

CITY OF ST. MARIES NEWSLETTER

City Council:

Tami Holdahl
Mayor

John Adams
Council Member

Robie Macklin
Council Member

Jerry Martin
Council Member

Keith Nance
Council Member

Edward Spooner
Council Member

Jerry Wicks
Council Member

Stacie Schiermeister
Clerk/Treasurer

PUBLIC INFORMATIONAL MEETING

Wednesday,
July 21, 2010
at 7:00 pm
at the
Eagles Lodge
Basement



City of St. Maries

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St. Maries, Idaho 83861

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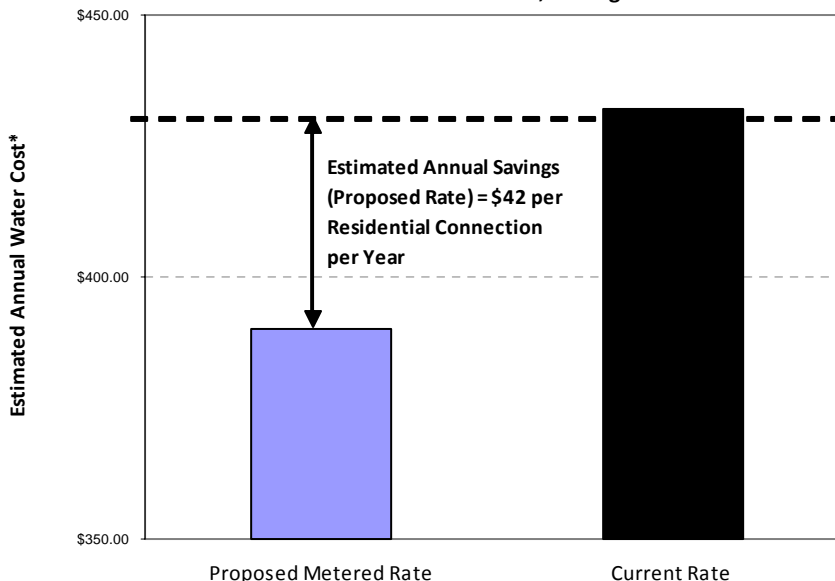
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BACKGROUND

In 2008, the City of St. Maries ("City") decided to install water meters for both residential and commercial customers. At that time, water rates were increased \$10/month per Equivalent Residential Unit (ER). \$4 of which is placed in the water reserve fund to make improvements to the existing water system and \$6 is placed in the water meter fund to install meters. To date, the City has \$175,000 in the water meter fund. The City decided to install water meters because it is the fairest method for selling water and water meters are required by many funding agencies. Under the current water meter financing arrangement, the City will install water meters over a seven to ten year period. However, the City has an opportunity to take advantage of a grant and loan available through the United States Department of Agriculture-Rural Development ("USDA-RD") under which the City could install meters in 2011 and construct another high priority water system improvement, the St. Joe River intake. The USDA-RD grant and loan financing would result in lower water rates for more than 85% of customers (estimated).

Since the City's surface water is supplied by Rochat Creek it could become unusable because of a catastrophic fire in the Rochat Creek watershed. This event would require the City to use the Riverdale wells as its sole water source for a long period of time. Many customers dislike the Riverdale well water due to the objectionable levels of iron and manganese in the groundwater. Developing a second water source on the St. Joe River would allow the City to avoid using the Riverdale wells as its primary water source, in the event the Rochat Creek source was unusable.

Estimated Annual Water Cost Comparison and Savings for Metered Residential Connections, Average Water Use



*Based on the Estimated Average Monthly Consumption for Residential Connections on a Similar Water System. (Average Monthly Use = \$9,650 gallons)

GRANT AND LOAN FINANCING

The estimated project cost for both the water meter and St. Joe intake project is \$2,975,000. The City anticipates receiving a \$700,000 grant and \$2,100,000 loan from USDA-Rural Development at the low interest rate of 3.25% with a 30 year term. These funds combined with \$175,000 from the City's existing water meter fund will be used to fund water meter installation and construct the St. Joe intake.

In order to borrow money from USDA-RD, the City must first be authorized through an affirmative simple majority vote of eligible City resident voters to pay the loan back through water revenues. The City plans to conduct this revenue bond vote on August 3, 2010.

If the revenue bond is approved, the City estimates that 88% of water customer's water rates will decrease and 12% of water users (heavy water users) rates will increase.

WHY WATER METERS?

By installing water meters, the City will be able to charge individual customers a base rate per month, plus the cost of whatever water they use. This will result in all water users paying for what water they use, similar to the way individuals pay for gas and electricity .

Without water meters, the City is forced to use a flat rate schedule where all similar customer types pay the same rate regardless of how much water is used. This results in the single person home with a small yard paying the same amount as a six person home with a large yard. Effectively, the single person home is subsidizing the six person home.

In addition to creating fairness, water meters will allow the City to better manage its water system because the City can determine how much water is actually used by customers compared to how much is lost in the distribution system through leaks. Distribution system leaks waste water and create a potential contamination source. Water meters will also help water customers find leaks on their individual water services.

Finally, water meters will result in water conservation. The City's water supply is not unlimited. The State of Idaho regulates how much water the City is permitted to use and once the City uses all of its allocation, it is difficult to acquire additional water rights, especially if the City does not have water meters. Additionally, reduced water use prolongs the life of the City's water facilities because there is less "wear and tear" and it reduces the City's operational costs for power and chemicals.

PROPOSED WATER RATES

If the City installs water meters, the City will be able to change from its current "flat rate" schedule to a base rate/consumption schedule. The following table compares the existing and proposed rate schedule:

Current Un-Metered Connections	Proposed Metered Connections
\$36/month base rate regardless of water use	\$29/month base rate which includes 4,200 gallons of water Water Consumption above 4,200 gallons: \$0.60/1,000 gallons for 4,200 to 12,000 gallons \$0.80/1,000 gallons for 12,000 to 36,000 gallons \$1.00/1,000 gallons Over 36,000 gallons

The proposed base rate/consumption schedule would result in many low consumption water users having significantly lower monthly water bills. The following table provides a comparison of difference user type current and proposed estimated rates:

	Estimated Average Monthly Consumption*	Current In-City Water Rate	Estimated In-City Metered Water Rate	Current Outside City Limits Water Rate	Estimated Outside City Limits Metered Water Rate
Two person home, No Irrigation	4,200	\$36.00	\$29.00	\$40.00	\$33.00
Two person home, Small yard	6,500	\$36.00	\$31.00	\$40.00	\$35.00
Two Person Home, Large Yard	8,700	\$36.00	\$32.00	\$40.00	\$36.00
Four Person Home, Small Yard	10,600	\$36.00	\$33.00	\$40.00	\$37.00
Four Person Home, Large Yard	12,900	\$36.00	\$35.00	\$40.00	\$39.00
Six Person Home, Large Yard	17,100	\$36.00	\$38.00	\$40.00	\$42.00

* Based on domestic consumption of 70 gal/day/person and 0.5 inch/week of irrigation five (5) months of year.

SUMMARY

The City's primary goals for installing water meters are:

1. Create fairness in its water cost to its customers.
2. Decrease monthly water cost for low to moderate water users.
3. Decrease water usage to prolong the life of its water system.
4. Decrease water usage to reduce operational costs.
5. Increase system capacity by decreasing usage.

The City's goals for constructing a surface water intake on the St. Joe River are:

1. Provide a surface water backup to Rochat Creek and avoid using the Riverdale wells as the City's primary water source.
2. Be able to utilize its existing water treatment plant in the event Rochat Creek becomes unusable for a long period of time.

If voters approve the revenue bond proposal:

1. An estimated 88% of water users will have a water rate decrease, of these an estimated 35% of water users will have a rate decrease of greater than six dollars per month.
2. The City will have a fair and equitable method for selling its water commodity.

PUBLIC INFORMATIONAL MEETING

The Mayor and City Council encourage voters to attend the St. Maries Town Hall Meeting, July 21, 2010 at 7:00 pm in the Eagles Lodge Basement. The City will present additional detailed information and answer questions about the water meter and St. Joe intake projects. The City encourages voters to be informed when you cast your vote on August 3, 2010.

602 W College Avenue
St. Maries, ID 83861

