



City of Whitefish
Department of Public Works
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August 13, 2019

Mayor Muhlfeld and City Councilors
City of Whitefish
Whitefish, Montana

**Council Order to Begin Utility Rate Hearing Process
Consistent with 69-7-111(MCA)**

Introduction/History

The City of Whitefish provides water service to approximately 3,250 residential customers and 320 commercial customers within City limits, as well as 68 residential and 7 commercial customers located outside of City limits. Wastewater service is provided to approximately 3,530 customer accounts within City limits and 106 customer accounts located outside of City limits.

It is recommended that municipalities complete a comprehensive rate study every 3 to 5 years, or if a major change to utility operations or expenses are planned. Meeting both of these criteria, the City of Whitefish retained AE2S to complete a Water and Wastewater Financial Plan and Rate Structure Study in May 2015. The first rate increase from this rate study went into effect in October 2016.

Current Report

To evaluate the equitability of the existing rate structure, a Cost of Service Analysis (COSA) was completed by AE2S to measure the cost attributable to each user class against the amount of revenue provided by each user class. The COSA comparison is made based on cost and revenue percentages calculated for a representative Test Year. For the purpose of their analysis, FY16 budget and capital expenditures were used as the basis for the Test Year. The FY16 water rates were applied to projected account and flow figures to develop Test Year revenues. The results demonstrate the difference between cost and revenue and were used to develop a recommended rate approach that would work to align COSA allocated costs and revenues generated from each user class through the 2017 to 2021 planning period for water, and the 2017 to 2026 planning period for wastewater.



Since that time, significant capital needs for water have been identified and a final funding arrangement for the WWTP has been solidified. As a result, the City has worked with AE2S over the past several months on updating the rate models for Water and Wastewater developed as part of the 2015 project.

Financial Requirement

To address cost of service inequities, support the funding of target reserve levels, and achieve overall revenue adequacy for the Water Utility, rate adjustments for the period of 2017 through 2021 were projected. To be conservative, reductions to irrigation water use were also assumed to recognize the increased rates. For the Wastewater Utility, rate adjustments for the period of 2017 through 2026 were projected. Based on preliminary engineering estimates, new debt associated with this wastewater facility upgrades are anticipated to be approximately \$19M, and new debt related to water capacity and storage project are anticipated to be approximately \$17M. The water and wastewater rates for the specified periods are shown on the attached handout.

Recommendation

69-7-111(MCA) requires the City Council to order a public hearing when it is considering imposing a utility rate change to its customers. Based on the findings of the Water and Wastewater Financial Plan and Rate Studies, dated March 2016, and the recent evaluation conducted to update these findings, it is the recommendation of the Public Works Department and the Finance Department that Council pass motion to order that a public hearing be held on Monday September 16, 2019 to consider a rate increase.

The following publication schedule is proposed in order to comply with 69-7-111(MCA):

Direct Mailing: Monday August 26, 2019
Publication 1: Wednesday August 28, 2019
Publication 2: Wednesday September 4, 2019
Publication 3: Wednesday September 11, 2019

The proposed rate increases will be distributed to council at the meeting on 8/19/2019.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig Workman".

Craig Workman, P.E.
Director of Public Works

**Water Financial Plan and Rate Study
Summary of Water Bill Impacts based on Rate Projections**

	Avg Monthly Gallons	Existing Monthly Bill FY16	2017 \$/Mth Increase from 2016	2018 \$/Mth Increase from 2016	2019 \$/Mth Increase from 2016	2020 \$/Mth Increase from 2016	2021 \$/Mth Increase from 2016
Residential - 5/8"							
Inside	4,000	\$ 40.53	\$ 0.25	\$ 0.55	\$ 0.85	\$ 1.15	\$ 1.45
Inside Low Income	4,000	\$ 21.89	\$ 0.09	\$ 0.19	\$ 0.19	\$ 0.29	\$ 0.39
PZ	5,500	\$ 55.81	\$ 2.78	\$ 5.72	\$ 8.13	\$ 10.71	\$ 13.38
Outside	4,000	\$ 55.01	\$ 0.35	\$ 0.65	\$ 0.95	\$ 1.25	\$ 1.55
Outside Low Income	4,000	\$ 31.05	\$ 0.11	\$ 0.21	\$ 0.21	\$ 0.31	\$ 0.41
Residential - 3/4"							
Inside	5,000	\$ 56.28	\$ 0.32	\$ 0.72	\$ 1.12	\$ 1.52	\$ 1.92
Inside Low Income	5,000	\$ 28.77	\$ 0.13	\$ 0.23	\$ 0.33	\$ 0.43	\$ 0.53
PZ	6,000	\$ 72.50	\$ 3.60	\$ 7.37	\$ 10.42	\$ 13.55	\$ 16.87
Outside	5,000	\$ 74.97	\$ 0.45	\$ 0.95	\$ 1.45	\$ 1.95	\$ 2.45
Outside Low Income	5,000	\$ 40.35	\$ 0.17	\$ 0.27	\$ 0.37	\$ 0.47	\$ 0.67
Commercial							
Inside - 1"	100,000	\$ 444.09	\$ 0.54	\$ 1.04	\$ 1.54	\$ 2.04	\$ 2.54
Outside - 1"	70,000	\$ 472.11	\$ 0.67	\$ 1.37	\$ 2.07	\$ 2.77	\$ 3.47
Inside - 2"	680,000	\$ 2,929.69	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02
Outside - 2"	1,100,000	\$ 6,648.02	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05
Irrigation							
Inside - 5/8"	10,000	\$ 35.48	\$ 5.37	\$ 7.28	\$ 9.39	\$ 10.98	\$ 12.28
PZ - 5/8"	10,000	\$ 49.76	\$ 12.49	\$ 21.78	\$ 30.18	\$ 39.78	\$ 50.76
Inside - 3/4"	10,000	\$ 40.21	\$ 4.34	\$ 6.25	\$ 8.56	\$ 10.25	\$ 11.55
PZ - 3/4"	16,000	\$ 78.18	\$ 16.03	\$ 30.75	\$ 44.25	\$ 59.37	\$ 76.80
Outside - 3/4"	33,000	\$ 164.53	\$ 21.94	\$ 32.31	\$ 43.37	\$ 51.13	\$ 57.36
Inside - 1"	27,000	\$ 93.04	\$ 10.12	\$ 14.74	\$ 19.64	\$ 23.11	\$ 25.91
PZ - 1"	18,000	\$ 99.50	\$ 16.00	\$ 32.01	\$ 47.51	\$ 64.67	\$ 84.41
Outside - 1"	6,000	\$ 59.38	\$ 4.01	\$ 5.83	\$ 7.75	\$ 9.10	\$ 10.16
Inside - 1.5"	105,000	\$ 325.67	\$ 39.11	\$ 57.10	\$ 76.15	\$ 89.62	\$ 100.13
Inside - 2"	130,000	\$ 432.68	\$ 48.45	\$ 70.72	\$ 94.31	\$ 110.99	\$ 124.00

**Water Financial Plan and Rate Study
Summary of Water Bill Impacts based on Rate Projections**

	Avg Monthly Gallons	Existing Bill FY16	2017 % Increase from 2016	2018 % Increase from 2016	2019 % Increase from 2016	2020 % Increase from 2016	2021 % Increase from 2016
Residential - 5/8"							
Inside	4,000	\$ 40.53	0.6%	1.4%	2.1%	2.8%	3.6%
Inside Low Income	4,000	\$ 21.89	0.4%	0.9%	0.9%	1.3%	1.8%
PZ	5,500	\$ 55.81	5.0%	10.2%	14.6%	19.2%	24.0%
Outside	4,000	\$ 55.01	0.6%	1.2%	1.7%	2.3%	2.8%
Outside Low Income	4,000	\$ 31.05	0.3%	0.7%	0.7%	1.0%	1.3%
Residential - 3/4"							
Inside	5,000	\$ 56.28	0.6%	1.3%	2.0%	2.7%	3.4%
Inside Low Income	5,000	\$ 28.77	0.5%	0.8%	1.2%	1.5%	1.9%
PZ	6,000	\$ 72.50	5.0%	10.2%	14.4%	18.7%	23.3%
Outside	5,000	\$ 74.97	0.6%	1.3%	1.9%	2.6%	3.3%
Outside Low Income	5,000	\$ 40.35	0.4%	0.7%	0.9%	1.2%	1.7%
Commercial							
Inside - 1"	100,000	\$ 444.09	0.1%	0.2%	0.3%	0.5%	0.6%
Outside - 1"	70,000	\$ 472.11	0.1%	0.3%	0.4%	0.6%	0.7%
Inside - 2"	680,000	\$ 2,929.69	0.0%	0.0%	0.0%	0.0%	0.0%
Outside - 2"	1,100,000	\$ 6,648.02	0.0%	0.0%	0.0%	0.0%	0.0%
Irrigation							
Inside - 5/8"	10,000	\$ 35.48	15.1%	20.5%	26.5%	30.9%	34.6%
PZ - 5/8"	10,000	\$ 49.76	25.1%	43.8%	60.6%	79.9%	102.0%
Inside - 3/4"	10,000	\$ 40.21	10.8%	15.5%	21.3%	25.5%	28.7%
PZ - 3/4"	16,000	\$ 78.18	20.5%	39.3%	56.6%	75.9%	98.2%
Outside - 3/4"	33,000	\$ 164.53	13.3%	19.6%	26.4%	31.1%	34.9%
Inside - 1"	27,000	\$ 93.04	10.9%	15.8%	21.1%	24.8%	27.8%
PZ - 1"	18,000	\$ 99.50	16.1%	32.2%	47.7%	65.0%	84.8%
Outside - 1"	6,000	\$ 59.38	6.8%	9.8%	13.0%	15.3%	17.1%
Inside - 1.5"	105,000	\$ 325.67	12.0%	17.5%	23.4%	27.5%	30.7%
Inside - 2"	130,000	\$ 432.68	11.2%	16.3%	21.8%	25.7%	28.7%

**City of Whitefish
Wastewater Financial Plan and Rate Study
Summary of Wastewater Bill Impacts based on Rate Projections**

	Avg Monthly Gallons	Existing Bill FY16	2017 Monthly Increase from 2016	2018 Monthly Increase from 2016	2019 Monthly Increase from 2016	2020 Monthly Increase from 2016	2021 Monthly Increase from 2016	2022 Monthly Increase from 2016	2023 Monthly Increase from 2016	2024 Monthly Increase from 2016	2025 Monthly Increase from 2016	2026 Monthly Increase from 2016
SC-1												
Inside	3,000	\$ 31.82	\$ 3.31	\$ 7.29	\$ 12.13	\$ 17.20	\$ 23.19	\$ 24.53	\$ 25.92	\$ 27.33	\$ 28.79	\$ 30.28
Inside Low Income	3,000	\$ 15.94	\$ 2.83	\$ 6.32	\$ 10.66	\$ 15.21	\$ 20.67	\$ 21.45	\$ 22.27	\$ 23.10	\$ 23.96	\$ 24.83
Outside	3,000	\$ 41.11	\$ 4.85	\$ 10.74	\$ 17.95	\$ 25.48	\$ 34.44	\$ 35.30	\$ 36.19	\$ 37.10	\$ 38.04	\$ 39.01
Inside	6,000	\$ 42.47	\$ 5.98	\$ 13.29	\$ 22.30	\$ 31.75	\$ 43.02	\$ 44.96	\$ 46.98	\$ 49.02	\$ 51.14	\$ 53.29
Inside Low Income	6,000	\$ 26.59	\$ 5.50	\$ 12.32	\$ 20.83	\$ 29.76	\$ 40.50	\$ 41.88	\$ 43.33	\$ 44.79	\$ 46.31	\$ 47.84
Outside	6,000	\$ 57.49	\$ 8.96	\$ 19.98	\$ 33.61	\$ 47.86	\$ 64.95	\$ 65.81	\$ 66.70	\$ 67.61	\$ 68.55	\$ 69.52
SC-2												
Inside	3,000	\$ 55.95	\$ 3.39	\$ 7.08	\$ 11.11	\$ 15.50	\$ 20.32	\$ 22.27	\$ 24.29	\$ 26.35	\$ 28.48	\$ 30.65
Inside Low Income	3,000	\$ 28.20	\$ 2.56	\$ 5.40	\$ 8.55	\$ 12.03	\$ 15.91	\$ 16.89	\$ 17.91	\$ 18.94	\$ 20.01	\$ 21.09
Outside	3,000	\$ 67.61	\$ 4.39	\$ 9.18	\$ 14.43	\$ 20.20	\$ 26.55	\$ 28.92	\$ 31.34	\$ 33.83	\$ 36.40	\$ 39.01
Inside	6,000	\$ 74.88	\$ 5.67	\$ 11.91	\$ 18.79	\$ 26.36	\$ 34.75	\$ 37.36	\$ 40.07	\$ 42.82	\$ 45.67	\$ 48.56
Inside Low Income	6,000	\$ 47.13	\$ 4.84	\$ 10.23	\$ 16.23	\$ 22.89	\$ 30.34	\$ 31.98	\$ 33.69	\$ 35.41	\$ 37.20	\$ 39.00
Outside	6,000	\$ 93.74	\$ 7.54	\$ 15.84	\$ 25.02	\$ 35.20	\$ 46.50	\$ 49.80	\$ 53.15	\$ 56.60	\$ 60.16	\$ 63.76
SC-3												
Inside	3,000	\$ 69.75	\$ 4.48	\$ 8.78	\$ 13.42	\$ 18.44	\$ 23.86	\$ 27.97	\$ 31.38	\$ 34.89	\$ 38.54	\$ 42.30
Inside Low Income	3,000	\$ 37.37	\$ 3.50	\$ 6.80	\$ 10.41	\$ 14.36	\$ 18.68	\$ 21.66	\$ 23.91	\$ 26.23	\$ 28.65	\$ 31.14
Inside	6,000	\$ 96.33	\$ 7.66	\$ 14.93	\$ 22.84	\$ 31.46	\$ 40.84	\$ 47.56	\$ 52.83	\$ 58.26	\$ 63.92	\$ 69.75
Inside Low Income	6,000	\$ 63.95	\$ 6.68	\$ 12.95	\$ 19.83	\$ 27.38	\$ 35.66	\$ 41.25	\$ 45.36	\$ 49.60	\$ 54.03	\$ 58.59
Grinder												
Inside	3,000	\$ 94.35	\$ 4.86	\$ 10.01	\$ 15.51	\$ 21.36	\$ 27.59	\$ 33.04	\$ 36.86	\$ 40.80	\$ 44.86	\$ 49.04
Inside Low Income	3,000	\$ 53.90	\$ 3.64	\$ 7.54	\$ 11.75	\$ 16.27	\$ 21.14	\$ 25.18	\$ 27.55	\$ 30.00	\$ 32.52	\$ 35.12
Inside	6,000	\$ 134.76	\$ 8.10	\$ 16.73	\$ 26.01	\$ 35.94	\$ 46.58	\$ 55.60	\$ 61.31	\$ 67.20	\$ 73.27	\$ 79.52
Inside Low Income	6,000	\$ 94.31	\$ 6.88	\$ 14.26	\$ 22.25	\$ 30.85	\$ 40.13	\$ 47.74	\$ 52.00	\$ 56.40	\$ 60.93	\$ 65.60
STEP												
Inside	3,000	\$ 106.02	\$ 6.69	\$ 13.91	\$ 19.32	\$ 25.00	\$ 30.97	\$ 37.24	\$ 43.84	\$ 50.77	\$ 52.90	\$ 55.09
Resthaven	3,000	\$ 124.59	\$ 8.26	\$ 17.20	\$ 23.80	\$ 30.72	\$ 38.00	\$ 45.67	\$ 53.74	\$ 62.23	\$ 64.52	\$ 66.88
Inside	6,000	\$ 155.97	\$ 11.70	\$ 24.41	\$ 33.45	\$ 42.97	\$ 53.02	\$ 63.61	\$ 74.80	\$ 86.59	\$ 88.72	\$ 90.91
Resthaven	6,000	\$ 189.00	\$ 14.71	\$ 30.73	\$ 42.01	\$ 53.88	\$ 66.41	\$ 79.66	\$ 93.64	\$ 108.40	\$ 110.69	\$ 113.05
Big Mountain												
Big Mountain	1,470,000	\$ 12,876.28	\$ 1,545.68	\$ 3,267.82	\$ 4,872.43	\$ 6,638.81	\$ 8,581.66	\$ 9,863.08	\$ 10,777.08	\$ 11,720.56	\$ 11,723.32	\$ 11,726.16

**City of Whitefish
Wastewater Financial Plan and Rate Study
Summary of Wastewater Bill Impacts based on Rate Projections**

	Avg Monthly Gallons	Existing Bill FY16	2017 % Increase from 2016	2018 % Increase from 2016	2019 % Increase from 2016	2020 % Increase from 2016	2021 % Increase from 2016	2022 % Increase from 2016	2023 % Increase from 2016	2024 % Increase from 2016	2025 % Increase from 2016	2026 % Increase from 2016
SC-1												
Inside	3,000	\$ 31.82	10.4%	22.9%	38.1%	54.1%	72.9%	77.1%	81.5%	85.9%	90.5%	95.2%
Inside Low Income	3,000	\$ 15.94	17.8%	39.6%	66.9%	95.4%	129.7%	134.6%	139.7%	144.9%	150.3%	155.8%
Outside	3,000	\$ 41.11	11.8%	26.1%	43.7%	62.0%	83.8%	85.9%	88.0%	90.2%	92.5%	94.9%
Inside	6,000	\$ 42.47	14.1%	31.3%	52.5%	74.8%	101.3%	105.9%	110.6%	115.4%	120.4%	125.5%
Inside Low Income	6,000	\$ 26.59	20.7%	46.3%	78.3%	111.9%	152.3%	157.5%	163.0%	168.4%	174.2%	179.9%
Outside	6,000	\$ 57.49	15.6%	34.8%	58.5%	83.2%	113.0%	114.5%	116.0%	117.6%	119.2%	120.9%
SC-2												
Inside	3,000	\$ 55.95	6.1%	12.7%	19.9%	27.7%	36.3%	39.8%	43.4%	47.1%	50.9%	54.8%
Inside Low Income	3,000	\$ 28.20	9.1%	19.1%	30.3%	42.7%	56.4%	59.9%	63.5%	67.2%	71.0%	74.8%
Outside	3,000	\$ 67.61	6.5%	13.6%	21.3%	29.9%	39.3%	42.8%	46.4%	50.0%	53.8%	57.7%
Inside	6,000	\$ 74.88	7.6%	15.9%	25.1%	35.2%	46.4%	49.9%	53.5%	57.2%	61.0%	64.9%
Inside Low Income	6,000	\$ 47.13	10.3%	21.7%	34.4%	48.6%	64.4%	67.9%	71.5%	75.1%	78.9%	82.7%
Outside	6,000	\$ 93.74	8.0%	16.9%	26.7%	37.6%	49.6%	53.1%	56.7%	60.4%	64.2%	68.0%
SC-3												
Inside	3,000	\$ 69.75	6.4%	12.6%	19.2%	26.4%	34.2%	40.1%	45.0%	50.0%	55.3%	60.6%
Inside Low Income	3,000	\$ 37.37	9.4%	18.2%	27.9%	38.4%	50.0%	58.0%	64.0%	70.2%	76.7%	83.3%
Inside	6,000	\$ 96.33	8.0%	15.5%	23.7%	32.7%	42.4%	49.4%	54.8%	60.5%	66.4%	72.4%
Inside Low Income	6,000	\$ 63.95	10.4%	20.3%	31.0%	42.8%	55.8%	64.5%	70.9%	77.6%	84.5%	91.6%
Grinder												
Inside	3,000	\$ 94.35	5.2%	10.6%	16.4%	22.6%	29.2%	35.0%	39.1%	43.2%	47.5%	52.0%
Inside Low Income	3,000	\$ 53.90	6.8%	14.0%	21.8%	30.2%	39.2%	46.7%	51.1%	55.7%	60.3%	65.2%
Inside	6,000	\$ 134.76	6.0%	12.4%	19.3%	26.7%	34.6%	41.3%	45.5%	49.9%	54.4%	59.0%
Inside Low Income	6,000	\$ 94.31	7.3%	15.1%	23.6%	32.7%	42.6%	50.6%	55.1%	59.8%	64.6%	69.6%
STEP												
Inside	3,000	\$ 106.02	6.3%	13.1%	18.2%	23.6%	29.2%	35.1%	41.4%	47.9%	49.9%	52.0%
Resthaven	3,000	\$ 124.59	6.6%	13.8%	19.1%	24.7%	30.5%	36.7%	43.1%	49.9%	51.8%	53.7%
Inside	6,000	\$ 155.97	7.5%	15.7%	21.4%	27.6%	34.0%	40.8%	48.0%	55.5%	56.9%	58.3%
Resthaven	6,000	\$ 189.00	7.8%	16.3%	22.2%	28.5%	35.1%	42.1%	49.5%	57.4%	58.6%	59.8%
Big Mountain												
Big Mountain	1,470,000	\$ 12,876.28	12.0%	25.4%	37.8%	51.6%	66.6%	76.6%	83.7%	91.0%	91.0%	91.1%

Montana Code Annotated 2017

TITLE 69. PUBLIC UTILITIES AND CARRIERS
CHAPTER 7. MUNICIPAL UTILITIES

Part 1. Regulation of Rates by Municipality

Municipal Rate Hearing Required -- Notice

69-7-111. Municipal rate hearing required -- notice. (1) Except as provided in **75-5-516**, **75-6-108**, and subsection (6), if the governing body of a municipality considers it advisable to regulate, establish, or change rates, charges, or classifications imposed on its customers, it shall order a hearing to be held before it at a time and place specified.

(2) Notice of the hearing must be published in a newspaper as provided in **7-1-4127**.

(3) (a) The notice must be published three times with at least 6 days separating each publication. The first publication may be no more than 28 days prior to the hearing, and the last publication may be no less than 3 days prior to the hearing.

(b) The notice must also be mailed at least 7 days and not more than 30 days prior to the hearing to persons served by the utility. The notice must be mailed within the prescribed time period. This notice must contain an estimate of the amount the customer's average bill will increase.

(4) The published notice must contain:

(a) the date, time, and place of the hearing;

(b) a brief statement of the proposed action; and

(c) the address and telephone number of a person who may be contacted for further information regarding the hearing.

(5) Notice of all hearings shall be mailed first class, postage prepaid, to the Montana consumer counsel.

(6) (a) If the proposed increase in the rates, fees, or charges imposed by the municipality is the result of the establishment of or change in rates, fees, or charges imposed by a regional authority of which the municipality is a customer and the authority is required to hold a public hearing pursuant to **75-6-326**, the governing body of the municipality shall:

(i) mail notice of the public hearing to be held by the authority to all persons served by the municipality at least 15 days before the public hearing; and

(ii) provide notification to all persons served by the municipality at least 10 days prior to the enactment of the ordinance or adoption of the resolution implementing the increase.

(b) The municipality is not required to hold a public hearing in connection with the increase.

(7) If a regional authority is not required to hold a public hearing as provided in **75-6-326(9)**, the municipality is subject to the hearing requirements of this section.

History: En. Sec. 2, Ch. 607, L. 1981; amd. Secs. 4, 10, Ch. 588, L. 1983; amd. Sec. 10, Ch. 645, L. 1991; amd. Sec. 3, Ch. 507, L. 1993; amd. Sec. 4, Ch. 187, L. 2013.