

**Capital Improvements Plan
2015-2019 Implementation Plan
Annual Assessment**

(February 2017)

The Red Lodge City Council adopted a Capital Improvements Plan (CIP) on February 10, 2015 that identifies capital projects in excess of \$25,000 for wastewater, the cemetery, police, streets, the library, storm water, water, and parks. Included is a provision that an annual assessment be conducted of capital needs for incorporation in the City's annual budget and a complete update be conducted every five years.

The annual assessment includes four sections documented in this write-up:

1. Status of Adopted 2015-2019 Projects. (Noted order of projects is not necessarily the order of priority.)
2. Summary of 2017-2019 Projects (Amended).
3. Financial Assessment Summary for Water and Sewer Projects.

Section 1

Status of Adopted 2015-2019 Projects

WASTEWATER:

Completed Projects

Sewer Jetter Truck

- **Status:** Purchased in 2015-2016 fiscal year.
- **Cost:** \$342,830. The City is making annual payments of \$68,567.

PER Preliminary Engineering Report for Sewer Plant

- **Status:** Completed in 2015-2016 fiscal year.
- **Cost:** \$63,500. Budgeted \$80,000. Payment Complete.

Sewer Inspection Camera

- **Status:** Purchased in 2015-2016 fiscal year.
- **Cost:** \$97,595. Payment Complete.

Pending Projects

New Generator at Lift Stations (Originally a 2015 Project.)

- **Cost:** \$150,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants and DNRC's RRGL Construction Grant, financed and backed by the Equivalent Dwelling Unit (EDU) sewer rate adjustments.
- **Obligated:** \$0
- **Rationale (from adopted CIP):** Required by DEQ. Generator with automatic transfer switch that will initiate with loss of power, eliminating the need for manual attention by City personnel.
- **Status:** Portable generators are currently being used at two lift stations, one at the north end of Highway 212 at Two Mile Bridge Road and the other located at the Spires Subdivision. A standby generator is now planned to be included in the rehabilitation of the lift station in conjunction with the proposed Force Main Project precluding the need for one of the generators.
- **CIP Modifications:** Modified in 2017, reduced the cost to \$75,000 for a new generator at the Spires lift station and programmed for 2020. Incorporated second generator with the Force Main Project.

Install new Generator at Waste Water Treatment Plant (Originally a 2015 Project.)

- **Cost:** \$150,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants and DNRC's RRGL Construction Grants, financed and backed by the EDU sewer rate adjustments.
- **Obligated:** \$0
- **Rationale (from adopted CIP):** Required by DEQ. Generator with automatic transfer switch that will initiate with loss of power, eliminating the need for manual attention by City personnel.
- **Status:** Have an old backup if power does go off; can do manual operation.
- **CIP Modifications:** Modified in 2017, PER completed – will confirm need and cost. Program for 2019. Cost anticipated to exceed \$150,000.

Force Main Project To Include New Alignment, Conversion of Existing Force Main to Gravity and Rehabilitation of Existing New Alignment (amended in 2016 CIP Assessment, originally a 2015 Project.)

- **Cost:** \$1,600,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Development/Rural Utility Service Loans and Grants, TSEP Planning Grants, TSEP Construction Grants and DNRC's RRGL Planning and RRGL Construction Grants, financed and backed by the EDU sewer rate adjustments.
- **Obligated:** \$48,000. 2016-2017 budget, for the first loan payment.
- **Rationale (from adopted CIP and 2016 modification):** Existing 12" force main is 20+ years old and fails frequently. Approximately 6,000' of force main. The project will replace one of the City's lift stations, thereby reducing time spent by City crews on operations and maintenance measures inherent to a lift station.
- **Status:** Preliminary Design Summary completed and report distributed December 2015. The report recommends a feasible alignment from south of the lift station to Highway 212 and Two Mile Bridge Road, and then to the sewer plant within public rights-of-way and an existing utility easement. In addition, Project 2015-6, North Sewer Force Main, would be converted into a gravity sewer main so that service can be maintained to the existing services using this line, and the lift station would be rehabilitated and converted into a wet well, duplex type lift station. Estimated cost, exclusive of engineering, is \$1,268,000. Cost of construction engineering is projected to be 20% = \$253,600. Total project cost would be \$1,521,600, within the \$1,600,000 estimate. Final approval by the Montana DEQ is contingent on meeting all aspects of Circular DEQ-2, the major concerns being having manholes at all vertical and horizontal alignment changes as well as at a minimum of 400' along the route and ensuring the pipeline maintains a minimum slope of 12" gravity main and enough flow to prevent the undo settlement of solids.
- **CIP Modifications:** Modified in 2016, combined with project 2015-6. Modified in 2017, program project construction in 2016 utilizing a loan financed and backed by Sewer Enterprise Funds in accordance with the following schedule: final design during January-March, Montana DEQ review in April, bidding in May, contracting in June and construction during July-September. 2016 task order is \$109,085.26.

Implementation of PER Recommendations for Sewer Plant

Cost: \$4,000,000. (amended in 2017 CIP Assessment, originally a 2015 Project.)

- **Obligated:** \$28,000, included in the FY2017 budget.
- **Rationale (from adopted CIP):** This project is Phase 2 outlined in the Wastewater Facility Plan, and will provide additional treatment of nitrates and phosphates to meet wastewater discharge requirements through land application. Project includes land application.
- **Status:** In progress. Optimization completed. Projects to be identified per storm water sewer study, sewer inspection program, et al. Inflows and infiltration to be addressed as recommended in the PER. Replaced Helisieve in 2016-2017 fiscal year, cost \$28,000.
- **CIP Modifications:** Modified in 2016, spray irrigation determined, by the PER, that spray irrigation is not required/cost-effective. Alternative, identified by the PER, recommended optimization, on Page 77 of the PER notes, "Existing facility optimization consists of assessing all of the existing treatment measures and configuring them to produce the best quality effluent the facility is capable. This would include minor improvements to each process and the calibration of all equipment and operating software to ensure data is being properly recorded. In addition, should the calibration of the influent and effluent flow meters not show anything conclusive, a lagoon leakage study may need to be performed to determine if/where the lagoon is losing water volume (influent to effluent) as discussed in section 3.5.2. Optimization would also include the assessment and adjustment (as needed) of the facilities existing solar array." The solar array has not been adjusted.

WATER:

Completed Projects

Replace Generator at Water Plant

- **Cost:** \$150,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants, DNRC's RRGL Construction Grants and Loans, and the Water Resources Development Act Grants, financed and backed by the EDU water rate adjustments.
- **Obligated:** \$150,000.
- **Rationale (from adopted CIP):** The generator is old and unable to start.
- **Status:** Delivered in January, installation pending (expenditure to date \$37,587.61; installation cost TBD.) **CIP Modifications:** Modified in 2016, moved to 2016 as the project is critically needed (no backup) and could be affordable as a lower cost.

Pending Projects

Install Pressure Reducing Valve on Broadway Avenue Near Robinson Lane (Originally a 2019 Project.)

- **Cost:** \$130,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants, DNRC's RRGL Construction Grants and Loans and the Water Resources Development Act Grants, financed and backed by the EDU water rate adjustments.
- **Obligated:** \$0
- **Rationale (from adopted CIP):** There is currently no valve located there. It would be extremely beneficial to the area to avoid damage to appliances or accidents involving burst pipes or conduits.
- **Status:** The specifications and costs to be finalized.
- **CIP Modifications:** Modified in 2016, as the water main in that area is 12", creating water pressure that can exceed plumbing code standards and that wastes water. The project could be affordable as a lower cost project. Modified in 2017, combined with the White Ave. project. Anticipate engineering and installation in the 2017-2018 fiscal year budget.

Replace Pressure Reducing Valve on White Avenue

(amended in 2017 CIP Assessment, originally a 2019 Project.)

- **Cost:** \$130,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants DNRC's RRGL Construction Grants and Loans and the Water Resources Development Act Grants, financed and backed by the EDU water rate adjustments.
- **Obligated:** \$0
- **Rationale (from adopted CIP):** This project will replace an old and deteriorated pressure-reducing valve thus increasing its reliability and decreasing the need for maintenance. Need to get the valve above ground into a building to eliminate the need to enter a confined space for routine maintenance/monitoring.
- **Status:** The specifications and costs to be finalized.
- **CIP Modifications:** Modified in 2016, moved to 2017 as a 16" line is transitioning to a 6" line, creating psi greater than 100, exceeding plumbing code standards and wasting water. The project should be affordable as a lower cost project. Modified in 2017, combined with Robinson Lane project.

Platt Avenue Rehabilitation, 14th Street – 16th Street, Connect Services to an Existing 8" Water

Main (amended in 2017 CIP Assessment, originally a 2019 Project.)

- **Cost:** \$50,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants, DNRC's RRGL Construction Grants and Loans and the Water Resources Development Act Grants, financed and backed by the EDU water rate adjustments.
- **Obligated: \$0**
- **Rationale (from adopted CIP):** This project will provide improved water pressure for the residences connected to the smaller mains.
- **Status:** On hold, pending Stormwater Master Plan completion.
- **CIP Modifications:** Modified in 2017, combine with Haggin Avenue Water Rehabilitation and with Haggin Avenue Water Main Connection to Cooper Avenue and 2nd Street projects.

Haggin Avenue Water Rehabilitation, 3rd Street to 16th Street, Upgrade Water Main from 4" to 8" (originally a 2019 Project.)

- **Cost:** \$1,750,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants, DNRC's RRGL Construction Grants and Loans, and the Water Resources Development Act Grants, financed and backed by the EDU water rate adjustments.
- **Obligated:** \$145,000; included in the FY 2017 Sewer Enterprise Fund for an engineering task order.
- **Rationale (from adopted CIP):** This project will provide improved water pressure, fire flows and increase the reliability of the water main by installing new materials.
- **Status:** Engineering for the water rehabilitation has started. Anticipate construction complete in 2018.
- **CIP Modifications:** Moved to 2018 given integrity of existing main and recent failures.

Haggin Avenue Water Main Connection to Cooper Avenue and 2nd Street

(amended in 2016 CIP Assessment, originally a 2019 Project.)

- **Cost:** \$1,080,000. The sources of funding identified in the CIP include the State Revolving Loan Fund, USDA Rural Utility Service Loans and Grants, TSEP Construction Grants, DNRC's RRGL Construction Grants and Loans, and the Water Resources Development Act Grants, financed and backed by the EDU water rate adjustments.
- **Obligated: \$0**
- **Rationale:** Extending the water main to a developable area will eventually result in revenues for the City and provide clean water to new development. The existing 4" water main is old and replacement is necessary.
- **Status:** Pending coordination with other noted projects.
- **CIP Modifications:** Coordinate with project to reduce costs for street project. This is also now combined with the Platt Ave. Rehabilitation, Haggin Avenue Water Rehabilitation, and 3rd Street to 16th Street, Upgrade Water Main projects.

STORM WATER:

Pending Projects

Storm Water: Storm Water Master Plan (originally a 2017 Project.)

- **Cost:** \$90,300. The sources of funding identified in the CIP include an INTERCAP Loan, TSEP Planning Grant and DNRC RRGL Grants and Loans, financed and backed by the EDU sewer rate adjustments.
- **Obligated:** \$0.
- **Rationale (from adopted CIP):** Locations and extent of storm water facilities have never been fully documented nor has a master plan ever been completed for the City. A master plan would identify and prioritize storm water problems and provide a planning tool for future and existing development.
- **Status:** City engineer has prepared a task order for the scope of work. The task order was completed at the end of December 2016 and approved January 24, 2017; however pending funding finalization in the 2017-2018 fiscal year budget.
- **CIP Modifications:** Maintain project in 2017.

STREETS:

Rehabilitate Golf Course Streets (originally a 2016 Project.)

- **Cost:** \$1,250,000. The sources of funding identified in the CIP include an INTERCAP Loan repaid from the general fund, a USDA Rural Development/Community Facilities Loan or creation of a Special Improvements District. MCA 7-12-4401 authorizes the establishment of a street maintenance district and assessments against property owners for the costs.
- **Obligated:** \$0.
- **Rationale (from adopted CIP):** This project would resurface deteriorated streets with chip and scrub seal. Necessary to prevent further deterioration.
- **Status:** To be determined.
- **CIP Modifications:** Determine options for timing implementation.

Reconstruct Haggin Avenue, 1st Street to 17th Street (originally a 2019 Project.)

- **Cost:** \$4,012,500; \$3,748,535 if constructed with the Haggin Avenue Water Rehabilitation (3rd to 16th Street) project, as to be determined by the Storm Water Master Plan. The sources of funding identified in the CIP include an INTERCAP Loan and a USDA Rural Development/Community Facilities Loan.
- **Obligated:** \$0
- **Rationale (from adopted CIP):** Reconstruct to provide “complete street” section, including facilities for non-motorized users. Includes one-half block of intersecting streets on both sides.
- **Status:** Pending.
- **CIP Modifications:** Move to 2018 given the integrity of existing main and recent failures. Funding will need to be identified. Modified in 2017, combine with project 2019-7.

CEMETERY:

New/Expanded Irrigation System (amended in 2016 CIP Assessment, originally a 2015 Project.)

- **Cost:** \$300,000. The sources of funding identified in the CIP include an INTERCAP Loan and a USDA Rural Development/Community Facilities Loan.
- **Obligated:** \$0
- **Rationale (from adopted CIP):** This project would replace and expand the existing system and provide a more user-friendly system. Current system is very inefficient and requires frequent maintenance due to sand blocking the intake. Current system requires one-man full time for irrigation.
- **Status:** Determine course of action for construction dependent upon development of cemetery district that would provide a dedicated source of funding.
- **CIP Modifications:** Modified in 2016, scope project to define cost components to include well, pump and irrigation lines.

POLICE:

Building Roof Repair (originally a 2015 Project.)

- **Cost:** \$28,000.
- **Obligated:** \$28,000. Adopted FY 2017 City budget includes \$28,000 from resort tax funds.
- **Rationale (from adopted CIP):** Roof on north side of building leaks.
- **Status:** Repairs planned for spring 2017.
- **CIP Modifications:** Complete project in FY 2017 ending September 30th with programmed funds.

LIBRARY:

Add Vestibule to West Entrance (originally a 2016 Project.)

- **Cost:** \$200,000. The sources of funding identified in the CIP is a trust dedicated to the Library. Supplemental funds, if necessary, would be available in Account 2220, Library Special Fund and Account 101060, Library Cash Reserves Account.
- **Obligation:** \$0
- **Rationale (from adopted CIP):** This project would enable 24-hour book return, improve flow in/out of Library and be handicap accessible.
- **Status:** To be completed in the summer of 2017 (to be funded directly from Library funds).
- **CIP Modifications:** None.

PARKS:

Pool Rehabilitation and Engineering Analysis (amended in 2016 and 2017 CIP, originally a 2019 Project.)

- **Cost:** \$250,000. The sources of funding identified in the CIP include the INTERCAP Loan and the USDA Rural Development/Community Facilities Loan.
- **Obligated:** \$10,000. Adopted FY 2017 budget includes \$10,000 from resort tax funds (Parks Board).
- **Rationale (from adopted CIP):** Rehabilitate pool at current location per the Comprehensive Parks Plan. Research liner rehabilitation options at existing locations.
- **Status:** Supplemental grant of \$10,000 in process.
- **CIP Modifications:** An engineering assessment for rehabilitation of the pool to determine feasible solutions for leakage, to identify needed repairs for filters and pumps, recommend structural modifications to improve the function and use by the public, and develop a better cost estimate is needed. Maintain construction project for \$250,000 in 2019. Change the name to the Pool Rehabilitation and Engineering Analysis. Project formerly known as the "Rehabilitate City Pool".

Lions Park Storage Addition

- **Cost:** \$40,000. Funding sources identified for the construction project include the INTERCAP Loan and shared cost with the City by Red Lodge Ice of in-kind assistance with volunteers, the Farmers Market in the amount of \$100.00 and the Red Lodge Lions Club up to 10% of the project cost not to exceed \$1,000.00 per year for four years.
- **Obligated:** \$5,000.
- **Rationale (from adopted CIP):** This project is included in the adopted CIP under the Parks and Recreation Section referenced as the Lion's Den Building Rehab/Replacement along with other Lions Park projects referenced in the Comprehensive Parks Plan. It is now included in the current short-term (5-year) implementation plan. The Council voted in December 2015 to coordinate with an architect to prepare bid-ready construction drawings based on an approved concept design plan of 708 square feet for storage for Red Lodge Ice, the Farmers Market and the Red Lodge Lions Club.
- **Status:** The bid came in higher than the budgeted cost. The architect is re-assessing the plans for re-bid in 2017. An INTERCAP Loan has been approved.
- **CIP Modifications:** modified in 2016 to be brought into the 2016-2019 period.

Section 2

Summary of 2017-2019 Projects (Amended)

2017

Waste Water:

New Generator at Lift Stations	\$150,000	Reduced project cost to \$75,000. The Spires lift station generator reprogrammed to 2020. The second generator project was included with the Force Main Project.
Implementation of Preliminary Engineering Report for Sewer Plant	\$4,000,000	Repaired and updated Helisieve. PER identified treatment optimization as priority. Spray irrigation project pending, per Storm Water Master Plan recommendations.
Force Main Project	\$1,600,000	New alignment, conversion of existing force main to gravity and rehabilitation of existing lift station.

Water:

Replace Generator at Water Plant	\$150,000	To be completed in 2017.
Install Pressure Reducing Valve on Broadway Avenue near Robinson Lane	\$130,000	Combine with Replacing Pressure Reducing Valve on White Avenue.
Replace Pressure Reducing Valve on White Avenue	\$130,000	Combine with Pressure Reducing Valve on Robinson Lane.

Storm Water:

Storm Water Master Plan	\$90,300	To be completed in 2017.
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Streets:

Rehabilitate Golf Course Streets	\$1,250,000	Determine options for timing implementation.
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Library:

West Entrance Vestibule	\$200,000	To be completed in 2017.
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Police:

Police Building Roof Repair	\$28,000	To be completed in 2017.
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Cemetery:

Mausoleum Renovation	\$120,000	To be completed in 2017.
Cemetery Irrigation System	\$300,000	Funding and timeline dependent on the creation of a cemetery district.

Pool:

Pool Rehabilitation and Engineering Analysis	\$10,000	To be completed in 2017.
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Parks:

Lions Park Storage Addition	\$40,000	Pending design approval and funding.
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2018

Water:

Haggin Avenue Rehabilitation, 3rd – 16th streets	\$1,750,000	All 2018 noted water projects to be combined; moved from 2019.
Haggin Avenue Water Main Connection to Cooper Ave. and Second Street	\$1,080,000	All 2018 noted water projects to be combined; moved from 2019.
Platt Avenue Water Main Rehabilitation, 14th – 16th street	\$50,000	All 2018 noted water projects to be combined; moved from 2019.

Streets:

Reconstruct Haggin Avenue, 1st street to 17th street	\$4,012,500 (reduced to \$3,748,535 if combined with Haggin Avenue Water Rehabilitation)	Moved from 2019.
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2019

Pool:

Rehabilitate City Pool	\$250,000	Confirm costs after completion of 2017 engineering analysis.
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Waste Water:

Install New Generator at Waste Water Treatment Plant	\$150,000	Requirement by DEQ.
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Section 3

2015-2019 Capital Improvements Plan (CIP)

Financial Assessment Summary for Water and Sewer Projects

(Prepared December 2016)

Water and Sewer Capital Projects

The following are the water and sewer capital projects identified in the Capital Improvements Plan, February 2015, and the basis for the water and sewer capital project surcharges recommended in the Water and Sewer Rate Study, March 2015 and implemented per Resolution 3386, June 2015.

Water System Capital Projects

• Replace Generator at Water Plant	\$ 150,000
• Pressure Reducing Valve on Robinson Lane	\$ 130,000
• Pressure Reducing Valve on White Avenue	\$ 130,000
• Platt Avenue Water Main Rehabilitation	\$ 50,000
• Haggin Avenue Water Main Rehabilitation	\$ 2,565,000
• Haggin Avenue Water Main Extension	<u>\$ 1,080,000</u>
TOTAL WATER	\$ 4,105,000

Sewer System Capital Projects

• Wastewater Preliminary Engineering Report	\$ 100,000
• Purchase of Sewer Jetter Truck	\$ 275,000
• New Generators (2) at Lift Stations	\$ 150,000
• New Generator at Wastewater Treatment Lagoons	\$ 150,000
• Siphon Under Rock Creek	\$ 1,600,000
• Red Lodge North Force Main Replacement	\$ 977,000
• Land Application of Treated Wastewater	<u>\$ 4,000,000</u>
TOTAL SEWER	<u>\$ 7,252,000</u>

TOTAL WATER AND SEWER \$11,357,000

Modifications in project scope, cost estimates and schedule for the 2015-2019 CIP water and sewer projects are documented in the 2016 Annual Assessment of the CIP, with further adjustments reflected in the 2017 Annual Assessment.

The Capital Improvements Plan, the Water and Sewer Rate Study, Resolution 3386 and the 2016 Annual Assessment of the CIP can be found at the following link:

<http://cityofredlodge.net/departments/public-works/>

Equivalent Dwelling Unit (EDU) Capital Charges

Resolution 3386, To Set The Water And Sewer Rates And Charges For The City Of Red Lodge For The Next Five Years Effective On July 1, 2015, includes varying capital expenses per EDU for each of the next five years. This is in addition to the monthly service charge adjustments each year that are for the purpose of addressing operation and maintenance costs, establishing reserves to address aging and deterioration of system components, and servicing debt for previous capital improvement projects.

EDUs are calculated based upon the size of the water service line in that a ¾” water service is a typical residential water service and is considered to be 1 EDU. The EDUs for larger service lines are then calculated based on the cross-sectional area of the larger service divided by the cross-sectional area of a ¾” service. This results in 1.79 EDUs for a 1” line, 4.00 EDUs for a 1.5” line, 7.14 EDUs for a 2” line, 16 EDUs for a 3” line and 28.57 EDUs for a 4” line.

The following capital expenses per EDU have been assessed:

	<u>Water</u>	<u>Sewer</u>
July 1, 2015	0.00	10.82
July 1, 2016	2.81	13.55 (cumulative)
July 1, 2017	5.63 (cumulative)	16.28 (cumulative)
July 1, 2018	9.85 (cumulative)	20.38 (cumulative)
July 1, 2019	14.07 (cumulative)	24.48 (cumulative)

Projected EDU Based Collections

According to the Water and Sewer Rate Study, every dollar assessed as a capital project surcharge generates an estimated \$20,496 for the water enterprise fund and \$21,132 for the sewer enterprise fund. This proposed financing for the water and sewer projects identified in the CIP includes future anticipated debt for each enterprise fund.

On a yearly basis, the EDU capital surcharges are projected to generate the following amount of funds (collections summary starts in August given it takes one month for adjustments made on July 1 to be reported and 12 months for the yearly resultant amount):

	<u>Water</u>
By August 1, 2016	0.00 EDU = \$0
By August 1, 2017	2.81 EDU x \$20,496 = \$ 57,594
By August 1, 2018	5.63 EDU x \$20,496 = \$115,393
By August 1, 2019	9.85 EDU x \$20,496 = \$201,886
By August 1, 2020	14.07 EDU x \$20,496 = \$288,379

Continuing yearly amount = \$288,379

Sewer

By August 1, 2016 10.82 EDU x \$21,132 = \$228,648

By August 1, 2017 13.55 EDU x \$21,132 = \$286,339

By August 1, 2018 16.28 EDU x \$21,132 = \$344,029

By August 1, 2019 20.38 EDU x \$21,132 = \$430,670

By August 1, 2020 24.48 EDU x \$21,132 = \$517,311

Continuing yearly amount = \$517,311

The continuing amount of yearly collections by August 2020 per the EDU capital adjustment will be \$288,379 for water and \$517,311 for sewer, totaling \$805,690. As noted in the Water and Sewer Rate Study:

- The City will need to reevaluate the rate increases scheduled for 2018 and 2019 once more detailed funding packages and schedules are available for each project.
- The rates should be reviewed as part of the City’s annual budget process.
- The rates should also be recalculated and the capital improvements surcharges reevaluated at the completion of any major milestones or large projects.

Water and Sewer Collections (August 2015 – November 2016)

Total water and sewer collections since the rate adjustment July 1, 2015 are included on the spreadsheet, attached. In sum, collections for the first year of rate adjustments produced an additional \$29,751 (3.8%) for water and an additional \$286,387 (54.1%) for sewer. The EDU capital collections portion was projected at \$0 for water (given no capital charge for the first year) and \$228,648 for sewer (given a 10.82 EDU capital charge). Additional collections for the second year of rate adjustments for the four months through November 2016 reflect the EDU adjustments made on July 1, 2016. The capital charges for the second year are projected to generate an additional \$57,594 for water and an additional \$286,338 for sewer.

Target Water and Sewer Rates

Per Montana Code Annotated, the estimated impact of proposed rate increases must be calculated and evaluated to insure the rate increase is reasonable and just. The projected monthly water and sewer rates are calculated assuming 6,000 gallons of usage for a typical residential service as identified in the Water and Sewer Rate Study and Resolution 3386.

As referenced in the Water and Sewer Rate Study, the City is encouraged to explore available grant funding sources to help reduce the capital construction expenses as much as possible, although Red Lodge will not be eligible for many of these programs until the average user rate meets or exceeds the

target rate. The target rate is used in most construction grants and is calculated based on a percentage of household income for each jurisdiction. A combined water and sewer target rate is typically used.

The average rate for Red Lodge water and sewer before the increases effective July 1, 2015, was 63.97. The current target rate is 96.51. Red Lodge will exceed the target rate with the increases effective July 1, 2018 when the rates will be 98.12. The following are the rates before and after rate adjustments, including the target rate:

	Pre-Increase	July 1	current				
	Rate	2015	2016	2017	2018	2019	target rate
Water	\$35.31	\$35.31	\$38.83	\$42.37	\$47.32	\$52.29	\$58.74
Sewer	\$28.66	\$39.48	\$42.78	\$46.10	\$50.79	\$55.50	\$37.76
Combined	\$63.97	\$74.79	\$81.61	\$88.46	\$98.12	\$107.79	\$96.51

Water/Sewer Collections

Water

	2014/2015 (pre-increase)	2015/2016 (with rate increase)	2016/2017
August	\$95,108.21	\$94,034.82	\$110,506.90
September	\$109,058.72	\$98,451.62	\$119,425.47
October	\$71,202.03	\$96,457.68	\$94,629.99
November	\$57,922.44	\$64,785.16	\$66,103.62
December	\$62,223.29	\$54,891.20	
January	\$53,657.18	\$54,259.23	
February	\$54,620.33	\$57,195.58	
March	\$54,237.52	\$63,035.86	
April	\$54,750.29	\$56,067.17	
May	\$52,456.34	\$50,741.80	
June	\$55,371.93	\$60,286.05	
July	\$64,508.90	\$64,662.01	
Total	\$785,117.18	\$814,868.18	\$390,665.98
change from 2014/2015 (YTD)		\$29,751.00	\$57,374.58
% change from 2014/2015 (YTD)		3.8%	17.2%
cumulative change			\$87,125.58
Projected annual collections: EDU FY 2015-2016 capital adjustment = \$20,496 x \$0 = \$0 EDU FY 2016-2017 capital adjustment = \$20,496 x 2.81 = \$57,593			

Sewer

	2014/2015 (pre increase)	2015/2016 (with rate increase)	2016/2017
August	\$45,990.80	\$76,855.63	\$86,680.32
September	\$42,442.47	\$77,622.92	\$88,092.82
October	\$44,008.55	\$78,840.11	\$82,312.81
November	\$41,201.09	\$66,007.96	\$70,297.25
December	\$47,470.08	\$65,893.92	
January	\$44,408.61	\$63,313.47	
February	\$45,034.34	\$66,690.85	
March	\$45,082.91	\$63,904.90	
April	\$43,985.93	\$65,277.21	
May	\$44,565.65	\$61,446.64	
June	\$43,809.16	\$69,621.64	
July	\$41,802.04	\$60,713.29	
Total	\$529,801.63	\$816,188.54	\$327,383.20
change from 2014/2015 (YTD)		\$286,386.91	\$153,740.29
% change from 2014/2015 (YTD)		54.1%	173.8%
cumulative change			\$440,127.20
Projected annual collections: EDU FY 2015/2016 capital adjustment = \$21,132 x \$10.82 = \$228,648.24 EDU FY 2016/2017 capital adjustment = \$21,132 x 2.73 = \$57,690 EDU capital adjustment total, FY 2016 and FY 2017 = \$286,338			

NOTES:

Collections for rate adjustment made on July 1, 2015 reported first in the August billing.
 Total collections also include service/user charge fees in addition to the EDU capital adjustment.
 A \$2 curb stop fee generates an additional \$2,800-\$3,000 per month that is not reflected in the collections.
 Source: Total Water Collections and Total Sewer Collections from monthly Clerk's Report.
 Source: EDU capital adjustments from the Water and Sewer Rate Study prepared by Great West Engineering.