

MINUTES OF THE MEETING  
LOCAL GOVERNMENT COMMITTEE  
MONTANA STATE SENATE

January 13, 1987

The second meeting of the Local Government Committee was called to order at 1:00 p.m. on January 13, 1987 by Vice Chairman R.J. Pinsoneault in Room 405 of the Capitol.

ROLL CALL: All members were present with Chairman Crippen excused for a portion of the meeting.

CONSIDERATION OF SENATE BILL NO. 28: Sen. J.D. Lynch, District #34, representing Butte-Anaconda explained the mechanics and purpose of the bill and his personal experience with the Butte Water Company which prompted the introduction of the bill. Senate Bill 28 clarifies the property owner's financial responsibility and liability for construction and maintenance of public or privately supplied water service pipelines. He said that the water companies should be more concerned about the customer. This bill says that no citizen shall be responsible for a leak in the middle of the street - it shall be the responsibility of the water company. Anything located on the citizen's property is his responsibility. He said that some cities are already doing what the bill is asking, such as Bozeman, and their rates are lower than the rates in Butte. He told the Committee that this subject was going to be taken care of by the Public Service Commission but they didn't have the power to do so and said the problem is a legitimate one and should be taken care of.

PROPOSERS:

Jim Johnson, Director of Public Works, Butte-Silver Bow, appeared in support of Sen. Lynch's bill. He said they presently have a multi-million dollar suit pending against them so they do have a liability problem with this. He said there has to be some constraints put on the water companies and this would be a benefit to Butte-Silver Bow.

Rep. Dan Harrington, District #68 stood in agreement with Sen. Lynch and said the problem had been brought to his attention in his district a number of times. He asked for favorable consideration by the Committee.

Rep. William Menahan, District #67, was also in support of SB 28 and told the Committee that Anaconda has the same water company as Butte and would not like to see the same problems come up in Anaconda.

Rep. Joe Quilici, District #71, supported the legislation. He said there have been problems for quite awhile. He thought this was a problem that could be resolved administratively and at the local level but if this is not done it should be taken care of by this bill.

OPPONENTS:

Alec Hansen, Montana League of Cities and Towns represented the municipal water utilities and testified that a solution for Butte's problems should not apply to all the state.

Bob Duty, Director of Public Works, Great Falls, passed out Exhibit #1, attached to the minutes, and briefly explained the same. He pointed out the additional cost to the city of Great Falls contained in the Appendix and also explained the diagram on the last page of the exhibit.

Alan Tandy, City Administrator of Billings, said their policy of ownership is similar to Butte but nothing like the Butte situation has occurred in Billings. This is usually assumed by SID but this bill would pass the cost of maintenance of the lines to the general rate payers.

Richard A. Nisbet, City of Helena, was opposed to the bill. He said they have 8500 services and 25% of those would be in the category of having to be replaced in the next few years. The cost to replace 25% of those lines would be approximately \$3 million over a period of time. He asked that the law be left as is as this bill would not eliminate the conflicts. He also stated that the city could not take over the responsibility of thawing frozen pipes in the winter and this should be done by private contractors who have the equipment and the know-how. He told the Committee that street opening permits are required in Helena, whether it is done by the city or private individuals.

Mr. Nisbet said he had talked to the Director of Public Works in Missoula and they wanted to be shown in the record as being opposed to SB 28. They said the cost to them would be an 8% increase in rates.

John Alke, representing the Mountain Water Company of Missoula, opposed the bill and also said it was probably unconstitutional. The bill says the water company must repair and maintain the service lines. The lines could be owned by one party and this bill is mandating another party to maintain them. He asked for a Do Not Pass on the bill.

Mike Patterson, Butte Water Company, opposed the legislation. He said they do have a lot of leaks each year because about 60% of the lines are galvanized and are old. The rate payers would be the most affected by the bill.

Bruce Restad, Legislative Committee on the Montana Rural Water Systems and General Manager of the Billings Heights Water District, appeared in opposition and submitted Exhibit #2 which is attached to the minutes.

Sen. Lynch closed saying that he did not agree with the statements made by the opposition. He asked that the problem be looked at and expressed hope that a compromise could be reached.

DISCUSSION ON SENATE BILL NO. 28: Sen. Beck asked Mr. Patterson if it was a common practice to leave a hole in the middle of the street. Mr. Patterson replied that he was from the "old" regime in Butte and they tried to ascertain who was responsible for the line. Sen. Beck asked if the hole was just covered up without fixing the leak if it was found to be the responsibility of the property owner. Mr. Patterson said the hole was dug to turn the valve so the leak would not continue.

Sen. Eck asked Alec Hansen if this isn't being done in most of the cities now. He replied that in most of the cities the service line from the main to the house is the property owner's responsibility.

Mr. Nisbet stated that in Helena when there is a leak in the service line, they try to work with the customer and see if they will repair it. If the customer doesn't repair it the city will dig it up and shut off service at the main. If it is the responsibility of the customer, they would be billed for the service. If it is the responsibility of the city the cost would be borne by the city. If the owner opts to have it dug up and it is not his responsibility, the city will take care of the charges.

Sen. Walker asked Mr. Duty if they put a hole in the pavement if they are required to replace that pavement. Sen. Walker asked Mr. Duty if there were any statistics as to why these leaks occur. Mr. Duty said there are a number of reasons such as old corroded mains, heavy traffic, shallow pipes, frozen pipes, etc.

Sen. Harding asked if there would be a conflict with the statutes concerning SIDs if this law was passed.

The hearing was closed on SB 28.

At this time, Chairman Crippen appeared and assumed the Chair.

CONSIDERATION OF SENATE BILL NO. 55: Sen. Pete Story, District #41, explained that the bill simply changes the definition of a resort community. The attached proposed amendments submitted by Sen. Story pertain to unincorporated communities and in the bill on page 2, lines 4 and 5 the population requirement has been deleted. The bill permits unincorporated communities to establish a resort district, such as Gardiner and Cooke City, which permits them to raise the needed funds for the community. He stated that this is not a back door approach to a sales tax and should not be

tied up in the debates on a sales tax as it simply changes the definition of resort community. The purpose is not to scare any new business from coming into the community and that is taken care of in the amendments on page 2, line 2 which states in (a) "derives a substantial portion" rather than "major portion" of its economic well-being ----". As of this time he said that West Yellowstone is the only community in the state that has initiated a resort tax and those people have not come to the Legislature asking for money for street repair, water repair, etc. because they have realized one-half million dollars from this tax and have been able to handle these improvements. They also expect their property taxes to be reduced because of this tax.

This bill does not allow the county commissioners to do this on their own - it must be a petition to the county commissioners. These communities could also establish a resort tax for only part of a year to take advantage of the tourists, hunters, snowmobilers, etc. The bill simply allows a community to set up a resort district and to set the boundaries of that district.

#### PROPONENTS:

Alec Hansen, Montana League of Cities and Towns, reiterated that the 1985 Legislature passed a resort tax law and West Yellowstone began collecting that tax on January 1 of last year. Of the one-half million dollars, 5% of that is to be used for property tax relief, which amounts to 15 mills. Consequently, their mill levy will go from 75 to 60 mills. The administrative cost of the tax was the salary of one half-time clerk. There was minimal resistance from the traveling public and great deal of cooperation from the businesses in the community. He said that many cities in South Dakota and Idaho have such a resort tax and it is a viable option for revenue. This would help pay for some of the services that the travelers use and also for property tax relief.

Joel Shouse, Big Sky Owners Association, said he was very familiar with the situation in West Yellowstone and said that Big Sky does not qualify for incorporation. They have a population of 4-5,000 at times but must provide services for those people and the Owners Association must pick up the bill for street repair, etc. They also must pay their share for a law enforcement deputy during the winter months. He felt the bill, with the amendments incorporated, would be suited to their community.

Gordon Morris, Montana Association of Counties, supported the amendments proposed by Sen. Story.

Mr. Morris said he had talked to former Sen. Dave Fuller of Helena, who said he supported the amendments without qualification.

Mike Scholz, Big Sky Resort Association, supported the bill. He said many communities could have a tax like this and would be able to provide more services.

Howard Schwartz, Executive Officer, Missoula County, said this bill would provide a great deal of help to small communities in their county, such as Seeley Lake. His written testimony, Exhibit #3, is attached to the minutes.

Ralph Freedman, City of Whitefish, said they have in excess of 200,000 skiers each year, and on the last day of 1986 there were 6,000 on that one day. He said there are approximately 5,000 people living in Whitefish but the population increases considerably during the winter months. He said that the bill, with the amendments, would make this a bill that would provide Whitefish, and other communities in the state, with the option of raising more revenue.

Jim Wysocki, City of Bozeman, said they supported the bill with the amendments.

OPPONENTS:

Dave Hartman, Montana Education Association, Executive Secretary, said that property taxes statewide need to be addressed and the cities and counties are deserving of this consideration and this bill would not serve to that end. He recommended a Do Not Pass on the bill.

Phil Strobe, Montana Innkeepers' Association, said he represented 50% of the facilities in the state and said that the Committee must consider what else is going on in the Legislature. He said there are some bills in the house proposing room taxes, also a bill to give local governments the right to implement local taxes which would include room tax. He also told the committee that too many businesses are leaving the state because of property taxes and asked them to consider all of the other taxes to be borne by this industry.

Don Judge, Montana State AFL-CIO, said he was opposed to any form of a sales tax, no matter what it is called. He said this is a creeping sales tax. The people doing the traveling in the state are probably 90% citizens of the state and they would be the ones paying the tax, therefore, this would be double taxation on our own people. The AFL-CIO feels it is important that Montana remain one of the few states that does not have a sales tax. They said it would make more sense to have a surtax on the income tax and urged a Do Not Pass on the bill.

DISCUSSION ON SENATE BILL NO. 55: Sen. Eck asked how this would be set up, mechanically, without a special district. Sen. Story said it would be a special district such as mosquito district, TV district - this would be one more special district.

Sen. Hammond asked what is a "tourist". Sen. Story replied that it is any traveler as it is usually a luxury to travel.

Sen. Harding inquired of Mr. Freedman what percentage of the skiers are from outside the state of Montana. Mr. Freedman replied that it would probably be about 60% of the total number.

Sen. Story closed his presentation on SB 55 saying that this is not a back door approach to a sales tax and that this tax approach would not work in all cities in the state. This would be strictly up to the people of the area and it should not get tangled up with the bills in the Taxation Committee.

Chairman Crippen asked Karen Renne, Legislative Council, to have a gray bill prepared, showing the amendments incorporated, for the meeting on January 15, 1987.

CONSIDERATION OF SENATE BILL NO. 63: Sen. Delwyn Gage, District #5, stated that he introduced the bill because of concerns of the assessors around the state in the conflicting language in the statutes. This bill would make the language more clear and clarifies how property should be taxed so it is accomplished the same way throughout the state. This makes it uniform for all counties in the state. He went through the bill and explained the amendments to the bill. He said it would not solve individual problems that arise but it would help solve some of the taxing problems that come up.

PROPOSERS: There were no proponents to the bill.

OPPOSERS: Richard Llewellyn, representing the Manufactured Housing Association, pointed out on page 3, lines 13 through 18, is a substantive change in the law and explained the situation where taxes were unpaid on a piece of personal property, the property is subsequently purchased by another individual and then he is held responsible for the unpaid taxes. He said in the case of mobile homes that are repossessed and taxes are unpaid the new owner would be responsible. He was opposed to the bill as it was presented.

Dave Hartman, Montana Education Association, said that SB 63 separates the property from the owner. He was opposed to the bill as written, particularly page 3, lines 13 through 18, as explained by Mr. Llewellyn.

Gregg Groepper, Department of Revenue, asked for permission to speak to the Committee on a couple points in the bill. He said he had previously talked to Sen. Gage and it was agreeable with the Senator. He explained the Attorney General opinion concerning Washington Construction paying taxes both in Missoula and Jefferson Counties. The opinion set the situs with the residence. This law says the situs goes where the property is located.

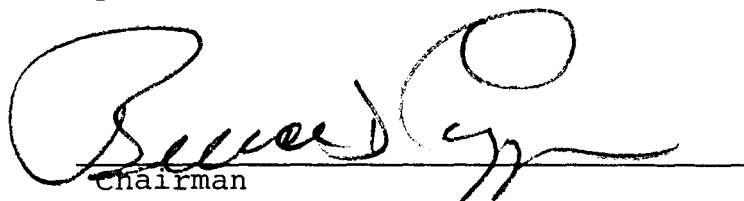
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Sen. Harding questioned Sen. Gage about airplanes coming from out of state. Sen. Gage replied that page 9, line 14 takes care of airplanes if it is brought in for profit.

The hearing was closed on SB 63.

Chairman Crippen told the Committee that there were no bills scheduled for hearing on January 15, 1987, therefore, the Committee would have executive session to take care of action on these three bills, and explained that a gray bill would be prepared on Sen. Story's bill to make it more clear to the members.

The meeting adjourned at 3:00 p.m.

  
Chairman

ROLL CALL

Local Govt

COMMITTEE

50th LEGISLATIVE SESSION -- 1987

Date 1-13-87

NAME	PRESENT	ABSENT	EXCUSED
BRUCE CRIPPEN	✓		
R. J. PINSONEAULT	✓		
TOM BECK	✓		
DOROTHY ECK	✓		
H. "SWEDE" HAMMOND	✓		
ETHEL HARDING	✓		
LES HIRSCH	✓		
PETER STORY	✓		
ELEANOR VAUGHN	✓		
MIKE WALKER	✓		

Each day attach to minutes.



DATE

1-13-87

COMMITTEE ON

Local Mout.

## VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppose
Charles Manzner	City of Great Falls	SB 23		✓
Don Illiott	PSC	SB 28		
Ron Woods	PSC	SB 28		
Bob Durkee	MTA	SB 55		✓
JOHN T. FORKAW, JR.	MONT. ASS. OF PLUMBERS	SB 28		✓
MICHAEL S. MIZENKO	MONT. STATE ASS. OF PLUMBERS	SB 28		✓
Phil Attridge	MICA	SB 55		✓
Gerald M. Smith	Helena County Water District Montana Rural Water System	SB 28		✓
Lloyd Lockman, Jr.	Mont. Contractors Assn.	—	—	—
Bruce Restad	County Water District of Big Sky Heights Montana Rural Water	SB 28		✓
Michael S. S. S.	BIG SKY RESORT ASS.	SB 55	✓	
Joel Shouse	Big Sky Owners Assoc.	SB 55	✓	
Janet C. S.	City of Helena	SB 28		✓
Richard H. Dickel	" " "	SB 28		✓
Gordon M. M.	MAC	SB 55 SB 63	✓	
Hopapl. Schwartz	Missoula County	SB 55	✓	
Raymond L.	Mt. Chamber of Commerce			
John C. Clark	Missoula County	—	—	—
John C. Clark	MEH	SB 55		✓
John C. Clark	MEH	SB 63		✓
John C. Clark	LIV-MT	SB 55		
Michael C. Clark	Bozeman Co. Fed.	SB 28		✓
Robt. H. Conner	DOC	SB 55	—	—
Alan Tandy	City of Billings	SB 28		✓
Kay Foster	Billings Chamber	SB 28		✓
" "	" "	SB 55	✓	

DATE:

1-13-87

COMMITTEE ON

## Local Government

## VISITORS' REGISTER

[illegible]

(This sheet to be used by those testifying on a bill.)

NAME: BRUCE RESTAD DATE: 1-13-57

ADDRESS: 618 RADFORD Sq. Billings Mont 59105

PHONE: 252-0539

REPRESENTING WHOM? MONTANA RURAL WATER / County Water District  
OF Big Heights

APPEARING ON WHICH PROPOSAL: 5B 28

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE? ✓

COMMENT: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Joel Shouse DATE: 1/13/87

ADDRESS: Box 57, Big Sky, MT 59716

PHONE: 995-4166

REPRESENTING WHOM? Big Sky Owners Association

APPEARING ON WHICH PROPOSAL: SB 55

DO YOU: SUPPORT? X <sup>with</sup> AMEND? X OPPOSE?       

COMMENT: to include unincorporated communities

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: MICHAEL SCHULTZ DATE: 1/13/87

ADDRESS: P.O. BOX 279 BIG SKY MONTANA 59716

PHONE: 406-995-4111 W 995-4191 H

REPRESENTING WHOM? BEST WESTERN BUCK'S T-Y LODGE  
BIG SKY RESORT ASS.

APPEARING ON WHICH PROPOSAL: SB 55

DO YOU: SUPPORT? X <sup>WITH</sup> AMEND? X OPPOSE?       

COMMENT: TO INCLUDE UNINCORPORATED  
RESORT COMMUNITIES

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

(This sheet to be used by those testifying on a bill.)

NAME: Robert Doty DATE: 1-13-87

ADDRESS: P.O. Box 5021 Gt. Falls, N.H. 03591

PHONE: 727-5881

REPRESENTING WHOM? City of Great Falls

APPEARING ON WHICH PROPOSAL: SB 28

DO YOU: SUPPORT? \_\_\_\_\_ AMEND? \_\_\_\_\_ OPPOSE?      X     

COMMENT : \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: Ralph Freedman DATE: 1/13/87

ADDRESS: P.O. BOX 158, Whitefish, MT.

PHONE: 862-2640

REPRESENTING WHOM? City of Whitefish

APPEARING ON WHICH PROPOSAL: SB 55

DO YOU: SUPPORT? ✓ AMEND?            OPPOSE?           

COMMENT:

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

NAME: John Alke DATE: 1/13/87

PHONE: 440-3690

APPEARING ON WHICH PROPOSAL: SB 78

COMMENT: \_\_\_\_\_

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.





# City of GREAT FALLS Montana

59403-5021

P. O. BOX 5021

TELEPHONE 406 / 727-5881

January 13, 1987

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 1

DATE 1-13-87

BILL NO. SB 28

Local Government Committee  
Montana Senate  
Capitol Building  
Helena, MT 59601

RE: Senate Bill 28, Water Service Responsibility:

Senators:

I strongly urge your opposition to the above referenced bill. As shown on the attachments, the fiscal and legal impacts of this bill are staggering to water utilities throughout the state. No major utility is financially capable of taking on the burden of water service line installation and repair. In these hard economic times it will prove extremely difficult to assess water rate increases which will be absolutely necessary if this bill were to pass.

Please consider the contents of the attached report very carefully, and reject Senate Bill 28. On behalf of the City of Great Falls, I am

Sincerely,

Robert Duty  
Public Works Director  
CITY OF GREAT FALLS

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 1 P. 1

DATE 1-13-87

BILL NO. SB 28

SENATE LOCAL GOVERNMENT  
EXHIBIT NO. 1, p. 2  
DATE 1-13-87  
BILL NO. SB 28

SENATE BILL 28

TESTIMONY

Submitted to: LOCAL GOVERNMENT COMMITTEE

Submitted by: Robert E. Duty  
Public Works Director  
City of Great Falls

January 13, 1987

Ex 1, p. 3  
1-13-87  
SB 28

## I. BACKGROUND

The City of Great Falls water utility is the second largest municipal utility in the state of Montana. We currently operate, maintain, and rehabilitate 1,400,000 lineal feet of water distribution main; 15,700,000 gallons of finished water storage; and produce up to 50,000,000 gallons of water daily during peak demand periods to 20,800 water service connections.

Our current Five Year Capital Improvements Program calls for replacement of 54,000 lineal feet of badly deteriorated water main, plus galvanized bolt and tapping saddle replacement, and water treatment plant rehabilitation requiring a total of 12.7 million dollars in construction funds. We spend \$160,000 per year on remedial main break repairs due to corrosion of our 100 year old cast iron pipe system. This money is spent on placement of repair clamps which are essentially band-aids and provide no benefit to the utility. There are approximately 20,000 galvanized bolts and 4000 galvanized tapping saddles requiring replacement.

In 1982 the City of Great Falls requested a 10 million dollar rate increase to rectify the above referenced problems and was authorized 6.9 million dollars from the State Public Service Commission. We are currently underfunded by 5.8 million dollars, have too many problems and not enough capital to solve them at this point.

Senate Bill 28, if passed will place 760,000 lineal feet of water service line under our jurisdiction. We already have 1,400,000 feet of main that we cannot afford to maintain, much less an additional 760,000 feet of service line. As shown later, this bill will place a minimum of 3.25 million dollars of responsibility on our utility. We simply cannot undertake such liability within our current rate structure, and will be forced to secure a 14% to 18% rate increase over and above rate increases needed to fill current operations and maintenance needs.

## II. INFORMATION

We request committee rejection of this bill for the following reasons:

1. We are financially unprepared to accept the responsibility. As mentioned previously, we are currently underfunded by 5.8 million dollars and will need an additional 3.25 million dollars (minimum) to administer the provisions of this bill. We are not set up administratively, nor do we have the manpower or equipment to perform the work in-house.
2. The bill is grossly unfair to those who have already personally paid \$700 to \$2,000 to replace their own service. These people must share the cost of future work for others, yet received no help from others for past work.
3. The bill is unclear as to whether the asset value of all water services will become a part of the utility rate base, and a fixed asset for the utility.

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 1, p. 3

DATE 1-13-87

BILL NO. SB 28

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1-13-87  
SB 28

4. The bill adds extensive administrative costs to utilities by requiring individual water service applications to be submitted to the Public Service Commission. We see no reason for this whatsoever as the Public Service Commission is updated now via utility annual reports.

5. Payment responsibilities for new service responsibilities are ambiguous. As written, consumers will bear the cost for services through which water is not "immediately desired". This will result in a problem between utilities and developers as to when services stubbed to lots will be used. At worst, utilities will be forced to "font-end" water service costs for new subdivisions. The fiscal impact statement following does not address this potentially costly yet totally unknown quantity. The current system of making developers pay their own way is very simple and clean, and keeps public contribution away from private speculative projects. The bill as written invites controversy in this regard.

6. Replacement costs are staggering. As shown in the appendix, the Great Falls has approximately 3400 galvanized services requiring replacement in the near future. Replacement costs vary with the extent of surface improvement restoration (driveways, fences, landscaping, swimming pools, etc.). A minimal "no problem" replacement costs + \$1,000, which will result in 3.25 million dollars in liability to our utility.

7. Many costs associated with service line repairs are out of the utilities control. We cannot regulate driveway, landscaping, or fence placement. I cite an example of a homeowner who built a swimming pool to his "back easement line". We had to replace a water main 10 feet away in the center of a 30 year old 20 foot wide easement at tremendous expense. This bill will complicate this issue and make matters worse.

8. Thawing of frozen water services will be a major liability problem and potentially very costly. Service lines are thawed by use of an arc-welder attached to a hose spigot and the closest available curb valve or hydrant. Private contractors are technically knowledgeable in checking out a home's interior electrical layout in order to determine how to perform the thawing. We are not. Private contractors have set their thawing rate structure to provide liability insurance for potential electrical system damage and resultant fires.

9. This bill takes work away from at least three small contractors in the Great Falls area. These people are qualified to do the work, and are in business to do so. They generate tax monies for the operation of state and local government and have the right to make a living also.

SENATE LOCAL GOVERNMENT

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1-13-87

BILL NO

SB 28

Ex 1, p. 5  
1-13-87  
SB 28

10. The bill introduces numerous logistical problems including:

a. Separation of common services. There are several hundred of these in Great Falls. Will we be responsible for separating these services?

b. The bill as drafted refers to responsibility to the property line. Responsibility for leaks is impossible to ascertain because the controlling valve or "curb stop" is often located at the back of curb which is + 20 feet from the property line. Almost every repair will result in negotiation and adjudication. The utility will probably have to dig every leak on every line to prove who is responsible.

SENATE LOCAL GOVERNMENT  
EXHIBIT NO. 11.5.4  
DATE 1-13-87  
BILL NO. SB 28

APPENDIX

SENATE LOCAL GOVERNMENT  
EXHIBIT NO. 1, p. 5  
DATE 1-13-87  
BILL NO. SB 28

Ex 1, p. 6  
1-13-87  
SB 28

## FINANCIAL ANALYSIS

The utility will be required to purchase materials and equipment and hire manpower to perform the work. The following is a "nutshell" rate analysis of probable cost impacts of S.B. 28 on the Great Falls water utility:

### A. EQUIPMENT COSTS:

2 small backhoes @ \$35,000	\$70,000
2 1-ton dumps @ \$23,000	46,000
2 compressors, hammers, etc. @ 12,000	24,000
TOTAL	<u>\$140,000</u>

note: the above is an initial capital cost. The equipment has a 10 year economic life. A sinking fund of \$9,300 per year must be provided for equipment replacement at 10 years.

### B. EQUIPMENT COSTS (2 each 3 man crews)

2 operators @ \$27,000/year	\$54,000
2 laborers @ \$25,000/year	50,000
2 drivers @ \$26,000/year	52,000
1 foreman @ \$30,000/year	30,000
TOTAL	<u>\$186,000</u>

### C. PLUMBING MATERIALS

440 services/year @ \$150/each	\$ 66,000
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### D. SURFACE RESTORATION (Curb, 50 s.f. sidewalk and 200 s.f. sod each) -- \$369/Service

\$369 x 440 services/year = \$162,360/year

note: the above does not include driveways, trees, fences, elaborate landscaping, or large obstructions.

### E. TOTAL ANNUAL COSTS (A through D) plus 5% administrative costs for clerical and management assistance totals \$445,515/year plus initial equipment purchase of \$140,000

### F. BOND ISSUE REQUIREMENTS TO PROVIDE \$445,515 PER YEAR FOR A 10 YEAR PERIOD; @ 8% INTEREST: \$3,250,000

### G. EFFECT ON RATES:

Current Annual Revenue	\$3.2 million
Bond Issue Amortizations Requirements	\$516,000/year
Rate Increase Requires	16.1% average

NOTE: This does not include inflation, unusual surface restoration, or costs for new service installation.

SENATE LOCAL GOVERNMENT

EXHIBIT NO.

DATE 1-13-87





## SENATE LOCAL GOVERNMENT

EXHIBIT NO. 2DATE 1-13-87BILL NO. SB 28

COUNTY

WATER

DISTRICT

OF

BILLINGS HEIGHTS

BRUCE RESTAD  
GENERAL MANAGER  
JUDY WEIS  
SECRETARY

TELEPHONE 252-0539

DIRECTORS:  
OSCAR M. HARMON, Pres.  
JIM HURRY  
DEL JONES  
ROBERT LINDSEY  
REX MARQUARDT  
VIC REICHENBACH  
DOROTHY TIMMERMAN

618 RADFORD SQUARE, BILLINGS, MONTANA 59105

January 13, 1987

## Testimony and Opposition on Senate Bill #28

My name is Bruce Restad. I am a member of the Montana Rural Water Systems Legislative Committee and the General manager of the County Water District of Billings Heights. We are opposed to Senate Bill #28 for the following reasons:

1. The passage of this bill would require the Heights Water District to spread the cost of a water service, ranging from a 3/4" through an 8" size, to all of the customers served by the Water District.
2. Our Bond Ordinance requires our Water District to impose a charge for water services. The impact of this bill, pertaining to our Water District, is not known at this time, due to the limited time we have had to prepare for this hearing.
3. Our present policy is that our Water District imposes a charge for a water service installation. Our crews install the service from the water main to one foot outside of the property line. From that point on, referring to the curb stop on in to the building, the customer had the responsibility of installing and maintaining the water service line.
4. Our charge for installing a typical 3/4" water service is \$515.00 base price. On the average water service installation, \$345.00 is the actual cost of installation and \$170.00 is applied to our Capital Improvement Fund. This fund is used for existing system improvements.

SENATE LOCAL GOVERNMENT

Exhibit # 2DATE 1-13-87BILL NO. SB 28

NAME: Howard Schwartz DATE: 1/13/87

ADDRESS: Missoula County Courthouse

PHONE: 721-5700

REPRESENTING WHOM? Missoula County

APPEARING ON WHICH PROPOSAL: SB55

DO YOU: SUPPORT? ✓ AMEND? ✓ OPPOSE?       

COMMENT: Bill with proposed amendments would be most helpful to Counties like Missoula which have unincorporated resort communities, such as Seeley Lake. These communities have a need for a high level of service such as Roads & Law Enforcement, especially in the summer, but they have a relatively low property tax base. Allowing these communities to be considered as resort communities would allow the county to increase the level of service to those communities (<sup>both</sup> the seasonal & permanent residents) by taxing those who benefit from them, without having the taxpayers in the <sup>rest</sup> ~~area~~ <sup>rest</sup> of the county subsidize them. Our ability to provide service, such as better roads, to ski-resorts, would also be enhanced.

PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.

SENATE LOCAL GOVERNMENT

EXHIBIT NO. 3

DATE 1-13-87

BILL NO. SB55

Senate Local Government Committee

1/13/87

AMENDMENTS TO SENATE BILL 55  
(requested by Senator Story)

1. Title, line 8.

Following: "TAX;"

Insert: "PROVIDING FOR A RESORT TAX IN UNINCORPORATED  
AREAS; EXTENDING THE TAX TO SKI RESORTS AND OTHER RECREA-  
TIONAL FACILITIES;"

2. Title, line 8.

Following: "AMENDING"

Strike: "SECTION"

Insert "SECTIONS"

3. Title, line 8.

Following "7-6-4461,"

Insert: "7-6-4463 THROUGH 7-6-4465,"

4. Page 1, line 13.

Following: "Resort"

Strike: "community"

5. Page 2, line 2.

Following: line 1

Insert: "(4) "Resort area" means an area that

(a) derives a substantial portion of its economic well-being from businesses catering to the recreational and personal needs of persons traveling to or through the area for purposes not related to their income production;

(b) has been declared a resort area by the county commissioners as provided in [section 2]; and

(c)(i) is an unincorporated town defined in the most recent decennial census conducted by the U.S. bureau of the census as a census designated place; or

(ii) is an area comprising not more than 10 square miles that does not include any portion of an incorporated city or town.

Renumber: subsequent subsection

6. Page 2, line 6.

Following: "derives"

Strike: "the major"

Insert: "a substantial"

7. Page 2, line 11.

Following: line 10

Strike: subsection (c) in its entirety

8. Page 2, line 13.

Following: line 12

Insert: "NEW SECTION. Section 2. Resort area -- taxing authority. (1) The board of county commissioners, upon receiving a written petition containing a description of the proposed resort area and signed by at least ten registered voters residing in the proposed district, shall by resolution establish a resort area.

(2) The petition must include a proposal to impose a resort tax within the proposed resort area, including the rate, duration, effective date, and purpose of the tax as provided in 7-6-4464.

Section 3. Section 7-6-4463, MCA, is amended to read:

"7-6-4463. Limit on resort ~~community~~ tax rate -- goods and services subject to tax. (1) The rate of the resort tax must be established by the election petition or resolution provided for in 7-6-4464, but the rate may not exceed 3%.

(2) (a) The resort tax is a tax on the retail value of all goods and services sold within the resort community or area by the following establishments:

(i) hotels, motels, and other lodging or camping facilities;

(ii) restaurants, fast food stores, and other food service establishments;

(iii) taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink; and

(iv) ski resorts and other recreational facilities.

(b) ~~establishments~~ Establishments that sell luxuries must collect a tax on such luxuries."

Section 4. Section 7-6-4464, MCA, is amended to read:

"7-6-4464. Resort ~~community~~ tax -- election required -- procedure. (1) A resort community may not impose or, except as provided in 7-6-4465, amend or repeal a resort tax unless the resort tax question has been submitted to the electorate of the resort community and approved by a majority of the electors voting on the question.

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(2) (a) The resort tax question may be presented to the electors of the a resort community by:

~~(a)~~ (i) a petition of the electors as provided by 7-1-4130, 7-5-132, and 7-5-134 through 7-5-137; or

~~(b)~~ (ii) a resolution of the governing body of the resort community.

(b) The resort tax question must be presented to the electors of a resort area by a resolution of the board of county commissioners following receipt of a petition of electors as provided by [section 2].

(3) The petition or resolution referring the taxing question must state:

(a) ~~must-state~~ the exact rate of the resort tax;

(b) ~~must-state~~ the duration of the resort tax;

(c) ~~must-state~~ the date when the tax becomes effective, which date may not be earlier than 35 days after the election; and

(d) ~~may-specify~~ the purposes that may be funded by the resort tax revenue.

(4) The petition or resolution referring the resort tax question may provide for a seasonal tax, which would be effective for a period of at least 3, but less than 12 months of each calendar year.

~~(4)~~ (5) Upon receipt of an adequate petition the governing body may:

(a) call a special election on the resort tax question; or

(b) have the resort tax question placed on the ballot at the next regularly scheduled election.

~~(5)~~ (6) The question of the imposition of a resort tax may not be placed before the electors more than once in any fiscal year."

Section 5. Section 7-6-4465, MCA, is amended to read:

"7-6-4465. Resort ~~community~~ tax administration. (1) In this section, "governing body" means the governing body of an incorporated resort community or, if the resort tax has been approved by the electors of an unincorporated resort area, the board of county commissioners.

(2) Not less than 30 days prior to the date the resort tax becomes effective, the governing body ~~of-the-resort-community~~ shall enact an administrative ordinance governing the collection and reporting of the resort taxes. This administrative ordinance may be amended at any time thereafter as may be necessary to effectively administer the resort tax.

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{2} (3) The administrative ordinance shall specify:

(a) the times taxes collected by business are to be remitted to the resort-community governing body;

(b) the local government office, officer, or employee responsible for receiving and accounting for the resort tax receipts;

(c) the local government office, officer, or employee responsible for enforcing the collection of resort taxes and the methods and procedures to be used in enforcing the collection of resort taxes due; and

(d) the penalties for failure to report taxes due, failure to remit taxes due, and violations of the administrative ordinance. The penalties may include:

(i) criminal penalties not to exceed a fine of \$1,000 or 6 months imprisonment or both the fine and imprisonment;

(ii) civil penalties if the resort-community governing body prevails in a suit for the collection of resort taxes, not to exceed 50% of the resort taxes found due plus the costs and attorney fees incurred by the resort-community governing body in the action;

(iii) revocation of the offender's county or municipal business license; and

(iv) any other penalties that may be applicable for violation of an ordinance.

{3} (4) The administrative ordinance may include:

(a) further clarification and specificity in the categories of goods and services that are subject to the resort tax consistent with 7-6-4463;

(b) authorization for business administration and prepayment discounts. The discount authorization may allow each vendor and commercial establishment to:

(i) withhold up to 5% of the resort taxes collected to defray their costs for the administration of the tax collection; or

(ii) receive a refund of up to 5% of the resort tax payment received from them by the resort-community county governing body 10 days prior to the collection due date established by the administrative ordinance; and

(c) other administrative details necessary for the efficient and effective administration of the tax."

LB 55, Story amend.  
Lump. M. 1-13-87

NEW SECTION. Section 6. Use of resort area tax -- property tax relief. (1) Unless otherwise provided by 7-6-4464, the board of county commissioners may appropriate and expend revenues derived from a resort area tax for the purpose stated in the resolution approved by the electors.

(2) (a) Anticipated revenues from a resort area tax must be applied to reduce the tax levy on property within the resort area for the fiscal year in an amount equal to at least 5% of the resort tax revenues derived during the preceding fiscal year.

(b) When revenues from a resort area tax exceed the anticipated amount, the board of county commissioners shall establish a property tax relief fund for the resort area. All resort area tax revenues received in excess of the anticipated amount must be placed in the fund, and the entire fund must be used to replace the equivalent amount of property taxes in the resort area in the ensuing fiscal year."

Renumber: subsequent sections

9. Page 2, line 15.

Following: "community"

Insert: "and to any unincorporated area declared a resort area by the board of county commissioners as provided in [section 2]"

*1855 Story amend.*