

CITY OF THREE FORKS

RESOLUTION NO. 438-2025

RESOLUTION OF INTENT TO INCREASE THE MINIMUM (BASE) SEWER AND WATER RATES BY UP TO 10% AND 15% RESPECTIVELY

WHEREAS, under Section 69-7-101, MCA, the City has the power and authority to regulate, establish, and change as it considers proper, rates, charges, and classifications imposed for utility services to its inhabitants and other persons served by the municipal systems. Rates, charges, and classifications must be reasonable and just.

WHEREAS, pursuant to Three Forks City Ordinance Title 9, Chapter 4, Section 7, the City shall review the user system charges every two years and revise as necessary to assure equality of the system and assure that sufficient funds will be collected to adequately operate and maintain the system. The Budget Committee reviews the rates annually at their meetings and has not found it necessary to increase rates for the past ten years.

WHEREAS, in 2023, the City Treasurer proposed to the Budget Committee to reduce the minimum sewer rate for each household size by \$5.00 and increase the minimum water rate by \$5.00 for each connection size. This was due to Water Fund expenses surpassing revenues, but Sewer Fund expenses remaining adequate, including a slight surplus. This resulted in a \$0 net change to the users' monthly expenses by shifting the revenues to each fund. The Council agreed to this change via Resolution #394-2023, which became effective on the May 2023 billing.

WHEREAS, the City of Three Forks has seen a 100% increase in health insurance costs over the past twelve years, the City has provided increases to its personnel, and all the operational and maintenance supplies and required testing expenses have seen increases over the past decade as well, such a replacing aging equipment, meeting new requirements, and the growing community including adding employees. This shows the City Council having the foresight to increase the rates healthily in 2013 (25% increase to Water) and 2015 (55% increase to Sewer) to cover future expenses due to inflation.

WHEREAS, The City of Three Forks is currently in the process of drilling additional public supply wells to meet the City's existing demand and to address anticipated growth, as well as replacing outdated water mains in the oldest part of town, and adding new looping mains to promote better flow.

WHEREAS, the City has been awarded many grants to help fund these projects in the amount of just over \$3,500,000 in various American Reinvestment and Recovery Plan (ARPA) grants, a Renewable Resource Grant and Loan Program (RRGL) grant in the amount of \$125,000, and a Montana Coal Endowment Program (MCEP) grant in the amount of \$625,000. MCEP funds are designed to help address the affordability of local infrastructure projects. This grant funding has provided the City the luxury of not needing to increase rates to fund these improvements thus far. However, in order to be eligible to collect the full MCEP grant funds, the average rates for sewer and water must be at a combined average of \$124.00/month. The combined average currently is \$116.00/month.

WHEREAS, the Water and Sewer Committee met on 4/17/2025 with the City Treasurer, who explained the debt ratio requirements for grants and loans. Revenues, less operational supplies

and personnel, should be above 110% of your annual loan payments. In the ten years that the City has not raised rates. Personnel costs paid from water and sewer accounts have increased over \$10,000 more per month than what the City paid for those same things 10+ years ago, which is the largest consistent expense, but all expenses have increased for operations. A \$10 increase would equate to less than \$1/year since the last time the City raised rates. The Committee members stressed, “We want to make sure there is water in people’s taps and that their waste is dealt with in a clean and safe way, all while we plan for maintenance and depreciation of our systems.”

WHEREAS, pursuant to Section 69-7-111, MCA, the Council shall order a public hearing prior to the passage or enactment of an ordinance or resolution imposing, establishing, changing or increasing rates, fees, or charges for services or facilities. Said hearing was set for today, as found in Section 6 below.

WHEREAS, pursuant to Section 7-1-4127, MCA, the City Clerk published notice of this Resolution of Intent in the Bozeman Daily Chronicle on 5/24 and 6/3/2025, in the Three Forks Voice on 5/28, 6/4 and 6/25/2025, and in the Belgrade News on 5/22 and 6/5/2025.

NOW, THEREFORE, BE IT RESOLVED by the Three Forks City Council as follows:

Section 1. Intent to Increase Sewer System Rates. It is the intent of the City Council to increase its rates for the users of the Sewer System effective for the billing period beginning July 20, 2025.

Current and Proposed Sewer Rates.

- (a) Sewer Inactive Service Connection: Users who are connected to the System but who have turned off or are not using any water from the System, shall be responsible for the Service/Availability charge each month during any period of turn off service or non-use of the System.
- (b) Sewer Charge Based on Water Use: CURRENTLY the Service/Availability Charge is \$49.25 per month (this is the base rate for just being connected to the System and covers the first 400 cubic feet). The monthly Usage Charge for amounts in excess of 400 cubic feet of water flow is \$6.97 per 100 cubic feet of water used or part thereof. The Service/Availability Charge plus the Usage Charge equals the monthly sewer rate.
- (c) Sewer Charged NOT Based on Water Use: The monthly rate for sewer for properties not connected to the City water system (and for properties with insufficient monthly usage information), is based on household size. The rate per household having a size of one is \$49.25 per month with incremental increases for larger-sized households.

The following table shows the current and proposed (in bold) monthly service charge for the various users of the Sewer System, based on the initial 400 cubic feet, or household size if not connected to the Water System:

<u>Household Size</u>	<u>Current Monthly Service Charge</u>	<u>Based on Assumed Winter Water Use</u>	<u>Proposed Monthly</u>	<u>Approximate Rate of</u>
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		<u>Average of Cubic Feet</u>	<u>Service Charge</u>	<u>Increase</u>
Inactive Connection	\$49.25	N/A	\$54.25	10%
1	\$49.25	400	\$54.25	10%
2	\$63.20	600	\$68.20	8%
3	\$74.90	768	\$79.90	7%
4	\$84.45	905	\$89.45	5.9%
5	\$97.20	1088	\$102.20	5.1%
6 and up	\$116.45	1364+	\$121.45	4.3%

(d) Use Rate: The Use Rate for each 100 cubic feet over the initial 400 cubic feet will remain at \$6.97.

Section 2. Intent to Increase the Water System Rates. It is the intent of the City Council increase its rates for the users of the Water System effective for the billing period beginning July 20, 2025.

Current and Proposed Water Rates.

The following table shows the current and proposed (in bold) monthly service charge for the various users of the **Water System**, based on initial 100 cubic feet:

<u>Meter Size</u>	<u>Current Monthly Service Charge</u>	<u>Proposed Monthly Service Charge</u>	<u>Approximate Rate of Increase</u>
Flat Rate	\$34.50	\$39.50	14.5%
5/8"	\$34.50	\$39.50	14.5%
3/4"	\$37.05	\$42.05	13.5%
1"	\$41.60	\$46.60	12%
1 1/4"	\$49.20	\$54.20	10%
1 1/2"	\$55.20	\$60.20	9%
1 3/4"	\$57.55	\$62.55	8.6%
2"	\$73.00	\$78.00	6.8%
2 1/4"	\$73.50	\$78.50	6.8%
2 1/2"	\$79.85	\$84.85	6.2%
2 3/4"	\$90.95	\$95.95	5.5%
3"	\$128.50	\$133.50	3.9%
4"	\$254.85	\$259.85	2%

(a) Monthly Water Rate. The Service Charge plus the Use Rate equals the monthly water rate.

(b) Use Rate: The Use Rate for each 100 cubic feet over the initial 100 cubic feet will remain at \$1.55.

Section 3. Determination of Annual Budget for the Systems. At least once each year the Council shall determine the amount of money needed to pay the costs of the System including but not limited to: (a) the payment of the reasonable expense of operation and maintenance of the System; (b) administration of the System; (c) the payment of principal and interest on any bonded or other indebtedness of the System; and (d) the establishment or maintenance of any required reserves, including reserves needed for expenditures for depreciation and replacement of facilities, as may be determined necessary from time to time by the Council or as covenanted in the ordinance or resolution authorizing any outstanding bonds of the System. Based on the annual needs of the System, the Council will establish monthly charges for the use of the System.

Section 4. Further Rate Increases. Subsequent adjustments to the rates and charges for the use of the System will be made by a resolution of the Council duly adopted after a public hearing with notice thereof given as provided by law.

Section 5. Public Hearing. A public hearing for the Resolution to Adopt the increase of rates for the Sewer and Water Systems will be held on July 8, 2025, commencing at 6:00 p.m. at the City Hall, 206 Main Street, Three Forks, Montana. Additional public notices will be published in the newspaper for this hearing.

Section 6. Notice. The City Clerk is hereby authorized and directed to publish, or cause to be published, a copy of a notice of the passage of this resolution and the date for the public hearing to adopt recommended rate increases in the newspaper(s), and to mail, or cause to be mailed, a copy of said notice to all persons who own property in the City and to all customers of the System at least 7 days, and not more than 30 days, prior to the public hearing to adopt rates, as well as to the Montana Consumer Council. The mailed notice must contain an estimate of the amount that the property owner or customer will be charged under the proposed ordinance or resolution.

Section 7. Reminder. Multi-family units are charged a base rate for each unit.

Passed and approved by the Three Forks City Council this 10th day of June 2025.

Mayor Randy Johnston

Attest:

Crystal Turner, City Clerk