

St. Mary's Glacier Water and Sanitation District
Frequently Asked Questions
2018 Water and Sewer Rate Increase – Adopted March 26, 2018

On March 26, 2018, the Board of Director's for St. Mary's Glacier Water and Sanitation District discussed and approved a rate increase for certain fees, rates, and charges of the District. This FAQ provides an overview of the rate increase.

Why did the District raise the water and sewer rates?

The District raised rates to enable it to cover costs of operations, start to address the lack of reserves, and begin to tackle critical infrastructure issues that have led to public health and safety concerns.

How much is the water and sewer rate increase, when will it take effect, and how will it affect my bill?

The rate increase for water and sewer customers is \$110 per quarter (\$36.67 per month) and is effective the second quarter of 2018 (billed in April). The total quarterly rate for water and sewer increased from \$400 to \$510 (or from \$133.33 to \$170.00 per month).

How was the rate increase determined?

Two categories of District costs were evaluated to determine the rate increase: operations costs and capital infrastructure costs. The \$110 per quarter rate increase addresses both categories with an estimated need of \$65 per quarter to address operations and \$45 per quarter to address capital infrastructure needs.

The increase is based on a conservative estimate of the amount necessary to cover the cost of operations, establish operating reserves and fund ongoing smaller-scale repairs and provide overall system maintenance of the District's infrastructure, much of which is nearing the end of its serviceable life. The increase also provides funding for a loan from the State Revolving Fund to address initial concerns raised regarding the District's water distribution system. The current rate increase will not be enough to fund a long-term capital improvement plan, and the District will continue to analyze funding requirements to ensure the integrity of the District's water and wastewater systems.

What are included in the operational costs?

Operating costs include providing water and sewer service including, but not limited to, district management, system monitoring by an Operator in Responsible Charge (ORC), operation of Wastewater Treatment Plant and source wells, system repairs and maintenance, legal counsel, insurance, tools, equipment, tools, chemicals, supplies, utilities and hiring and oversight of outside contractors..

Has the District looked at cutting operating costs?

The District has evaluated and will continue to evaluate ways in which to reduce operating costs and increase operating efficiencies. In addition to covering operating costs, the District is seeking to address the lack of reserves and fund deferred repairs and maintenance.

Will rates continue to increase in the future?

Many factors will impact the need for future rate increases such as development of the properties in the District (i.e., more customers to cover the costs), inflationary increases of operating costs, ability of the District to secure external funding, and collection rates on accounts. Rate increases will be evaluated on an annual basis as part of the District's budget activities.

Why doesn't the District pursue other sources of funding, e.g., grants, donations, etc.?

The ability of the District to secure external funding is one factor in determining future rate increases. Many funding agencies require fiscal action by a special district before they commit funds. The rate increase shows funding agencies that the District is committed to addressing long-term fiscal and operational sustainability, which in turn demonstrates that grant funds will constitute a good investment of state resources.

Has the District considered charging rates based on volume instead of flat amount?

Meter readings would be the data source used to determine rates based on volume. Many factors affect the accuracy of a water meter including age, flow rates, maintenance and service line leaks. After years of wear and tear, a water meter can register an incorrect number. The meters in the District need to be calibrated and evaluated to determine if readings are accurate enough to be a source of data used to determine charges to customers. Replacing all meters within the system is a current consideration. Charging by volume might be a consideration in the future if meters are replaced.

How does the District compare to other communities for water and sewer rates?

Many factors contribute to the rates currently charged to each district's customers. These factors include the number of customers paying for water and sewer service, rate of growth, number of commercial taps, age and condition of system, initial installation methods, maintenance, remoteness of the district to service providers, average line pressures, topography and elevation of the District, the level of historical contributions towards capital infrastructure needs, the ability of District to fund ongoing repairs and maintenance, and the status of accounts receivable. Because these factors are different for each district and community, comparisons do not accurately reflect the appropriate rates for a district.

Can I pay my bill monthly rather than quarterly?

Yes. Although the District bills quarterly, **you are encouraged to pay each month**. Paying online is the easiest and most efficient way to pay and keep District costs associated with

processing payments to a minimum. You can set up automatic monthly payments by using the following link to access the online bill payment portal: <https://app.bill.com/p/smgwsd>.

Does the District use tax money to provide water and sewer services?

The District levies a tax of 4.828 mills that generates approximately \$29,000 per year. This equals approximately 5% of the District's annual operating expenditures.

Does the District charge a fee to property owners who own lots that are undeveloped?

Yes, the District charges an Availability of Service or "AOS" fee to property owners of unconnected lots if water main lines are within 100 feet of the property lines. Revenue from these fees is used to repay the District's debts and cannot be used for general operations.

Did the Availability of Service or "AOS" fee increase also?

The District's AOS fee is equal to 50% of the District's service charges, and a lower amount is collected when the District's annual debt service obligations require a lower percentage. As discussed at public meetings in April 2016 and March 2018, the District anticipates incurring additional debt to fund necessary repairs and replacements of the District's systems. When such debt is incurred, the dollar amount for AOS fees will increase up to the 50% threshold approved by the District's Board of Directors.

Who can I contact if I have more questions?

Please call or email Traci Miller at TraciM@PinnacleConsultingGroupInc.com (970-669-3611) with your questions.