are investigating. A leak detection specialist/team will be consulted if the DPRWA direct connection does not remedy the water loss disparity.

Chiechi stated the District must in developing a budget examine rates. The last rates increase was 3.5 percent from $59.90 to $62.00 on July 1, 2014. Debt payments and required reserve account funding are integral parts of operations and maintenance costs (MCA 7-13-2301). The more customers paying, the lower the individual unit assessment or base rate is going to be. Directors will be pursuing grant funding as much as possible to keep operation and maintenance costs and rates down. Chiechi mentioned a planned visit this week to Congressman Gianforte's office in Billings to inquire about federal grant dollars coming our way.

Presentation by Dan Kramer. Dan Kramer relayed a story concerning the town council of Sunburst, Montana to help audience members understand that all properties connected share responsibility for the costs of infrastructure maintenance and water. As an example, a developed lot within a city had a house receiving water one year, but the house later suffered a fire and was condemned and torn down. For years the property owner parked his RV on the lot part of the year and also rents RV space to oilfield workers for their RVs. The water service lines are still connected and the town still maintains that infrastructure and pays the loan debt incurred to benefit that lot and all the other properties in the town. The town council in setting rates now charges him and others like him their proportionate share of O&M costs. Kramer also illustrated how NVCW&SD determined the base rate needed to fund its O&M, Reserve, and Debt Service Payments. He used 376 connections, the actual number of bills generated each month on connected properties who benefitted from infrastructure maintenance, and the water base rate increased by $5.60 from where it is today. He then used 268 connections, the actual number of customers of the 376 billed customers who pay the base rate every month. The base rate increased from $43.70 for water to $69.37. The secret to keeping rates low is to not only control expenses, but to keep your customer base paying their bills. Kramer stressed that rate structures are designed to be fair and equitable across the board. The more customers paying the bills, the lower the rates can remain. Dan Kramer stated the District

revenues go to two separate enterprise funds, one fund for water revenues and expenses and one fund for sewer revenues and expenses per Montana law. Enterprise funds are used by cities/towns and counties to account for self-supporting activities of the governmental unit rendering services to the public, and financed primarily from user charges.

Rebecca Daniels expressed that most low income customers are barely able to pay their water bills now, and you are forcing a billing increase making our water bill at least $150.00 per month.

Chiechi and Frankson explained that the water district and DPRWA in setting rates utilizes what is known as economy of scale pricing for its commodity (water). The more members or customers who pay, the lower the price for the water.

Members questioned why wells were not dug. The base used to have wells, but they were shut down or closed up because the water was not drinkable. That is why the government paid for the water line from the Missouri River up to the base treatment plant, which MARCo is operating.

Art Widhalm stated that MARCo, in being a good neighbor all these years since 1992, has been subsidizing the actual costs for treatment and transport of water, only charging $1.26/1,000 gallons. DPRWA is charging all its customers fairly the actual costs for treatment and transport. Widhalm questioned why the proposed base rate increase was not set at $14.25. He questioned if the District is proposing increasing the usage from $4.00/1,000 gallons to $6.00/1,000 gallons as a measure to force paying water usage customers to subsidize snowbirds and non-payers. Widhalm further stated that over many years conversations at water board meetings have questioned, if MARCo were to start charging the actual costs for maintaining the line from the Missouri River up to the St. Marie treatment plant and the costs of treating and piping from the treatment plant to NVCW&SD, would the community be able to afford water. But they have been good neighbors, and we need to get used to paying the true costs to get clean safe drinking water. He recommended the District raise the base rate by $14.25 to all customers.

Chiechi reinforced his commitment to apply for grant funds as often as possible to contain costs. Kramer stated that both USDA-RD and DNRC and MRWS have personnel who can help with getting grants for preliminary engineering studies for projects of all sizes. The first step in the process is stating your desire to obtain a certain grant, with a request for planning proposal, which must list the scope of the project you needs funds for. For example, NVCWSD needs to complete its hydrants and mains replacement in areas where the customers today are on the old clay lines and also needs to line its water tower to prevent puncture or rust holes causing leaks. Begin with a comprehensive planning proposal and rescale if necessary, to obtain whatever grants funds you can.

DeAnn Ketchum questioned whether all customers (376) were going to be charged the increase in the base rate which includes no gallons or if only paying customers (268) were going to bear the increase in the base rate. Chiechi stated all customers will be charged the new base rate.

Robert Anderson brought up the fact that St. Marie infrastructure was put in place to support a population of 10,000 in 1960s and now our population is 450. We still cannot afford to treat water from a well.

Phillip Defelice questioned what process is in place to collect money from the delinquent customers beyond recording a real property tax assessment lien? Has the District or Valley County tried pursuing legal action through court ordered sheriff's sale?

No further comments or questions were expressed. Chiechi again thanked the public for attending and also Dan Kramer and Diana Mattfeldt. Chiechi announced the next hearing would be same time tomorrow night.

The hearing adjourned at 7:55 p.m.

TUESDAY, JANUARY 15, 2019 **Continuation of Public Hearing**

Clarence Bartlett, one new member from the public, attended along with six members who were present on January 14, 2019.

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Chiechi asked Kramer if he felt the District could receive enough assistance through USDA-RD and MRWS to be able to apply for and write grant proposals in house or should the District seek a professional? Kramer recommended using an experienced grant writer.

Chiechi called on the public for any further questions or comments. There were none.

Chiechi again thanked the public for attending and also Dan Kramer. No further public hearings are scheduled after tonight. The hearing adjourned at 7:30 p.m.

Approved: Hugh G. Frankson, Acting President — Date: 1-22-2019

Attested: Alice M. Hawkins, Recording Secretary — Date: 1-22-2019

NORTH VALLEY COUNTY WATER AND SEWER DISTRICT INC. CORPORATE 19 SEAL 92 NOT FOR PROFIT MONTANA