

Public Hearing August 14th, 2018 6:00 p.m.

The Public Hearing was called to order by Mayor Robert Stump at 6:10 p.m. Council members Mike Walter, Rahn Abbott, Dan Durham, Emilie Saylor, Clerk Ginger Galiger and PWD Curtis Green were present.

Guests: Dan Kramer with MRWS, Mike & Anne Wentz, Keith & Susan Petersen, Monty Simonsen, Cheryl Chisholm, Tom & Kathy Shaffer, Donna Stump, Roger Thompson, Tamara Todd, Karen Anderson, Christopher & Kathleen Mumme, Jim Kaatz, Steve & Mary Gilman, Dan Ken Worthy, Bob Brannon, Robert Fryer, JoAnne Stephen, Craig & Shirley Hayden, Michael Berry, Eileen Pearce, John Taylor, Sara Dunham, Judy Edwards, Carol Braach, Scott Harner, Gary Hilliker, and Jerry Wolter

Pledge of Allegiance

Mayor Stump opened the meeting by thanking everyone for coming and showing interest in this topic. I'm going to talk about the well and our distribution upgrade and then I will turn it over to Dan Kramer with Montana Rural Water to demonstrate the water rate structure.

The Enterprise systems "water and sewer" funds must be run like a business. It must generate enough revenue from sales to be self-sufficient. There are no tax dollars involved in water and sewer operations.

The cost components are, we must be able to pay the operations and maintenance, loan payments, loan reserves and asset replacement reserves. In the last 3 years we have had a drastic increase in our operations and maintenance costs. We will have future loan payments for the well project and the distribution upgrades. We must demonstrate that we have the capability, through our revenue stream, to pay back our loan, PRIOR to receiving them.

The test well is located on the FFA farm on Carey Lane, the production well will be 110 feet south of there, with about one mile of transmission line back to our pump house going down the railroad tracks. The cost estimate is 1.4 million. We have been working with USDA RD for a combination of a grant and a loan. We have everything submitted through the Bozeman office but must be approved by Washington.

\$996,000 emergency grant
\$400,000 loan
Approximately \$80,000 town contributions already

Our total water right in the deep aquifer is 545 gallons per minute, we have confidence that we will get that out of this new well. The test well is 600 feet deep. If the funding comes in soon, the goal is to have the production well in this fall and the pipeline complete next spring.

Mayor Stump then described the Distribution System Upgrade that started in 2015. The council approved the project for \$1.1 million in May 2016.

A grant request was submitted in the fall of 2016 to the Legislature.

\$125,000 grant from DNRC fell below the cut line...denied
\$625,000 grant from TSEP was approved
2017 Special Session took back the grant to solve state shortfall

We submitted a request to State Revolving Fund in the fall 2017 for the balance of the project and continue to work with SRF for loan and principal forgiveness. The project was put on hold due to water supply issues.

The council prioritized project elements.

Water main upgrades on Water St and Bieler Lane – including hydrants.
Replace miscellaneous hydrants
Safety upgrades at the water tank
Replace lead service line connections on Mill St. if possible
Backflow prevention devices at the town parks

This cost estimate is now 2 years old, so the final project scope and cost will be determined following bids. Council will select the elements to complete.

Dan Kramer with Montana Rural Waters presented a rate calculation to determine where our rates need to be. He also explained EDU's, reserves, O&M, and the importance of reserve asset replacement. There is a target rate that the community must meet to qualify for these loans.

Current charges:

<u>Diameter</u>	<u>Cost per EDU</u>	<u>Multiplier</u>	<u>Base Rate Charge</u>
3/4"	\$30.00	1.00	\$30.00
1	\$30.00	1.79	\$53.70
1 1/2"	\$30.00	4.00	\$120.00
2"	\$30.00	7.14	\$214.20

Effective as of the with the September 2018 billing water billing, the Town proposes to increase the Base Rate Charge from \$30.00 to \$45.00 per EDU as follows:

<u>Diameter</u>	<u>Cost per EDU</u>	<u>Multiplier</u>	<u>Base Rate Charge</u>
3/4"	\$45.00	1.00	\$45.00
1	\$45.00	1.79	\$80.55
1 1/2"	\$45.00	4.00	\$180.00

2"	\$45.00	7.14	\$321.30
3"	\$45.00	16.00	\$720.00

In addition, the Town proposes to modify the monthly usage charge for the use and availability of the system, with the charge per 1,000 gallons of water (or increment thereof) to be based each month on the number of gallons of water used per service connection in such month, as follows:

<u>Number of Gallons Used</u>	<u>Cost per 1,000 Gallons or Increment Thereof</u>
0 to 20,000 gallons	\$1.25/1,000 gallons
20,001 to 40,000 gallons	\$1.50/1,000 gallons
40,001 to 60,000 gallons	\$1.75/1,000 gallons
Greater than 60,000 gallons	\$2.00/1,000 gallons

Mayor Stump did an overview of where we have been in the last 5 years. The last 2 years the costs have been very high, and we have been losing money. We have been accumulating more debt than revenue. We need to catch up and meet the loan requirements along with having asset replacement funds. \$54.00 to \$55.00 is not uncommon.

Public Comment

Bob Brannon asked what size main line will be coming from Carey Lane. 10-inch main with a 12-inch casing going down for adequate flow.

Referring to a statement made by Dan Kramer on how Chicago is required to have enough asset reserves to cover all their infrastructure, Mary Gilman stated, "we don't live in Chicago". In her research the average cost is \$50.00 for the base rate for smaller communities. Sheridan has had zero growth in the last decade. We will not allow people to build their own well. How can you raise our rates with no product to sell? Bob replied by saying the town council should have acted to raise the rates in 2016-2017.

Dan Kenworthy – should have been done the last 50 years.

Mayor Stump – going forward, the numbers will be reviewed annually. We cannot get the loans if we don't raise the rates. We can not do anything major without raising rates.

Steve Gilman asked what keeps other people from drilling more deep wells and can that be restricted? No

There are 57 wells in town and we don't know if that influences the aquifers not recharging down at the park. We are not getting the recharge that we use to get. The wells were poorly designed, and they were not designed for a municipality. Maintenance was not kept up on them.

Bob Brannon – What you are saying leads to skepticism about going forward with the new well and the miss management in the past and will the problems reoccur, and will money continue to be wasted?

Anne Wentz – Does the Town of Sheridan have anyway, for short term, can you restrict wells and pivot use? No

Mike Wentz – People's yards are burning up but there is no water. Is there difficulty with people using new wells? Bob replied, there are 57 private wells in use now and we have an ordinance that prohibits new wells drilled.

Gary Hilliker – What is the current situation with the wells that are off line?

Mayor Stump explained, with our 2 shallow wells, we pulled the pumps, ran a camera down and the perforations in the casings were plugged, rusted over. We went through a cleaning process with the well driller, jetted the wells and put the pumps back in, one within a minute the pumps begin to suck air. The static level is much lower now than they were when they were first put in. The water is not getting into the casing fast enough.

What cases the static level to not be there? Bob may be a combination of things, the wells in town the change with flood irrigation vs pivot irrigation.

Jim Kaatz explained we are in a closed basin that would prohibit a large motel from coming in and drilling a deep well that would pump 500 gallons per minute. This valley is a closed basin.

Bob, our new well is a redundant well to our old well. Can use both wells at the same time.

Bob Brannon – How many gallons do we have on the existing well? We are pumping about 140. When the well was put in it was about 325.

New well cost \$500,000.

Eileen – Why can't we use the test well. Why do you have to drill a second well? Bob Stump explained, there is a county road 40 ft from the test well, an open irrigation ditch and field less than 200 ft south of there. Typically, people drill a test well and then get approval from DEQ. We wanted to see if DEQ would approve a well in that site. The test well is small diameter and is not designed to be a production well. We drill to see what water we would find in hopes to find good water and a spot to drill the production well.

Unknown - Did I misunderstand that we may not be able to water our lawns next year. Mayor Stump, I did not mean to imply that. According to our schedule, we will put in the well this fall and the pipeline next spring. Depending on our winter and how quickly we get the funding.

Judy Edwards - What if we have a bad winter? Bob, then it will be spring. We can do the well just about any time, but the pipeline will be this spring. 60- day construction period on the pipeline.

Unknown – What does it cost for a new home to hook up to the system? About \$6,800. That is water and sewer.

Robert Fryer – You said that the one well is putting out 140 gallons per minute to do all of Sheridan. That's it, that's what we got? Over the course of a couple of years the water is dropping on the only well supplying Sheridan Mt. If its August now and let say we have more good luck than you would ever imagine, and you can have the new well by next August. Sometime soon you could run out of water and this could happen, correct? Mayor Stump replied that could happen, we could have a pump go down and we would be out of water. We have a replacement pump. Robert Fryer, we're playing the pump game and cleaning the pumps. I can't say that I am a professional well drill but when they go bad they go bad. Let's say that one goes down, do we have some kind of back up? Have a moratorium on building, do you have anything on a plan? Mayor Stump replied, that's why we have been on watering restrictions, and since then, we have been okay. The pumps are not running constantly, and the tank is staying full.

Robert Fryer - We talked about this, where did the water go? Mayor Stump - I don't understand the question. Robert Fryer – Do you guys have some kind of a plan? What comes after shutting off the lawn water. What is the next step. Mayor Stump replied, we continue to pursue our new well.

Robert Fryer - I think there should be some kind of backup plan just in case 5 goes dry. You got to be real with the people. You can't always look at the best. You might not have water. Mayor Stump, you are preaching to the Choir Bob, that is what I have lived the last year. We have been working trying to find another source of water. Fryer, I appreciate that, but it is going to take a year. We can't dig the ditch through soggy ground. I really believe that Sheridan should somehow get together and the people should really understand the bottom line that what could happen.

Chris Mumme – Speaking from an emergency point, say the well goes down right now. Are we going to have teams here to refill the water tank and trucks with potable water? Going forward you need to work with emergency management for a contingency plan.

Anne Wentz - If you had a private well can you hook it up to your house? Mayor Stump replied no, this puts the town at risk for cross contamination.

Kathleen Mumme – I'm just wondering what the town is doing to basically encourage the people to conserve water? You can't make people do things on their private property. Even people with private wells are wasting water every day. It's frustrating. We can come together as a town and figure out ways to conserve water until we can get our new well.

Mayor Stump – Morris Land Company, when they were first approached by Ranch Resources to use that land, they asked, what does the town do for water conservation? The answer is nothing. Part of the reason for the tiered structure for water use fee is to encourage people to not use as much water. The more you use, the more it's going to cost you.

Judy Edwards - I would like to follow up with what Chris said, I would a plan to have a plan.

Mayor Stump would call Dustin up at the County and Dan Kramer said that the DES moves pretty fast when they are needed. He gave an example of another community in need.

Mary Gilman – understand that I am all for conserving water. Because of the lack of water to our system will see an increase strain when school start back- up with roughly 140 students. You will see an increase in usage, the kids need to use the bathroom and the kitchen will need to be cleaned. 18 ½ years in the fire service Sheridan is a fire danger, we don't have a defensible space around the homes. I would suggest working with the fire department and evaluate the mutual agreements with our surrounding communities to make sure that we do have back up because if we do have a fire, we are in big trouble.

Bob Brannon – Is there an alternative? Going back to Indian Creek water and treating that?

Mayor Stump - About 6 weeks ago we took a trip up to look at the old Indian Creek Spring house and head gate on Indian Creek. Up until that point I was not really sold on seeing what we still had. We have an engineer do a compilation of all of our water rights. I am not keen on surface water because it will have to be treated. The Spring Water may not have to be treated. The more we look at this, the more excited I am on this. Meeting with local attorney who is fluent on local water rights. We are starting the process.

Mr. Brannon – Do you have any anticipated time frame that you will be coming to a decision on this? I may be able to answer that better after meeting with the Attorney and the Engineering firm.

Mike Wentz - How big are the dry wells? Mayor Stump, they are all 8 inch and well 3 changes to 6 inches.

Anne Wentz – Does the town of Sheridan have property we can sell to bolster up our maintenance fund? Mayor Stump explained, no outside funds because these are enterprise fund. All monies in these funds must come from rates we charge. You can't take money from the general fund – no tax dollars.

Mike Wentz – Can the City Council consider drafting a letter to the rest of the people that are not here of the ramifications and in a language that we can understand. Mayor Stump, those letters were drafted by an attorney and the language used must be in there.

Judy Edwards – Is the replacement cost in the worksheet? Mayor Stump – No We have been working with a Bond Council, one of the things they do is understand what our rates need to be or what a fair rate is to pay back our loans. The usage fee or tiered rate will go into the “reserve assets”.

Unknown – Will we see an increase until the new well is done?
Anne Wentz – When are rates going up? Next billing period, in September.

Dan Kramer suggests the public contact RD and our Legislatures about our situation. Mayor Stump said the Legislators in Washington DC have already contacted us. We had a meeting at the county with Jon Testers staff to get the low down on what's going on here. In talking to Rural Development, you don't always get help from the Washington Legislators. When they request information from RD, it pulls the people away from working on your loan documents. Daines' and Testers' office have both been briefed on it.

To be able to close on any of these loans, we must demonstrate that we can pay back these loans.

Mayor Stump demonstrated what his bill will increase to. Based on the last 2 years, Bobs bill will go up \$20.87 to \$24.50 per month with the new rates.

Mayor Stump also read the following letters.

I am responding to this notice as I cannot be at the August meeting. I am not against a small reasonable rate raise but \$17.00 is out of reach for us on a fixed income. In my opinion that size of a rate increase is nothing but over kill and needs to be re-thought out especially for the Senior population. Submitted by Kris & Teri Larsen

Your timing couldn't be worse! You've just told folks they can't water their lawns – must let them burn up. And, at the same time you're asking these folks to support a 50% rate increase! Bring a new well on line, then ask for a rate increase. Submitted by W. Callaway.

Dan Kenworthy – I would like to make a comment on the test well. That's not the first test well the city has drill. Correct? Mayor Stump - That's about the 8th test well. It's a lot cheaper to drill a test well when you are looking for water than it is to drill a large production and end up with no water.

Steve Gilman – What if you have a test well on the school farm, how far is the new well going to be? Mayor Stump – there will be a 100-foot barrier and enclosure. Even at a 100- feet there is no guarantee the water will be there.

Mike Wentz – How hard would it be to put something on a bill, I'm not a rich man but I would do something to help-out a Senior. Possibly we can put something there to help people to pay for the increase. Bob, I am unaware of a program in the state that would help in this way. Mike -I'm not talking them, I am talking the residence. Mayor Stump – That's a great idea. Dan Kramer, there are communities out there that do that.

Mayor Stump – Let me know what communities and how do they manage that. Ginger will put it on the clerks list-serve.

Mayor Stump called for anymore comments.
No further comment or discussion.

Dan Durham moves to end the public hearing. Mike Walter seconded. **Mayor Stump called the question for the council members.** Rahn Abbott voting yes, Dan Durham voting yes and Mike Walter voting yes and Emilie Sayler voting yes. The motion passed.

Meeting adjourned 7:45 p.m.

Approved: Robert Stump, Mayor

Attest: Ginger Galiger, Clerk

