



**Journal of Commission Work Session
2 Park Drive South, Great Falls, MT
Civic Center Gibson Room 212
January 16, 2018**

1. Call to Order - 5:30 p.m.

CITY COMMISSION MEMBERS PRESENT: Bob Kelly, Bill Bronson, Tracy Houck, Owen Robinson and Mary Sheehy Moe.

STAFF PRESENT: City Manager Greg Doyon and Deputy City Manager Chuck Anderson; City Attorney Sara Sexe; Public Works Director Jim Rearden; Police Captain Jeff Newton; and, City Clerk Lisa Kunz.

2. Public Comment.

None.

3. Downtown Development Partnership - Brett Doney.

Brett Doney, Great Falls Development Authority, 300 Central Avenue, introduced the other primary leaders of the Downtown Development Partnership (DDP): Joan Redeen, Business Improvement District, 100 1st Avenue North; Kelly Pierce, Great Falls Downtown Association, 100 1st Avenue North; and, Sheila Rice, NeighborWorks Great Falls, 509 1st Avenue South. The DDP has become one of only three accredited Main Street Communities in Montana. Mr. Doney explained that members of the DDP take action for downtown revitalization, and also advises the City Commission on the uses of the downtown tax increment financing funds.

Members of the DDP discussed four projects to demonstrate the contributions of each partner. Those projects included (1) the Mighty Mo and Pedlet Program, (2) addressing downtown issues such as graffiti removal, Coins for a Cause anti-panhandling promotion, an ambassador program, and purchase of an ATV for the Great Falls Police Department; (3) Downtown Showcase, intended to be an annual marketing event to attract developers and development capital, that includes downtown and West Bank revitalization areas; and (4) the Arvon Block.

A program of NeighborWorks Great Falls is to provide charitable tax deductions to banks that have foreclosed properties. Great Falls Development Authority provides business coaching to entrepreneurs to become bank ready and provides gap financing and Brownsfield Assessment loans. The Business Improvement District has a program that provides the first month's rent for new businesses moving within the BID boundaries, and also provides interior grants to businesses through an application process. The Downtown Association is tasked with promoting and marketing downtown.

On behalf of the DDP, Mr. Doney made three action requests of the City Commission: (1) prioritize wayfinding; (2) make known the Commission's appetite

for the different uses of TIF funding so that developers can be accurately informed on what to potentially expect; and (3) make downtown a priority as it is the heart of the community.

4. Water and Sewer Rate Study - Jim Rearden and Shawn Gaddie with AE2S.

Public Works Director Jim Rearden explained that the last comprehensive water and wastewater cost of service study was done in 2001. At that time the formats were set to program five year CIP and resulting rates to accomplish those things. That template has been used since 2001.

Director Rearden introduced involved City staff: Paul Skubinna, Mike Judge, Rick Johnson, Wayne Loveless, Dave Dobbs, Melissa Kinzler, Laura Lynch, and AE2S consultants Shawn Gaddie and Nate Weisenberger. Director Rearden reviewed a water and wastewater utilities fact sheet noting there are 22,377 metered utility customers, 4.3 billion gallons of water treated and pumped annually, 320 miles of water mains, 3,200 fire hydrants, 3.5 billion gallons of wastewater treated annually, 263 miles of sanitary sewers, and 4,507 sanitary sewer manholes.

Director Rearden and Consultant Gaddie reviewed and discussed the attached PowerPoint of the City's historical and existing utility rates, study overview and objectives, rate planning considerations, rate study process overview and schedule of next steps.

A comprehensive presentation will be presented to the Commission in April or May, and recommendations for Commission consideration.

Commissioner Moe requested clarification about stakeholder education and outreach.

Consultant Gaddie responded that educating stakeholders is dependent upon results of the study and where increases are necessary. He anticipates more focused outreach on the larger users, and a broad brushed approach to the general residential and commercial customers by bill stuffers, news releases, and the website, in addition to public meetings such as this to get the word out.

Manager Doyon suggested that Director Rearden notify the top 10 users, sooner rather than later, about this review and potential upcoming changes.

Mayor Kelly inquired about the cost of water.

Consultant Gaddie explained that there is a potential cost, but today there is not a true cost. The value of water should be impressed upon all of the stakeholders. There is a value to collecting, treating, delivering and discharging wastewater. The industry overall struggles with selling the value of water, but AE2S does its best in studies such as this to message that value, and to show what is included and what drives that value of service provided. Consultant Gaddie further explained industry rules of thumb pertaining to standards for reserves. AE2S will look at the age of the City's system and forecast forward in order to establish appropriate

reserve targets when it comes to system renewal.

Manager Doyon concluded that the City wants to make sure its systems are robust and continue to help industrial and business growth, as well as keeping rates fair for residential users.

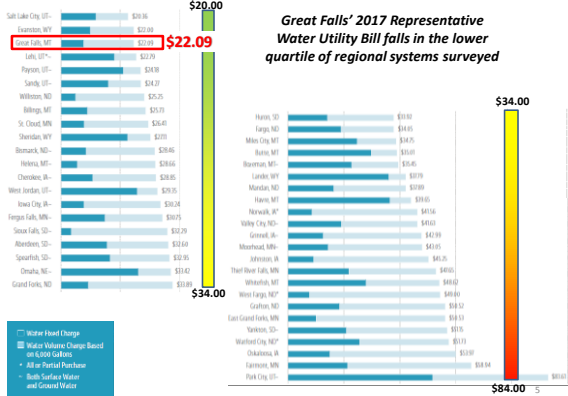
5. Discussion of Potential Upcoming Work Session Topics.

City Manager Greg Doyon reported that there will be quarterly budget and street department updates presented at the February 6th work session. A tentative date of February 9th has been set for his State of the City presentation. No one requested that any items be added to the work session topic list.

6. Adjourn.

There being no further discussion, Mayor Kelly adjourned the informal work session of January 16, 2018 at 6:32 p.m.

SURFACE WATER SYSTEMS
TYPICAL MONTHLY RESIDENTIAL WATER UTILITY BILL (\$)



STUDY OVEVIEW AND OBJECTIVES

Great Falls - Key Study Considerations

Top 10 Water Customers	Top 10 WW Customer
Malmstrom AFB	Malt Europ North America, Inc.
Calumet Montana Refining, LLC	Malmstrom AFB
City of Great Falls	Calumet Montana Refining, LLC
Benefis Health Systems	Benefis Health Systems
Great Falls Public Schools	Great Falls Housing Authority
Black Eagle, Cascade Co, Water District	Great Falls Public Schools
Great Falls Housing Authority	Black Eagle, Cascade Co, Water District
University of Providence	University of Providence
Highwood Mobile Home Park	Meadow Gold Dairies
Malt Europ North America, Inc.	Cascade County Adult Detention
	Highwood Mobile Home Park

STUDY OVEVIEW AND OBJECTIVES

Typical Reasons to Evaluate Rates

- Identify and correct cost inequities
- Properly designed rates send appropriate pricing signals
- Support proactive financial planning decisions for short- and long-term capital and operational needs, avoid "rate shock"
 - Manage large expenditures related to regulations/permit cycles
- Funding Strategy for Asset Management Needs
- Manage revenue stability
- Provide documentation and support for rate-making decision process
- Provide framework for rate reasonableness



STUDY OVEVIEW AND OBJECTIVES

Great Falls - Key Study Considerations

YOUR UNIQUE CHALLENGES

- Education & outreach needs due to the amount of time since last major rate study
- Consecutive users (Black Eagle, Malmstrom Air Force Base)
- High strength industrial discharges from Calumet and MaltEurop
- Aging infrastructure and large capital investments in the recent past/on the horizon
- Connection fees that are fair and consistent with Montana statutes but do not discourage growth

YOUR RATE STUDY OBJECTIVES

- Reset the rate structures, as needed, given the period of time since the last study was completed
- Develop fair and equitable rates for all user classes
- Compare current water and sewer costs against industry benchmarks
- Recommend baseline rate structures to fund water & sewer systems considering adjustments needed to maintain each utility
- Educate and communicate with internal and external stakeholders regarding utility system costs and rate setting

STUDY OVERVIEW AND OBJECTIVES



Scope of Services

1. Project Administration, Data Collection, and Kickoff
2. Stakeholder Education and Outreach
3. Cost of Service Analysis (COSA)
4. Rate Design
 - a. Connection Fee Evaluation
5. Revenue Adequacy Evaluation
 - a. Probabilistic Rate Revenue Forecasting
 - b. System Renewal & Replacement Forecasting
6. Rate Policy and Ordinance Development
7. Study Finalization and Documentation



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RATE PLANNING CONSIDERATIONS



Cost of Service Basics

Cost of Service evaluation generally recommended when triggered by:

- Major capital investment or change in operations
 - Recent/Potential Future Regulatory & Permit Driven Projects
- Significant new user addition or user base change

Legal defensibility – rates established using standard industry practice generally considered “reasonable”. However, must not be deemed:

- Arbitrary (subjective)
- Capricious (unpredictable)
- Discriminatory (unfair)

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RATE STUDY PROCESS



A Comprehensive Study Approach

AWWA M1 Manual
WEF Manual of Practice No. 27
 offer excellence guidance for establishing
 Wastewater Fees and Charges

THE RATE STUDY PROCESS



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RATE STUDY PROCESS



Cost of Service Analysis



RESULTS

Clear delineation of share of total costs generated by each user class.

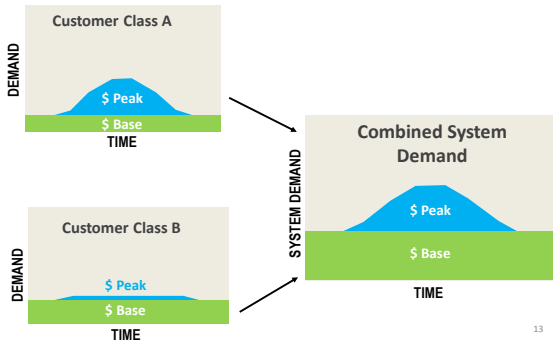
When compared to revenues, allows for a detailed & defensible **Rate Design** to bring revenues in line with cost-nexus.



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RATE STUDY PROCESS

Cost of Service Basics – Cost Causer = Cost Payer



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RATE STUDY PROCESS

Rate Design

- Existing Rate Structure Reviewed for Potential Changes to Correct Existing Inequities and Improve Performance of Rate Structure
- Develop Rate Structure Adjustments, if appropriate, based on overall Utility Objectives

COMMON RATE STRUCTURE GOALS

- Easy to Understand and Administer
- Effective in Yielding Total Revenue Requirements
- Able to Generate a Stable Revenue Stream
- Structured to Charge the Appropriate Customers based on Level of Service
- Fair and Equitable, as well as Defendable

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RATE STUDY PROCESS

Revenue Adequacy

Comparison of Total Projected Revenue Requirements to Total Projected Revenues to Ensure Sufficient Revenue is Generated to Provide Revenue Stability

OBJECTIVES:

- ✓ Fund Recurring Operating & Maintenance Expenses
- ✓ Develop/Maintain Adequate Working Capital and Required Reserves
- ✓ Provide for Annual Capital Costs
- ✓ Monitor Debt Service Coverage to Ensure Loan Covenants are Met
- ✓ Determine the Adequacy of Existing Rates and Identify the need for Future Rate Increases



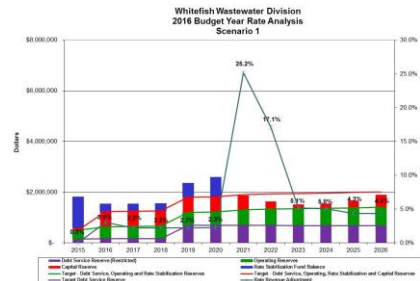
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RATE STUDY PROCESS

Revenue Adequacy

Addressing Shortfalls and Avoiding Rate Shock:

Adjustments to Budget | Delaying Capital Investment | Increasing User Fees



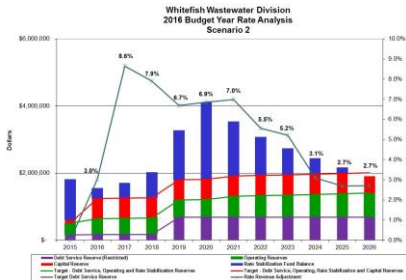
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RATE STUDY PROCESS

Revenue Adequacy

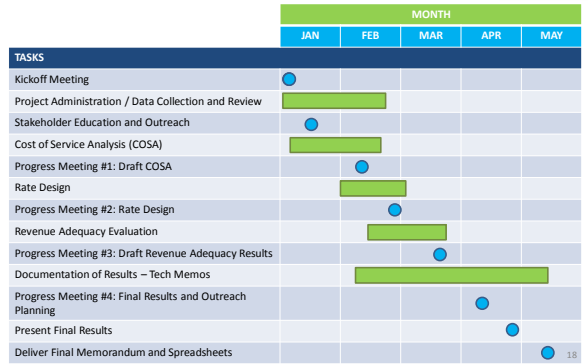
Addressing Shortfalls and Avoiding Rate Shock:

Adjustments to Budget | Delaying Capital Investment | Increasing User Fees



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STUDY SCHEDULE AND MILESTONES



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WATER AND SEWER COST OF SERVICE STUDY

Wrap-Up and Questions

QUESTIONS?

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