

Missoula Water

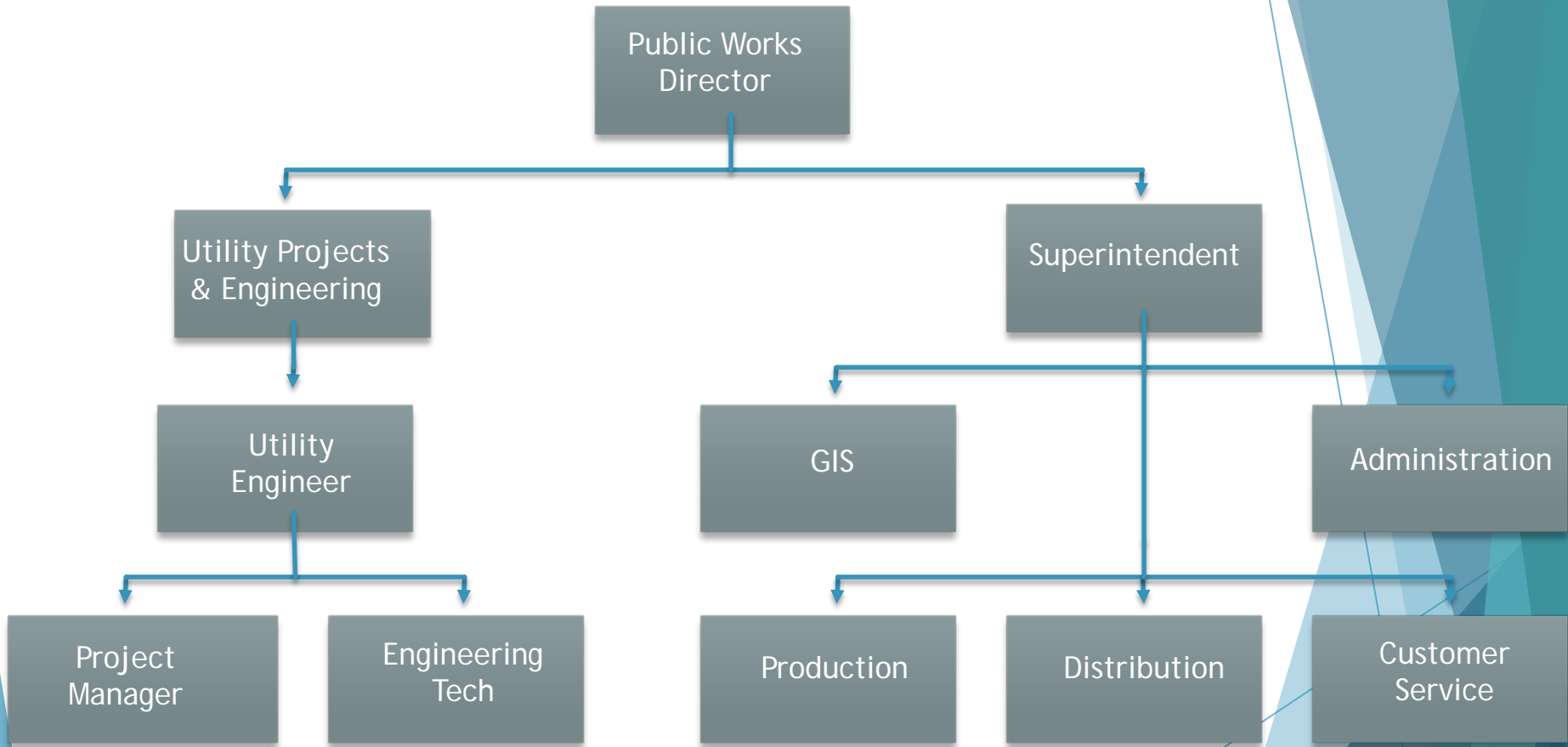
January 2018

Overview



- ▶ Employees: 34
- ▶ Total miles of main: ~325.72
 - ▶ Miles of main less than 50 years old: ~222.29
 - ▶ Miles of main older than 50 years old: ~103.43
- ▶ System Summary
 - ▶ Air Release Valves: 221
 - ▶ Blowoffs: 724
 - ▶ Hydrants: 1448
 - ▶ System Valves: 5972
 - ▶ Booster Pumps: 54
 - ▶ Wells: 39
 - ▶ Storage Facilities: 24
 - ▶ Pressure Zones: 43
 - ▶ PRVs: 32

Personnel Framework



Operations

Dispatch/Admin. Assistant

- ▶ Maintain schedules and calendars
- ▶ Process paperwork
- ▶ Interact with customers
 - ▶ Create appointments
 - ▶ Make phone calls
 - ▶ Send letters and emails
- ▶ Create contracts
- ▶ Manage insurance certificates
- ▶ Maintain ditch card database
- ▶ Assigned tasks by superintendent

HR/Community Outreach

- ▶ Coordinate community outreach for City Utilities and Streets Division
- ▶ Liaison for HR at City Hall
- ▶ Inform employees of information about:
 - ▶ Insurance changes and updates
 - ▶ Policy changes and updates
- ▶ Public relations
 - ▶ Internal and external newsletters
 - ▶ Projects at Water Wise Garden
 - ▶ Maintain website and Facebook page
 - ▶ Project signage to inform community

Operations

Safety

- ▶ Conduct department meetings about safety topics
 - ▶ Preventing spread of illness
 - ▶ Snow and ice safety
 - ▶ Respiratory protection
- ▶ Comply with safety regulations
- ▶ Train new employees
- ▶ Stay updated on safety equipment and health-related issues
- ▶ Conduct monthly meetings for the safety committee

Warehouse Facilities

- ▶ Inventory Control
 - ▶ Distribution & Service
 - ▶ Equipment
- ▶ Maintain and order uniforms
- ▶ Manage fleet repairs and maintenance
- ▶ Purchase
 - ▶ Office supplies
 - ▶ Equipment
- ▶ Keep up all building maintenance
 - ▶ Plumbing
 - ▶ Landscape
 - ▶ HVAC

Service

- ▶ Complete ~4,000 service orders per year
 - ▶ Meter Change Orders
 - ▶ Leak Investigations
 - ▶ Customer Request New Installs
 - ▶ Lock-Offs/Reconnections
 - ▶ Turn On/Off for Repairs
- ▶ Locates
 - ▶ Share responsibility with Distribution
 - ▶ 2,804 since June 23rd
- ▶ Emergencies
- ▶ Primarily interact with customers

- ▶ Meter readings for DNPU and final billing



Production

- ▶ System maintenance
 - ▶ Wells
 - ▶ Boosters
 - ▶ Tanks
 - ▶ PRV
- ▶ Backflow/cross-connection
- ▶ Water quality
 - ▶ Sampling at point of use
 - ▶ Customer inquiries
- ▶ Maintain aquifer
 - ▶ Track ground water
- ▶ Distribute water for fire flow
- ▶ Generator maintenance for emergency preparedness

Distribution

- ▶ Fixes main leaks
- ▶ Maintain
 - ▶ Fire hydrants
 - ▶ Valves
- ▶ Help with tap projects
 - ▶ A new connection to a water main
 - ▶ Contractor prepares site, distribution performs connection
- ▶ Locates
 - ▶ Share responsibility with Service
 - ▶ 2,804 since June 23rd
- ▶ Primarily interact with contractors
 - ▶ Perform throttle downs
 - ▶ Generated by contractors when trying to replace curb box when too much water is flooding the worksite



South Ave

Blackthorn Drive



Customer Service

- ▶ First contact with customers
- ▶ Establish and maintain positive relationships with customers
- ▶ Generate billing
 - ▶ ~26,000 bills per month
- ▶ Respond to customer inquiries
 - ▶ Phone calls
 - ▶ Letters
 - ▶ In-person
 - ▶ 700-850 customers come through lobby each month
 - ▶ Emails
- ▶ Process payments
 - ▶ ~\$1-2 million revenue per month
- ▶ Work hard to reinstate direct debit accounts
- ▶ Transfer calls to specific departments
- ▶ Track move-ins and move-outs at properties
- ▶ Collect write-offs

Engineering

- ▶ Interact with customers, contractors, engineering consultants, and regulators to answer questions, oversee capital projects, and ensure technical consistency and control
- ▶ Review plans and oversee construction of private water and sewer main improvements
- ▶ Assist with:
 - ▶ In-house water, sewer, and storm water improvement projects
 - ▶ Infrastructure plan review and coordination for private development projects

- ▶ Ensure compliance with environmental standards



Capital Improvements FY 2018

- ▶ New hydrants
- ▶ Hydrant replacements
- ▶ North Russell main extension
- ▶ South 2nd main replacement
- ▶ West Kent main replacement
- ▶ Howell main replacement
- ▶ Grant and Harve main replacement
- ▶ Pump improvements
- ▶ Gerald Avenue water and sewer main replacement
- ▶ SCADA improvements
- ▶ Meters
- ▶ Replacing: 4,350 feet of mains
- ▶ Adding: 4,000 feet of mains
- ▶ Engineering FY 2019 projects
- ▶ Total FY 2018 CIP: \$6,585,000

Refer to website for system map of improvements

Form of Financing

▶ Bond Anticipation Notes

▶ 2017 Series A - Acquisition Note (sizing of \$112.9 million)

- ▶ Three-year maturity, can repay at any time with no early termination fee after 18 months
- ▶ Interest Rate - 3.47% today (weekly variable rate)
- ▶ Net revenues must be 130% times annual debt service
- ▶ 90 Days Working Capital (initially funded by City Treasury inter-fund loan of \$3 million)
- ▶ Capital Improvements Years 1-3 = \$3.8 million
- ▶ Capital Expenditure Reserve = \$2.5 million

Form of Financing

▶ Bond Anticipation Notes

- ▶ 2017 Series B: Reserve Note (estimated sizing of \$25.3 million)
 - ▶ Placed in an interest earning escrow account and used as contingency against outstanding, but unlikely, legal claims
 - ▶ 3-year maturity, callable any time
 - ▶ Interest Rate: 1.35% today (weekly variable rate)
 - ▶ Stepped rate for first 6 months

Form of Financing

- ▶ Revenue Bond Anticipation Notes - Water System acquisition and future infrastructure improvements:
 - ▶ Secured solely by Water System revenues
 - ▶ No effect on property taxes
 - ▶ No pledge of the general credit of the City
 - ▶ Same financing approach as the City's Wastewater Utility
 - ▶ No impact on City's general obligation credit rating
- ▶ Water system revenues are used only for expenses associated with the water utility

Water System Revenue Bonds

2017 Series A Note

Purchase Price	\$ 87,887,919
Defendant Legal	3,912,406
Post Valuation Improvements	3,200,000
City Legal	9,220,000
Total Acquisition Cost	<u>104,220,325</u>

Capital Expenditure Reserve	2,500,000
Cost of Issuance	2,404,675
Capital Improvements Years 1-3	3,800,000
Expected 2017 Series A Note	<u>112,925,000</u>

2017 Series B Reserve Note	25,300,000
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Total Note Request	<u>\$ 138,225,000</u>
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Credit Rating

- ▶ S&P “A” rating, stable outlook, FMA - Good
 - ▶ “A” rating: very good rating
 - ▶ Investment grade tiers (AAA-BBB)
 - ▶ Stable outlook: things remain generally constant -- no rating changes expected over next two years
 - ▶ Credit rating may improve with fewer unknowns
 - ▶ Financial Management Assessment (FMA) Good
 - ▶ Solid governance & management practices at the City
- ▶ Factors
 - ▶ Missoula’s Economy and Demographics
 - ▶ ‘Unknowns’ as City does not yet own system at time of rating
 - ▶ FMA: Good, City is well positioned to deal with unknowns

Basis for Short-term Bonds

- ▶ Objectives & Advantages of the short-term bond anticipation notes
 - ▶ Define certainty on all acquisition costs before a 30-year fixed rate decision
 - ▶ Currently low short-term interest rates
 - ▶ Anticipated lower debt payments in initial years to fund improvements and build cash reserves
 - ▶ Fewer unknowns after 18-36 months
 - ▶ Establish operating history for long-term funding
 - ▶ Additional investigation of system condition and capital needs
 - ▶ Investigate other financing options: low-interest State Revolving Loan and participation by local investors and banks
 - ▶ Better position to improve credit rating

Water Rates

- ▶ Maintain rates at current levels
 - ▶ City Council adopted the 2014 Mountain Water rates in April 2016
 - ▶ Subsequent to that date, MT PSC imposed a punitive rate reduction on Liberty
 - ▶ City used this rate during transition period while using Liberty billing system
 - ▶ Final 2017 budget and updated model indicates that this current rate can fund operations, capital improvements, and maintain debt service covenants

Operating Model

- ▶ Adjusted for municipal environment
 - ▶ No administrative fee to parent corporation
 - ▶ Exempt from income and property taxes
 - ▶ No profit sent to parent corporation
- ▶ Provides for all current water system employees at current salaries and benefits
- ▶ Provides for preliminary 5-year capital plan of \$29.5 million
- ▶ Payment in Lieu of Property Taxes - phase out
 - ▶ City will compensate other local jurisdictions for loss of property tax revenue
 - ▶ Program will phase out over five years

Q & A Session

The background features a series of overlapping, semi-transparent geometric shapes in various shades of blue and teal. These shapes are primarily located on the right side of the slide, creating a modern, layered effect. The overall aesthetic is clean and professional.

Purchase Questions

- ▶ How is the purchase of Missoula Water being financed?
- ▶ How much did the purchase of the water company finally end up costing Missoula?
- ▶ How much did this differ from what was originally estimated?
- ▶ Are tax dollars being used to purchase the water utility?

Employee Questions

- ▶ What has happened to the former employees of the Mountain Water Company?
- ▶ How many of them are now employed by the City?
- ▶ Have their wages changed as a result of becoming City employees?

Audience Questions

- ▶ Why did my water bill go up in August?
- ▶ What rates are the city using for billing customers?
- ▶ How are leaks detected?
- ▶ Is the water company doing a thorough assessment of the system's current condition?
- ▶ Is it better or worse than was anticipated?

Audience Questions

- ▶ At what point is it cost-effective to fix leaks?
- ▶ Will we likely see significant repairs of leaks in the future?
- ▶ How will the repairs be paid for?
- ▶ Security of our water due to terrorism is becoming an issue. What is the water utility doing to assess and protect our system from terrorism?
- ▶ The Montana Climate Assessment just came out in September, indicating that Montana's climate will likely change more than global averages. How will Missoula Water plan for and address effects of climate change on our water supply?

Audience Questions

- ▶ What were the advantages to the citizens of Missoula in owning the water utility that were anticipated before the purchase and realized now that we own the company? Why or why not?
- ▶ Are there other advantages that have become apparent that were not anticipated?
- ▶ What were the disadvantages to the people of Missoula in owning our own water utility? How are these being addressed now that we own it?
- ▶ Former Mayor John Toole believed that Missoula's growth was adversely affected by having a private water utility and a public sewer utility. How do you anticipate owning the water company will affect the quality and pattern of growth as Missoula moves into the future?

Audience Questions

- ▶ It is inevitable that water rates will go up. Does the City have to go to the Public Service Commission for approval of rate increases?
- ▶ If so, is there any advantage to being owned by the City?
- ▶ After six months of operation, are there sufficient data to indicate how soon we will face a rate hike?
- ▶ What has surprised you about running our own water utility?
- ▶ What is the most frequent question you get about the water utility, now that it is City-owned?