**Frequently Asked Questions #2 Proposed Philipsburg Resort Tax**

**March 5, 2024**

**Why does the Town Council consider the Resort Tax a good option for infrastructure funding?**

Philipsburg is a historic town with historic infrastructures that needs replacement and repair, as well as large upgrades to critical systems to deliver standard drinking water and to discharge less polluted water into Flint Creek.

**Current Project Wastewater**

Philipsburg has long been under an administrative order of consent from the Department of Environmental Quality for exceeding nutrient limits on the discharge into Flint Creek.

Summer of 2024 has the large lagoon project installation of an aerated rock filtration system at a cost of $ 7.5 million.

This project is only possible because of lucky circumstances with grants, and support from funding partners at the state and federal level. Even with the majority of this paid for by grants (approx. 6 M, the Town still has to borrow 1.5 M from the state to complete this installation.

**Current Drinking Water**

The Town was ordered in 2023 to install a filtration treatment system. Final costs estimates are not available, but early estimates for filtration range from $7 M to $12 M. The additional component of the drinking water system is the 7-mile-long Fred Burr water transmission pipeline replacement. Final estimates are not yet available, but start at $12M.

Current Drinking water projects have also been grant funded, and include pump replacements, some water main replacements, and water storage tanks. These projects are grant funded.

**Current annual Town budget revenue for one year (round figures)**

 Sewer Fund $400,000

 Water Fund $400,000

 Property Taxes $300,000

 Other misc $240,000

 Total $1,340,000

Operating expenses include pipes, gravel, required monitoring and testing, fuel, heavy equipment repair, fittings, water meter equipment, insurance, staff, law enforcement, justice court, utilities, existing bonded indebtedness, professional services auditing, engineering, and more.

**Revenue Methods for towns**

1. **Water and sewer funds increase rates**

Last year, the water rate structure was changed, due to the water fund not meeting operating expenses. The structure change fixed that operation expenses solvency issue.

Current rates

Water $52 plus variable usage charge

Sewer $55 plus a lesser variable use charge

1. **General obligation bond loans**

These are revenue bonds associated with property taxes. This type of bond is voted on, and if successful results in a property tax mil for however many years to pay it back.

1. **Other grants and loans**

Philipsburg continues to seek these out. There is a large program with Rural Development with which Philipsburg previously had entered for the lagoon system, which the Town declined in the past.

Other entities could potentially provide large grants if and when federal funding becomes available.

One of the ‘catches’ is that match funding is required. A typical grant for a $ 10M project would often be structured like this $7.5 M in grant funds, $2.5M in local match. Sometimes a second grant can be sought to cover part of that match, but there is always local capital needed.

**How a Resort Tax could help with infrastructure**

In Montana, the go-to state grant for infrastructure is MCEP and is competitive with all other local governments and voted on by the legislature every two years. If Philipsburg applied for this every two years the grant part is $625,000 and the match required is $375,000.

The resort tax is \*forecast\* to bring in about $200,000 per year, which would be enough to do the match for the above grant. The forecast is conservative due to business privacy with sales and income.

If the resort tax was not available, the need for capital to match that grant could be met by increasing water rates $30.58/month, and sewer also at $30.58/month, in addition to the existing rates.