CHAPTER 5
UPDATED PROJECTS FUNDING / RATE SCHEDULE

5.1 PROPOSED PROJECT CAPITAL COST FUNDING

The funding being considered for the DRWA is a 75% grant from the Municipal, Rural and Industrial Water Supply Program (MR & I Program) or a direct Federal Appropriation. The remaining 25% would be pursued in the form of a low interest loan from RUS (Rural Utility Service) for 12-1/2% and a 12-1/2% grant from the State of Montana Treasure State Endowment Program – Regional Water System Fund.

5.2 UPDATE USER RATE CALCULATIONS

The proposed rate schedule is based on a minimum monthly payment to cover debt repayment and reserve fund, and the sale of water covering operation, maintenance and replacement costs. The maintenance of the rural lines will be paid by the rural users and the maintenance of the existing water distribution systems in the towns and water districts will be paid for by the town or district user under a separate billing by each individual town or water district.

1. Operation, Maintenance and Replacement – Adequate revenue must be generated for the daily operation of the system. Cost is directly related to amount of water treated and pumped. Traditionally billed per 1000/gallons.
2. Debt Repayment – Repayment of loans used for project construction.
3. Reserve Fund – RUS usually requires that a reserve fund be set up equal to approximately 10% of the debt service funded by user fees.

The following assumptions were made to determine user rate schedules:

1. Grant amount – 75% Federal, 12½% from TSEP Regional Water Fund.
2. Interest rate of 4.5%.
3. Amortization period – 40 years.
4. Average water usage per month.
5. EDU total of 2,908 equivalent dwelling units (1,212 community, 1,696 rural).
6. Capital Cost of Project is $115,116,000.00

City – Rural users were at an estimated 8,000 gallons/month rate of consumption for an equivalent billing amount.

Operation and maintenance costs would be shared on a per 1000 / gallon basis on the amount of water sold per year.

Table 5.1
Project Cost Breakdown

	75%
Grant from Federal Government	86,337,000
Grant from TSEP	14,389,500
Loan Required	14,389,500
Annual Debt Service (40 yrs, 4.5%)	776,000
Annual Loan Reserve	77,600
Annual Operation & Maintenance WTP / Booster Station	710,000
Annual Operation & Maintenance / Pipelines	212,000

Monthly Minimum

The monthly minimum is based upon the annual debt service, loan reserve, replacement and maintenance reserve.

Table 5.2
Monthly Minimum Cost

Monthly Minimum	75% Grant
Annual Debt Service	$776,000
Annual Loan Reserve	77,600
Total	$853,600
EDU = 2,908 Cost per EDU/month	$24.50/month

Average Water Usage Rates

Water Treatment / Booster Stations (all users)

$710,000 / 394,200,000 = $1.80 / 1000 gallons

Pipeline Maintenance (rural users)

$212,000 / 175,000,000 = $1.21 / 1000 gallons

Table 5.3
Proposed Rate Structure

	(Original)		***(Addendum with Additional Users)***	
	Bulk	Rural	Bulk	Rural
Base	$26.50	$26.50	$24.50	$24.50
Water Treatment/Pump	$2.05 / 1000	$2.05 / 1000	$1.80 / 1000	$1.80 / 1000
Pipeline Maintenance	**	$1.45 / 1000	**	$1.21 / 1000

** Set by each Town or District.