



MILFORD CITY WATER CULINARY PROPOSED PROJECT

OCTOBER 2019



PUBLIC HEARING ~OCTOBER 7, 2019 AT 7 PM

The purpose of the hearing is to provide information to consumers and hear public comment regarding the proposed rate increases relating to the Culinary Water Project.

We encourage our residents to come to the hearing to
get educated and give input towards the Culinary
Water Project.

REASON FOR THE PROJECT

- In 2015, Milford City had a Water Master Plan conducted on our water system to define our current water demands and infrastructure needs. The plan gave the following findings:
 - The Mineral Mountain Well was placed into operation in the early 2000's and is our primary source of culinary water; it is struggling to meet the needs of Milford City. The well was rated for 900 gpm and has experienced a decrease in flows over time currently operating at around 700 gpm. Milford City does have a backup well, however the arsenic levels are too high and do not meet the requirements set by the Division of Drinking Water. In the event of an emergency Milford City could place the backup well into operations for only two months due to the arsenic levels.
 - Storage Capacity: The Milford City cement storage tank located on Baldy Hill fits the needs of the town, however the tank was constructed in 1980 and there is major deterioration and repairs needing to happen to the storage tank. Unfortunately the repairs will require the tank to be drained; therefore we have considered providing a secondary storage tank to allow the repairs to be made. The storage tank is the only way for water to reach our consumers.

PROPOSED PROJECT

- Construct a new culinary well; which will provide a secondary source for our customers as well as assist with our capacity requirements.
- Install a new chlorination system to correspond with the new culinary well
- Refurbish the existing well
 - The well has been in operation since the early 2000's and is deteriorating
- Construct a new 500,000 gallon storage tank
- Rehabilitate the existing storage tank

PROPOSED PROJECT

- Construct a new booster station to replace the existing booster station
- Install radio read meters
- Install a SCADA System (State Code is requiring all drinking water systems to have SCADA by 2023)
- Install New 12-inch pipe to the airport
- Replace approx. 1000 linear feet of existing 4-inch and 6-inch cast iron pipe
- Replace approx. 1900 linear feet of existing 14-inch pipe between the existing and proposed storage tank with 16-inch pipeline.

PROPOSED PROJECT

- Exercising the existing valves and replacing inoperable valves. Valves will also be added in strategic locations to allow isolation of specific sections for the system.
- Create a 40-year water rights plan to analyze current water rights and develop strategies for utilizing as much water as possible.

PROJECT COST

MILFORD CITY WATER – SUMMARY OF IMPROVEMENTS	
IMPROVEMENT	EST. COST
CONSTRUCT NEW CULINARY WELL	\$1,162,800
BOOSTER STATION UPGRADES	\$425,000
EXISTING WELL IMPROVEMENTS	\$133,000
INSTALL RADIO READ WATER SERVICE METERS	\$922,000
INTEGRATED SYSTEM WIDE SCADA SYSTEM	\$110,000
VALVE EXERCISING & REPLACEMENT	\$63,000
TANK REPAIRS	\$93,500
CONSTRUCT NEW 500,000 GAL CONCRETE STORAGE TANK	\$670,000
REPLACE OLD STEEL/IRON PIPE	\$110,300
REPLACE 14" LINE FROM TANK TO 300 N	\$130,100
INSTALL 12" LINE TO AIRPORT	\$314,100
MOBILIZATION (5%)	\$265,000
CONTINGENCY (20%)	\$879,760
INCIDENTALS & PROFESSIONAL SERVICES	\$1,019,000
TOTAL	\$6,297,560

FUNDING SOURCE: USDA RURAL DEVELOPMENT

- Loan: \$4,217,000.00
 - 40 year loan
 - Interest Rate 3.375% (actual rate may be lower)
- Grant: \$2,032,000.00

COVERING THE LOAN PAYMENT

- The USDA Rural Development (RD) will require Milford City to adjust our water rates to cover the cost of the annual loan payment, which is projected at \$193,500 as well as be around the state average water bill. (This is determined by a Rate Study)
- RD will require the water fund to generate at least \$603,750 to cover O&M and bond obligations.
- Milford City has not had a Water rate increase in 13 years.

MILFORD CITY RATE STUDY

Milford City has had two companies conduct a rate study to ensure accuracy.

*Sunrise Engineering

*Rural Water Association of Utah

80% of our water connections are residential users.

We have approximately 599 actively billed customers in Milford.

Our current average annual residential rate is \$34.98 per connection (including overages).

Our average annual residential rate needs to be adjusted to reach between \$61-\$65 per connection, which is a requirement of Rural Development.

Schedule #	Rate Description:	Base Rate:	Tier 1 Lower Limit:	Tier 1 Cost Per Thousand
101	Residential	\$ 50.00	10,000	\$ 1.50
102	Commercial	\$ 54.00	10,000	\$ 3.50
103	Reduced Rates (Residential)	\$ 25.00	10,000	\$ 1.50
104	Service Stations	\$ 54.00	10,000	\$ 3.50
105	Hospital - Schools	\$ 217.00	60,000	\$ 3.50
106	Hotels - Motels	\$ 54.00	10,000	\$ 3.50
107	Railroad Lodging	\$ 300.00	90,000	\$ 3.50
108	Cafes - Restaurants	\$ 54.00	10,000	\$ 3.50
109	Trailer Ct - Aparts	\$ 50.00	10,000	\$ 1.50
111	Transient Cts - Apt	\$ 54.00	10,000	\$ 3.50
112	Irrigation Rate	\$ 1.85	1,000	\$ -
113	Out of Town Meter	\$ 100.00	10,000	\$ 1.50
115	City Owned Irrigation	\$ -	10,000	\$ -
116	Water Meter (Bulk)	\$ 35.00	1,000	\$ 7.50
118	Industrial	\$ 258.00	40,000	\$ 4.00
120	Shut Off	\$ -	10,000	\$ -
121	Multi-Unit Apt Mas	\$ 25.00	5,000	\$ 1.50
122	Irrigation Rate - Acre Fee	\$ 50.00	9,999,999	\$ -
123	City Owned Culinary	\$ -	9,999,999	\$ -

Rate Increase

Scenario 1

All customer types increase by 85% on the base rate and then a 50% increase on overages.

Average Annual Residential Rate	\$ 34.98
Proposed Average Annual Residential Rate (101)	\$ 61.20
Estimated Annual Revenue (Excluding Irr Meters)	\$ 531,235.88
Estimated Irrigation Revenue	\$ 45,000.00
Estimated Bulk Water Sales	\$ 27,500.00
Total Estimated Annual Revenue	\$ 603,735.88

Rate Increase

Scenario 2

All customer types increase by 65% on the base rate and customer will pay \$1.50 for overage from 10,000-25,000 and \$2.00 from 25,000+.

Schedule #	Rate Description:	Base Rate:	Tier 1 Lower Limit:	Tier 1 Cost Per Thousand	Tier 2 Lower Limit:	Tier 2 Cost Per Thousand	Tier 3 Lower Limit:
101	Residential	\$ 48.00	10,000	\$ 1.50	25,000	\$ 2.00	99,999,999
102	Commercial	\$ 51.00	10,000	\$ 3.25	20,000	\$ 4.25	99,999,999
103	Reduced Rates (Residential)	\$ 26.00	10,000	\$ 1.50	20,000	\$ 2.00	99,999,999
104	Service Stations	\$ 51.00	10,000	\$ 3.25	20,000	\$ 4.25	99,999,999
105	Hospital - Schools	\$ 198.00	60,000	\$ 3.25	50,000	\$ 4.25	99,999,999
106	Hotels - Motels	\$ 51.00	10,000	\$ 3.25	50,000	\$ 3.25	99,999,999
107	Railroad Lodging	\$ 273.00	90,000	\$ 3.25	50,000	\$ 4.25	99,999,999
108	Cafes - Restaurants	\$ 51.00	10,000	\$ 3.25	20,000	\$ 4.25	99,999,999
109	Trailer Ct - Apts	\$ 48.00	10,000	\$ 1.50	20,000	\$ 2.00	99,999,999
111	Transient Cts - Apt	\$ 51.00	10,000	\$ 3.25	20,000	\$ 3.25	99,999,999
112	Irrigation Rate	\$ -	1,000	\$ -	99,999,999	\$ -	99,999,999
113	Out of Town Meter	\$ 93.00	10,000	\$ 1.50	20,000	\$ 2.00	25,000
115	City Owned Irrigation	\$ -	10,000	\$ -	15,000	\$ -	25,000
116	Water Meter (Bulk)	\$ 35.00	1,000	\$ 7.50	9,999,999	\$ 7.50	9,999,999
118	Industrial	\$ 233.00	40,000	\$ 4.00	50,000	\$ 5.25	9,999,999
120	Shut Off	\$ -	10,000	\$ -	15,000	\$ -	25,000
121	Multi-Unit Apt Mas	\$ 26.00	5,000	\$ 1.50	20,000	\$ 2.00	9,999,999
122	Irrigation Rate - Acre Fee	\$ 50.00	9,999,999	\$ -	15,000	\$ 1.50	25,000
123	City Owned Culinary	\$ -	9,999,999	\$ -	15,000	\$ 1.50	25,000

Average Annual Residential Rate	\$ 34.98
Proposed Average Annual Residential Rate (101)	\$ 61.09
Estimated Annual Revenue (Excluding Irr Meters)	\$ 535,638.25
Estimated Irrigation Revenue	\$ 45,000.00
Estimated Bulk Water Sales	\$ 27,500.00
Total Estimated Annual Revenue	\$ 608,138.25

Rate Increase on a Yearly Average

Scenario 1

	Current Monthly Bill on Equal Pay (Includes Water, Sewer, Garbage Etc)	Usage for a year (Gallons)	Overages (Gallons)	Base Rate 12 Months	Overage at \$1.50/ 1000 gallons	Annual Water Bill	Monthly Water Bill Average	Proposed Equal Pay Monthly Bill	Difference in Equal Pay with Increase Monthly
LaDell Bealer	\$93.50	283000	213000	\$600.00	\$319.50	\$919.50	\$76.63	\$128.13	\$34.63
Craig Thompson	\$97.00	293000	223000	\$600.00	\$334.50	\$934.50	\$77.88	\$129.38	\$32.38
Travis Seifers	\$104.00	236000	166000	\$600.00	\$249.00	\$849.00	\$70.75	\$133.15	\$29.15
Mayor Davis	\$97.00	152000	137000	\$600.00	\$205.50	\$805.50	\$67.13	\$126.63	\$29.63
Les Whitney	\$92.00	193000	123000	\$600.00	\$184.50	\$784.50	\$65.38	\$116.88	\$24.88
Terry Wiseman	\$81.00	370000	0	\$600.00	\$0.00	\$600.00	\$50.00	\$108.00	\$27.00
Shane Yardley	\$114.00	307000	237000	\$600.00	\$355.50	\$955.50	\$79.63	\$150.03	\$36.03
Ian "Jeep" Spauldin	\$106.00	328000	258000	\$600.00	\$387.00	\$987.00	\$82.25	\$141.75	\$35.75
Russell Smith	\$126.00	404000	334000	\$600.00	\$501.00	\$1,101.00	\$91.75	\$162.15	\$36.15

These figures are based on a 12 month average. The Equal Payment Plan is available for customers whose accounts are in good standing. For more information on the EPP contact Milford City Office.

EFFECT ON OUR CUSTOMERS

- Substantial Water Rate Increase
- Replacement of meter and setters on the customer property
 - Milford City owns and maintains the meters on each property served with water as well as the main distribution lines.
 - Property owners are required to maintain their lateral lines. This is the line from the meter to the home. If homes have old galvanized services, the service line may fail after the installation of the new meter and setter.
 - Property owners need to be aware that if this happens they are responsible to replace or repair the lateral service line.
 - Milford City does offer a 3rd party insurance from ServLine that can assist with covering the cost. Information can be obtained by contacting the city office.
- The setter will have a Dual Check Valve to prevent the Milford City water system from cross contamination.
 - Homeowners may want to install surge tanks on water heaters. This is at the homeowners expense.

ADDITIONAL FAQ'S

- Why is this water project necessary? We need to ensure that the residents of Milford have an adequate source of drinking water. We need to maintain and update our infrastructure to ensure water can continue to be provided to our residents.
 - If we do not move forward with this project the burden is going to be placed on the next generation (our children, grandchildren) at a much higher price.
- What will happen to our infrastructure if the improvements are not made? We run the risk of waking up without water due to the age of our existing culinary well. The storage tank on Baldy Hill has interior damage and cracking that could cause the tank to fail which would result in 1.9 million gallons of water flooding the town and surrounding area. This would also leave residents without water.

ADDITIONAL FAQ'S

- Why do the rates have to be increased? To cover the bond payment for the infrastructure improvements. WATER REVENUE CAN ONLY BE SPENT ON WATER PROJECTS, MAINTENANCE AND OPERATIONS.
 - Can it be used to pay for recreation, buildings, sewer, etc? ABSOLUTELY NOT! *Utah State Code requires Water to pay for Water, Sewer to pay for Sewer and the General Fund pays for buildings, recreation, parks and miscellaneous expenses.*
- When was the last water rate increase? Milford City has not raised rates in 13 years. Even with the increase of costs associated with pumping the water and maintaining the system.