

City of Red Lodge

Water and Sewer Rate Study



March 30, 2015



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1.0 EXECUTIVE SUMMARY

The City of Red Lodge owns, operates, and maintains an extensive municipal water and sanitary sewer system to service the community. Consequently, the City also incurs a large financial obligation for the operation and maintenance of these facilities that must be passed on to the utility users.

The City last reviewed the water rates in 2007 and the sewer rates in 2000. Based upon increasing costs and necessary major capital improvements, the City contracted Great West Engineering to prepare a rate study for the two systems.

This study details the current and anticipated expenses of the water and sewer systems and compared them to historic revenues for the respective systems. The following tables summarize the proposed water and sewer rates based upon the findings and recommendations of this report.

Table 1.1: Proposed Water Rates

		Current	2015	2016	2017	2018	2019
Base Rate per EDU		-	\$ 22.95	\$ 23.41	\$ 23.88	\$ 24.35	\$ 24.84
Capital Expenses per EDU		-	\$ -	\$ 2.81	\$ 5.63	\$ 9.85	\$ 14.07
Total		-	\$ 22.95	\$ 26.22	\$ 29.51	\$ 34.20	\$ 38.91
Meter Size	EDUs	Monthly Service Charge					
¾"	1.00	\$ 22.95	\$ 22.95	\$ 26.22	\$ 29.51	\$ 34.20	\$ 38.91
1"	1.79	\$ 32.79	\$ 41.08	\$ 46.93	\$ 52.82	\$ 61.23	\$ 69.65
1½"	4.00	\$ 39.35	\$ 91.80	\$ 104.88	\$ 118.03	\$ 136.82	\$ 155.65
2"	7.14	\$ 71.05	\$ 163.86	\$ 187.20	\$ 210.68	\$ 244.22	\$ 277.83
3"	16.00	\$ 163.96	\$ 367.20	\$ 419.50	\$ 472.11	\$ 547.28	\$ 622.59
4"	28.57	\$ 327.91	\$ 655.68	\$ 749.08	\$ 843.02	\$ 977.23	\$ 1,111.71
Block		Monthly Usage Charge per 1,000 gallons					
0 to 3,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,001 to 8,000 gallons		\$ 4.12	\$ 4.12	\$ 4.20	\$ 4.29	\$ 4.37	\$ 4.46
8,001 to 20,000 gallons		\$ 5.41	\$ 5.41	\$ 5.52	\$ 5.63	\$ 5.74	\$ 5.86
> 20,001 gallons		\$ 6.83	\$ 6.83	\$ 6.97	\$ 7.11	\$ 7.25	\$ 7.39

Table 1.2: Proposed Sewer Rates

		Current	2015	2016	2017	2018	2019
Base Rate per EDU		-	\$ 23.83	\$ 24.31	\$ 24.79	\$ 25.29	\$ 25.79
Capital Expenses per EDU		-	\$ 10.82	\$ 13.55	\$ 16.28	\$ 20.38	\$ 24.48
Total		-	\$ 34.65	\$ 37.86	\$ 41.07	\$ 45.67	\$ 50.27
Meter Size	EDUs	Monthly Service Charge					
¾"	1.00	\$ 23.83	\$ 34.65	\$ 37.86	\$ 41.07	\$ 45.67	\$ 50.27
1"	1.79	\$ 42.66	\$ 62.02	\$ 67.76	\$ 73.52	\$ 81.75	\$ 89.99
1½"	4.00	\$ 95.32	\$ 138.60	\$ 151.43	\$ 164.29	\$ 182.67	\$ 201.10
2"	7.14	\$ 170.15	\$ 247.40	\$ 270.30	\$ 293.26	\$ 326.07	\$ 358.96
3"	16.00	\$ 381.82	\$ 554.40	\$ 605.71	\$ 657.16	\$ 730.70	\$ 804.39
4"	28.57	\$ 680.82	\$ 989.95	\$ 1,081.56	\$ 1,173.45	\$ 1,304.75	\$ 1,436.34
Block		Monthly Usage Charge per 1,000 gallons					
0 to 3,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,001 to 8,000 gallons		\$ 1.61	\$ 1.61	\$ 1.64	\$ 1.68	\$ 1.71	\$ 1.74
8,001 to 20,000 gallons		\$ 1.61	\$ 2.11	\$ 2.15	\$ 2.20	\$ 2.24	\$ 2.28
> 20,001 gallons		\$ 1.61	\$ 2.67	\$ 2.72	\$ 2.78	\$ 2.83	\$ 2.89

2.0 INTRODUCTION AND BACKGROUND

The City of Red Lodge owns, operates, and maintains an extensive municipal water and sanitary sewer system to service the community. Consequently, the City also incurs a large financial obligation for the operation and maintenance of these facilities that must be passed on to the utility users. Montana Code Annotated (MCA) 69-7-101 grants municipalities the power and authority to charge users a “reasonable and just” cost for the services they provide.

69-7-101. Municipal utilities -- regulation by municipality. A municipality has the power and authority to regulate, establish, and change, as it considers proper, rates, charges, and classifications imposed for utility services to its inhabitants and other persons served by municipal utility systems. Rates, charges, and classifications must be reasonable and just.

The water and sewer systems are operated as enterprise funds, which means that they must be wholly financed by rates and charges collected from the utility customers. Operating the funds as enterprise funds allows the City to incur debt backed by revenue bonds for financing construction and/or replacement of system facilities. The use of revenue bonds does place restrictions on the water and sewer funds as detailed in MCA 7-7-4424.

7-7-4424. Undertakings to be self-supporting. (1) (a) Except as provided in subsections (1)(b) and (1)(c), the governing body of a municipality issuing bonds pursuant to this part shall prescribe and collect reasonable rates, fees, or charges for the services, facilities, and commodities of the undertaking and shall revise the rates, fees, or charges from time to time whenever necessary so that the undertaking is and remains self-supporting.

(b) The property taxes specifically authorized to be levied for the general purpose served by an undertaking or resort taxes approved, levied, and appropriated to an undertaking in compliance with 7-6-1501 through 7-6-1509 constitute revenue of the undertaking and may not result in an undertaking being considered not self-supporting.

(c) Revenue from assessments and fees enacted by local ordinance constitutes revenue of the undertaking and may not result in an undertaking being considered not self-supporting.

(2) The rates, fees, or charges prescribed, along with any appropriated property or resort tax collections, must produce revenue at least sufficient to:

(a) pay when due all bonds and interest on the bonds for the payment of which the revenue has been pledged, charged, or otherwise encumbered, including reserves for the bonds; and

(b) provide for all expenses of operation and maintenance of the undertaking, including reserves.

These regulations require the City to periodically review the water and sewer rates to insure that they are adequate, fair, and just. The City last reviewed and raised its water rates in 2007 and the sewer rates in 2000. Based upon increasing costs and necessary major capital improvements, the City requested Great West Engineering to prepare this rate study for the two systems.

3.0 EXISTING RATES AND CHARGES

Before completing recommendations for future rates and any potential rates, an analysis and summary of the existing rates must be completed.

3.1 Existing Rate Structure

The City currently charges a base rate plus a usage charge per 1,000 gallons for both the water and sewer rates, which are summarized in the following table. The existing rate structure does not have different rates for commercial and residential customers, but the City does account for them separately.

Table 3.1: Existing Rate Structure

Monthly Service Charge		
Meter Size	Water	Sewer
¾"	\$ 22.95	\$ 23.83
1"	\$ 32.79	\$ 42.66
1½"	\$ 39.35	\$ 95.32
2"	\$ 71.05	\$ 170.15
3"	\$ 163.96	\$ 381.82
4"	\$ 327.91	\$ 680.82
Monthly Usage Charge per 1,000 gallons		
Block	Water	Sewer ¹
0 to 3,000 gallons	\$ -	\$ -
3,001 to 8,000 gallons	\$ 4.12	\$ 1.61
8,001 to 20,000 gallons	\$ 5.41	\$ 1.61
> 20,001 gallons	\$ 6.83	\$ 1.61

¹ Sewer usage is based upon the average water usage for December, January, February, and March

The monthly usage charges for water are based upon actual meter readings throughout the year, but the monthly usage charges for sewer are based upon the average water usage for the months of December, January, February, and March. Using the average winter usage for the

sewer charges is a very common practice for municipalities across the state as it reflects water usage without the impacts of irrigation, washing cars, etc. However, Census figures indicate 25.4% of the residences and businesses in the community are seasonal and not used during the winter¹. These summer homes and businesses would have no or negligible water usage during the winter, which could be skewing the sewer usage charges for the system. The continued use of the average winter usage for the sewer charges should therefore be considered thoroughly along with any recommendations for potential rate increases.

3.2 Existing Users

The following tables summarize the average number of users by category and meter size for each system. The number of users on each system has remained fairly stable and only increased a small amount each year over the last four fiscal years.

The tables also include a conversion to equivalent dwelling units (EDUs) since most grant and loan programs utilize the EDU methodology to calculate the number of users. EDUs are calculated based upon the size of the water service line. A ¾ inch 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 inch service.

¹ U.S. Census Bureau, *DP-1, Profile of General Population and Housing Characteristics: 2010*, <http://factfinder.census.gov>.

Table 3.2: Water Accounts by Fiscal Year

Type	Size	EDU Factor	FY 2011		FY 2012		FY 2013		FY 2014	
			#	EDUs	#	EDUs	#	EDUs	#	EDUs
Commercial	¾"	1.00	117	117	119	119	120	120	116	116
Commercial	1"	1.79	39	70	35	63	36	64	36	64
Commercial	1½"	2.78	11	31	11	31	12	33	13	36
Commercial	2"	7.14	12	86	12	86	11	79	14	100
Commercial	3"	16.00	1	16	1	16	1	16	1	16
Flat	¾"	1.00	3	3	3	3	2	2	2	2
Residential	¾"	1.00	1,312	1,312	1,318	1,318	1,318	1,318	1,323	1,323
Residential	1"	1.79	33	59	33	59	32	57	31	55
Residential	1½"	2.78	3	8	3	8	3	8	3	8
Residential	2"	7.14	0	0	0	0	0	0	1	7
Usage Only	-	0.00	1	0	1	0	1	0	1	0
Total			1,532	1,701	1,536	1,702	1,536	1,698	1,541	1,729

Table 3.3: Sewer Accounts by Fiscal Year

Type	Size	EDU Factor	FY 2011		FY 2012		FY 2013		FY 2014	
			#	EDUs	#	EDUs	#	EDUs	#	EDUs
Commercial	¾"	1.00	125	125	127	127	128	128	124	124
Commercial	1"	1.79	39	70	36	64	36	64	36	64
Commercial	1½"	2.78	10	28	10	28	11	31	12	33
Commercial	2"	7.14	11	79	11	79	11	79	14	100
Commercial	3"	16.00	1	16	1	16	1	16	1	16
Residential	¾"	1.00	1,362	1,362	1,368	1,368	1,373	1,373	1,377	1,377
Residential	1"	1.79	34	61	34	61	33	59	33	59
Residential	1½"	2.78	3	8	3	8	3	8	3	8
Residential	2"	7.14	0	0	0	0	0	0	1	7
Total			1,585	1,748	1,590	1,751	1,596	1,758	1,601	1,789

3.3 Historical Charges

The following tables summarize actual charges from the last four complete fiscal years for both systems and the average monthly charge for both residential and commercial accounts.

Table 3.4: Water Charges by Fiscal Year

Fiscal Year	Commercial			Residential		
	Charges	EDUs	Avg. Monthly Rate per EDU	Charges	EDUs	Avg. Monthly Rate per EDU
FY 2011	\$ 177,483	322	\$ 45.92	\$ 572,598	1,379	\$ 34.59
FY 2012	\$ 192,680	317	\$ 50.67	\$ 740,147	1,385	\$ 44.52
FY 2013	\$ 200,873	314	\$ 53.25	\$ 633,682	1,384	\$ 38.17
FY 2014	\$ 182,624	335	\$ 45.49	\$ 729,281	1,394	\$ 43.60
Average	\$ 188,415	322	\$ 48.83	\$ 668,927	1,386	\$ 40.22

Table 3.5: Sewer Charges by Fiscal Year

Fiscal Year	Commercial			Residential		
	Charges	EDUs	Avg. Monthly Rate per EDU	Charges	EDUs	Avg. Monthly Rate per EDU
FY 2011	\$ 101,420	317	\$ 26.65	\$ 461,886	1,431	\$ 26.89
FY 2012	\$ 87,934	314	\$ 23.35	\$ 490,559	1,437	\$ 28.44
FY 2013	\$ 89,748	318	\$ 23.55	\$ 464,597	1,440	\$ 26.88
FY 2014	\$ 90,062	338	\$ 22.22	\$ 471,782	1,452	\$ 27.08
Average	\$ 92,291	322	\$ 23.94	\$ 472,206	1,440	\$ 27.33

The water system shows some fluctuation in revenue year to year, particularly in regards to the residential usage. Much of this is likely attributable to the weather and the amount of water used for irrigation each year.

The sewer system revenues show less variation, but the usage for the sewer bills is based only upon the average winter usage and is not affected by seasonal usage patterns. Applying the

winter average usage to the sewer charges throughout the year is a very common practice amongst municipalities but may not be appropriate in Red Lodge. As discussed in Section 3.1, Census figures indicate 25.4% of the residences and businesses in the community are seasonal and not used during the winter. This fact may be artificially lowering the sewer usage on the utility bills compared to actual usage. The potential impact of charging the full usage shown on the water meters for the sewer usage should be analyzed in conjunction with any recommendations for adjusting the sewer rates.

3.4 Target Rate

While it is not required for the City to meet the “target rate” for water and sewer rates as determined by the Montana Department of Commerce (MDOC), a comparison of current user rates to the target rate can be beneficial. The community’s average residential rates must equal or exceed the target rate before the City would be eligible to apply to the Treasure State Endowment Program (TSEP) or the Community Development Block Grant program (CDBG) for grants, and both grants are identified as funding sources in the City’s recently completed CIP.

The MDOC has determined, based on surveying communities that have undergone major upgrades to their water and/or wastewater system, that the “fair share” of cost per user after completing a project should be approximately 0.9 percent of the MHI for wastewater alone, 1.4 percent of the MHI for water only, or 2.3 percent of the MHI for water and wastewater combined

According to the 2010 Census, American Community Survey estimates the City of Red Lodge’s median household income to be \$50,532, and the MDOC has calculated a target rate for the community as shown in the following table.² All costs are in dollars per month.

Table 3.6: Target Rate for Red Lodge

Fund	Target Rate	Historic Average	Difference
Water Only	\$ 58.74	\$ 40.22	\$ 18.52
Wastewater Only	\$ 37.76	\$ 27.33	\$ 10.43
Water and Wastewater	\$ 96.51	\$ 67.55	\$ 28.96

² Montana Department of Commerce, Community Development Division, *Census and Target Rate Info*, <http://comdev.mt.gov/tsep/target2010.aspx>.

The table also provides a comparison of the average historic monthly residential rate versus the calculated target rate. As can be quickly seen, a significant rate increase would be required before the City's rates were at or above the target rate for the community.

3.5 Resort Tax Contribution

In addition to the revenue collected from user charges on each enterprise fund, the City has historically contributed money from the resort tax income to each fund. Specifically, \$100,000 per year has been transferred from resort tax funds to the water fund, and the sewer fund has received \$150,000 per year. The contributions from the resort tax fund to the enterprise funds is intended to help offset a heavier than typical demand on the water and sewer systems due to the large volume of tourists that visit the community each year.

4.0 REVENUE PROJECTIONS

Generally, this study utilizes the methodology described in AWWA Manual M1³ for a cash-needs approach to develop necessary revenue projections for the City's water and sanitary sewer enterprise funds. The cash-needs approach is commonly utilized by government owned utilities and is based upon the principle of projecting revenue needs for the utility for some planning period that can then be used as the basis for the development of a rate structure.

The cash-needs approach typically includes four revenue components: operation and maintenance expenses; specified reserves; debt service payments; and capital expenditures. The following sections will discuss these expenses for the City of Red Lodge's water and sanitary sewer enterprise funds.

4.1 Operation and Maintenance (O&M)

Operation and maintenance (O&M) costs reflect the actual cost to run and maintain the various utilities. Components of the O&M costs include routine items such as wages and benefits for personnel, chemicals and testing, materials and supplies, power or other purchased utilities, permit fees, and general overhead. Expenses excluded from O&M include depreciation, debt obligations, and capital expenditures to extend the useful life of the facilities.

Historical expenses for the last three fiscal years and budgeted expenses for the current fiscal year are summarized in the following tables for both enterprise funds. Expense reports for each system are included in Appendix A. O&M costs are calculated by subtracting capital expenditures and debt service from the overall budget.

The summary of expenses quickly illustrates that both the water and sewer system have realized a significant increase in O&M costs in the last two years. Increases to operation costs include items such as ever rising insurance premiums and increased power and other utility bills. Maintenance costs have also risen every year due to incidences such as more and more frequent breaks in the water mains that are costly to repair.

³ American Water Works Association, *Principles of Water Rates, Fees, and Charges (5th Edition)*, Denver, Colorado, 2000.

Table 4.1: Summary of Water Operating Expenses by Fiscal Year

Expenditure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 Budget
Total Water Expenditures (430510)	\$ 345,197	\$ 452,716	\$ 435,785	\$ 402,974	\$ 476,100
4305 354 Architectural/Engineering	\$ 1,358	\$ 80,683	\$ 58,392	\$ 3,821	\$ 65,000
4305 900 Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
4305 920 Buildings	\$ -	\$ -	\$ -	\$ -	\$ -
4305 934 Drainage/Water Supply & Storage	\$ -	\$ -	\$ -	\$ -	\$ -
4305 940 Machinery & Equipment	\$ -	\$ -	\$ -	\$ -	\$ 5,000
4305 950 Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Expenditures	\$ 1,358	\$ 80,683	\$ 58,392	\$ 3,821	\$ 70,000
Annual O&M Costs (Total Minus Capital)	\$ 343,839	\$ 372,033	\$ 377,393	\$ 399,153	\$ 406,100
Percent Increase	-	8.2%	1.4%	5.8%	1.7%

Table 4.2: Summary of Sewer Operating Expenses by Fiscal Year

Expenditure	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 Budget
Total Sewer Expenditures (430600)	\$ 412,609	\$ 411,672	\$ 420,455	\$ 506,406	\$ 517,502
4306 354 Architectural/Engineering	\$ 23,964	\$ 3,256	\$ -	\$ 8,716	\$ 5,000
4306 900 Capital Outlay	\$ -	\$ -	\$ -	\$ -	\$ -
4306 920 Buildings	\$ -	\$ -	\$ -	\$ -	\$ -
4306 930 Improvements Other than Buildings	\$ -	\$ -	\$ -	\$ -	\$ -
4306 934 Drainage/Water Supply & Storage	\$ -	\$ -	\$ -	\$ -	\$ -
4306 940 Machinery & Equipment	\$ -	\$ -	\$ -	\$ -	\$ 7,500
4306 950 Construction	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Expenditures	\$ 23,964	\$ 3,256	\$ -	\$ 8,716	\$ 12,500
Annual O&M Costs (Total Minus Capital)	\$ 388,645	\$ 408,416	\$ 420,455	\$ 497,690	\$ 505,002
Percent Increase	-	5.1%	2.9%	18.4%	1.5%

The O&M costs for each fund have shown a steady increase over the last four fiscal years, with the sewer fund showing a larger increase in costs due in part to additional testing and other regulatory requirements. The budget established by the City for the current fiscal year is

realistic but does include some conservatism, so it will be utilized for the O&M portion of the revenue projections.

4.2 Reserves

The City has not traditionally accounted for a dedicated reserve fund in the water and sewer funds and has simply transferred revenues exceeding costs to the reserve fund each year. It is generally recommended that a dedicated reserve fund be maintained for each fund to address aging and deterioration of system components. Some communities utilize the calculated depreciation for each system to determine a value for the reserve fund contribution each year. More commonly, communities use a “rule of thumb” and try to put an amount into reserves each year equivalent to at least ten percent of the O&M budget.

The reserve projections will be calculated using this rule of thumb and include ten percent of the O&M budget as a reserve. This method will also add some additional conservatism to the City’s O&M cost estimate used to create the current budget.

4.3 Debt Service

Debt service represents the third major component of the cash-needs approach to projecting necessary revenues. Debt obligations by the City are usually backed by either general obligation bonds or revenue bonds, so annual costs for the debt include reserve requirements in addition to principal and interest payments.

Both the water and sewer fund are currently paying off several loans related to previous capital improvement projects. The following tables summarize the amortization schedule for each fund over the next five years.

Table 4.3: Existing Water Fund Debt

Year	GECC Bond	USDA Bond	SRF Loan	Sewer Intrafund Loan	Total Annual Debt Payment
	Water Plant Project	Water Main Project	2007 Water Main Project	Broadway Avenue Project	
2014	\$ 97,644	\$ 70,724	\$ 229,666	\$ 41,293	\$ 439,327
2015	\$ 97,644	\$ 70,724	\$ 229,666	\$ 41,293	\$ 439,327
2016	\$ 97,644	\$ 70,724	\$ 229,666	\$ 41,293	\$ 439,327
2017	\$ 97,644	\$ 70,724	\$ 229,666	\$ 41,293	\$ 39,327
2018	\$ 97,644	\$ 70,724	\$ 229,666	\$ 41,293	\$ 439,327

Table 4.4: Existing Sewer Fund Debt

Year	Revenue Bond 2002A	Revenue Bond 2002B	SRF Loan	US Bank (ARRA Project)	Total Annual Debt Payment
	Sewer Lagoon Project	Sewer Lagoon Project	Sewer Drain Field	Solar Panels at Lagoons	
2014	\$ 137,400	\$ 14,510	\$ 28,940	\$ 11,406	\$ 192,256
2015	\$ 137,400	\$ 14,510	\$ 27,900	\$ 11,331	\$ 191,141
2016	\$ 137,400	\$ 14,510	\$ 28,840	\$ 11,256	\$ 192,006
2017	\$ 137,400	\$ 14,510	-	\$ 11,181	\$ 163,091
2018	\$ 137,400	\$ 14,510	-	\$ 13,103	\$ 165,013

While some of the debt related to the sewer fund will be retired in 2016, the maximum debt obligation in the next five years will need to be incorporated into any analysis of existing rates and accounted for in any recommendations for potential rate changes.

4.4 Capital Expenditures

The final key component of a cash-needs approach is capital expenditures, which include normal annual (routine) and major capital replacements, expansions, or extensions of existing facilities. The City has not historically included capital expenditures in the calculation of water

and sewer rates. Instead, capital projects have been planned as part of the City's budgeting process utilizing available reserve funds and matching grants as available.

The City finalized an update to its Capital Improvements Plan (CIP) in February 2015⁴. The CIP outlines a very aggressive schedule of needed capital improvements for both the water and sewer systems over the next five years. The proposed financing for these projects in the CIP includes future anticipated debt that will have to be accounted for in any rate calculations.

The following tables summarize the recommended capital projects from the CIP for the water and sewer systems as well as the anticipated debt for each enterprise fund.

Table 4.5: Water System Capital Projects from CIP

Project	Year	Estimated Capital Cost	Anticipated Debt
Replace Generator at Water Plant	2019	\$ 150,000	-
Pressure Reducing Valve on Broadway	2019	\$ 130,000	-
Pressure Reducing Valve on White	2019	\$ 130,000	-
Platt Avenue Water Main Rehabilitation	2019	\$ 50,000	-
Haggin Avenue Water Main Rehabilitation	2019	\$ 2,565,000	-
Haggin Avenue Water Main Extension	2019	\$ 1,080,000	-
2019 Water System Improvements Subtotal	2019	\$ 4,105,000	\$ 288,360

⁴ Interstate Engineering, *Capital Improvements Plan – City of Red Lodge*, February 2015.

Table 4.6: Sewer System Capital Projects from CIP

Project	Year	Estimated Capital Cost	Anticipated Debt
Wastewater Preliminary Engineering Report (PER)	2015	\$ 100,000	\$ 7,374
Purchase of Sewer Jetter Truck	2015	\$ 275,000	-
New Generators (2) at Lift Station	2015	\$ 150,000	-
New Generator at Wastewater Treatment Lagoons	2015	\$ 150,000	-
Siphon Under Rock Creek	2015	\$ 1,600,000	-
Red Lodge North Forec Main Replacement	2015	\$ 977,000	-
2015 Wastewater System Improvements Subtotal	2015	\$ 3,152,000	\$ 221,416
Land Application of Treated Wastewater	2018	\$ 4,000,000	\$ 288,985

5.0 RATE ANALYSIS

The following sections will compare the historical revenues from the existing rate structure against the calculated revenue projections needed by each fund.

5.1 Comparison of Historical Revenue to Revenue Projections

Once the future expenditures for each system have been estimated and the historic revenues quantified, it is a fairly straightforward procedure to them and determine if a rate increase is necessary.

The following table summarized the estimated expenses for both systems, the historical revenue, and then compares them assuming the historic contribution from the resort tax fund is continued. As the table illustrates, the water fund's historic revenues exceed the estimated expenses. The sewer fund revenues are approximately five percent less than the estimated expensed however.

Table 5.1: Water Expenses vs. Revenue

Estimated Annual Expenses	Water	Sewer
Operation and Maintenance (O&M)	\$ 406,000	\$ 505,000
Reserves	\$ 40,600	\$ 50,500
Debt Service	\$ 439,327	\$ 192,256
Capital Expenditures	\$ -	\$ -
Total	\$ 885,927	\$ 747,756
Average Historical Revenue	Water	Sewer
Commercial User Charges	\$ 188,500	\$ 92,300
Residential User Charges	\$ 668,900	\$ 472,200
Transfer from Resort Tax	\$ 100,000	\$ 150,000
Total	\$ 957,400	\$ 714,500
Expenses vs. Revenues	Water	Sewer
Difference	\$ (71,473)	\$ 33,256
Percent Difference	-7.5%	4.7%

If the historic contribution from the resort tax fund was discontinued, both funds would have a revenue shortfall of approximately three percent and thirty two percent, respectively.

Table 5.2: Sewer Expenses vs. Revenue

Estimated Annual Expenses	Water	Sewer
Operation and Maintenance (O&M)	\$ 406,000	\$ 505,000
Reserves	\$ 40,600	\$ 50,500
Debt Service	\$ 439,327	\$ 192,256
Capital Expenditures	\$ -	\$ -
Total	\$ 885,927	\$ 747,756
Average Historical Revenue	Water	Sewer
Base Rate Charges	\$ 188,500	\$ 92,300
Usage Charges	\$ 668,900	\$ 472,200
Transfer from Resort Tax	\$ -	\$ -
Total	\$ 857,400	\$ 564,500
Expenses vs. Revenues	Water	Sewer
Difference	\$ 28,527	\$ 183,256
Percent Difference	3.3%	32.5%

Based upon this comparison, a rate increase for the sewer system charges is necessary, and both systems will require a rate increase to meet anticipated expenses if the contribution from the tax resort fund is discontinued.

5.2 Base Rate versus Usage Charges

While the comparison of historical revenue to estimated expenses shows that an increase to the sewer rates is necessary, there are multiple methods to obtain the additional revenue. The following table summarizes the actual historical sewer usage charges that utilized the average winter water usage for the volume.

Table 5.3: Actual Sewer Usage Charges Using Average Winter Usage

Type	FY 2011	FY 2012	FY 2013	FY 2014	Average
3,000	\$ 40,160.68	\$ 39,936.53	\$ 41,082.21	\$ 39,919.48	\$ 41,000.00
8,001	\$ 15,549.26	\$ 15,133.52	\$ 15,345.72	\$ 16,397.53	\$ 16,000.00
20,001	\$ 45,248.29	\$ 27,658.19	\$ 30,797.05	\$ 35,961.01	\$ 35,000.00
Total	\$ 100,958.23	\$ 82,728.24	\$ 87,224.97	\$ 92,278.02	\$ 92,000.00

The following table calculates what the sewer usage charges would have been if the straight water usage was utilized for the wastewater volume instead of using the average winter usage. As can be seen by the table, this would have generated an estimated additional \$59,000 of revenue per year, which exceeds the estimated shortfall for the sewer system.

Table 5.4: Estimated Sewer Usage Charges without Average Winter Usage

Type	FY 2011	FY 2012	FY 2013	FY 2014	Average
3,000	\$ 40,596.79	\$ 40,868.88	\$ 40,573.93	\$ 40,738.31	\$ 41,000.00
8,001	\$ 28,684.08	\$ 34,891.60	\$ 35,520.95	\$ 31,342.68	\$ 33,000.00
20,001	\$ 63,001.33	\$ 67,923.97	\$ 78,112.37	\$ 95,696.76	\$ 77,000.00
Total	\$ 132,282.20	\$ 143,684.45	\$ 154,207.25	\$ 167,777.75	\$ 151,000.00
Difference	\$ 31,323.98	\$ 60,956.21	\$ 66,982.28	\$ 75,499.73	\$ 59,000.00

Additionally, the usage charges for the sewer system are a consistent \$1.61 per 1,000 gallons regardless of the usage block. Increasing the usage charge for each subsequent usage block similar to the water system charges would generate additional revenue as well.

5.3 Capital Projects Surcharge

A surcharge is a separate fee added onto the rate structure that is accounted for separately from the base rate and usage charges. The purpose of a surcharge is to collect revenue toward a specific cost not covered in the base rate or usage charges. One example of surcharge is financing for large capital projects. If a community is aware of a very large and costly upgrade or rehabilitation that must be completed for the water or sewer utility in the foreseeable future, they may create a surcharge specific to that project to finance upfront work such as planning

and engineering design or to build reserves to reduce future debt. Rate surcharges are further described in Chapter V.3 of AWWA Manual M1.

Given the significant capital cost and associated debt related to recommended capital projects identified in the City's recently updated CIP, creating a capital projects surcharge may be necessary. The water system has had an average of 1,708 EDUs over the last four fiscal years, and the sewer system has had an average of 1,762 EDUs. This means that every dollar assessed as a capital project surcharge would generate an estimated \$20,496 and \$21,132 annually for the water and sewer funds, respectively.

6.0 RECOMMENDATIONS

The following sections summarize recommendations for modifying the existing water and sewer rates and provide an estimate of the impacts to current users if the recommendations are implemented.

6.1 Rate Structure

The City is currently utilizing an increasing block rate consisting of a base rate that includes the first 3,000 gallons of usage and an increasing usage charge for usage blocks of 3,001 to 8,000 gallons, 8,001 to 20,000 gallons, and over 20,000 gallons. The current rates are applied uniformly to residential, commercial, and industrial users. The City wishes to continue utilizing the increasing block rate structure, and as it is working well, this study recommends its continued use.

However, it is recommended that the City modify the base rate for services larger than ¾" diameter based upon the equivalent dwelling unit (EDU) method preferred by the state's funding agencies. EDUs are calculated based upon the size of the water service line. A ¾ inch 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 inch service. The following table illustrates the impact of converting the base rate calculations to an EDU method using the current base rates for a ¾" service.

Table 6.1: Conversion of Base Rate to EDU Method

Service Size	EDU Factor	Water Base Rates			Sewer Base Rates		
		Existing	EDU Method	Difference	Existing	EDU Method	Difference
¾"	1.00	\$ 22.95	\$ 22.95	\$ -	\$ 23.83	\$ 23.83	\$ -
1"	1.79	\$ 32.79	\$ 41.08	\$ 8.29	\$ 42.66	\$ 42.66	\$ (0.00)
1½"	2.78	\$ 39.35	\$ 63.80	\$ 24.45	\$ 95.32	\$ 66.25	\$ (29.07)
2"	7.14	\$ 71.05	\$ 163.86	\$ 92.81	\$ 170.15	\$ 170.15	\$ (0.00)
3"	16.00	\$ 163.96	\$ 367.20	\$ 203.24	\$ 381.82	\$ 381.28	\$ (0.54)
4"	28.57	\$ 327.91	\$ 655.68	\$ 327.77	\$ 680.82	\$ 680.82	\$ 0.00

Converting the base rate to the EDU method will both put the City's rates in line with state funding agency guidelines and provide a demonstrable method of calculating the base rates for consumers.

6.2 Rate Modifications and/or Increases

The comparison of historic revenues versus anticipated costs showed that the current water rates are sufficient to meet the enterprise fund's annual budget. The sewer fund, on the other hand, would require an approximate 5% increase in revenues to meet the anticipated costs moving forward.

It should be kept in mind that both of these scenarios assume the annual contribution from the resort tax fund to the water and sewer enterprise funds is continued. If the resort tax contribution was discontinued, larger rate increases for both funds would be necessary. This analysis does not account for the large number of necessary capital projects identified in the draft CIP either.

The following sections summarize my recommendations for potential rate modifications and/or increases for each fund.

6.2.1 Base Rates

This study does not recommend any increases to the base rates beyond the conversion to an EDU method per the discussion in the previous section.

6.2.2 Usage Rates

Based upon the comparison of historical revenues and anticipated costs, the water rates, including the usage, seem to be sufficient to cover the water system's annual budget. The shortfall between the historical revenue for the sewer fund and the anticipated annual costs could be made up by utilizing the year round water usage instead of the average winter water usage for the sewer bills.

Census figures indicate that 25.4% of the homes may be seasonal or vacation homes and that as many businesses close during the winter. These seasonal residences and businesses would have no or negligible water usage in the winter, which would create an unrepresentative usage on their sewer bills.

Recommendations for the sewer usage charges include the following based upon this.

1. Discontinue the use of the average winter water usage to determine the sewer usage;
2. Create irrigation only water accounts that require a separate water meter but do not have a corresponding sewer bill at the same time to offset the impact to large water users in the summer; and
3. Increase the cost per 1,000 gallons for each increasing usage block similar to the water usage charges.

The following table illustrates the increased cost per block for the sewer usage charge utilizing the same proportions as the water usage rates.

Table 6.2: Adjusted Sewer Usage Rates by Block

Monthly Usage Charge per 1,000 gallons				
Block	Water	Proportion	Current Sewer	Adjusted Sewer
0 to 3,000 gallons	\$ -	-	\$ -	\$ -
3,001 to 8,000 gallons	\$ 4.12	1.00	\$ 1.61	\$ 1.61
8,001 to 20,000 gallons	\$ 5.41	1.31	\$ 1.61	\$ 2.11
> 20,001 gallons	\$ 6.83	1.66	\$ 1.61	\$ 2.67

6.2.3 Capital Increases

The recently updated CIP identifies two capital projects for the sewer system in 2015, a Wastewater Preliminary Engineering Report (PER) and significant wastewater system improvements. The two projects have an estimated capital cost of \$100,000 and \$3,152,000 respectively. Proposed funding for these projects in the CIP includes an INTERCAP loan for the PER and an SRF loan for the wastewater system improvements. These loans would have calculated annual payments of \$7,374 and \$221,416, or a total of \$228,790 annually.

The sewer system has an average of 1,762 EDUs over the last four years. Dividing the anticipated debt by the average number of EDUs yields a required rate increase of \$129.85 per EDU per year (or \$10.82 per month per EDU). This rate increase will need to be incorporated

into any modifications the City makes to the rates if these projects are going to be started in 2015.

6.2.4 Capital Projects Surcharges

In addition to the projects identified for 2015 in the City's updated CIP, the report identifies major water system improvements to be completed in 2019 and the construction of facilities to land apply treated wastewater effluent in 2018. The funding scenarios for these projects included in the CIP utilize loan funding and represent a potentially significant rate increase for both the water and sewer funds in the future

The 2019 water system improvements has an estimated capital cost of \$4,105,000 and is proposed to be financed with a SRF loan resulting in an annual debt payment of \$288,360. Dividing the anticipated loan payment by the four year average of 1,708 EDUs for the water system results in a potential rate increase of \$168.83 per EDU per year (or \$14.07 per EDU per month).

Similarly, the construction of a land application system for treated wastewater has an estimated capital cost of \$4,000,000 and is also proposed to be finance with an SRF loan that would have an annual payment of \$288,985. Dividing the loan payment from the CIP by the four year average of 1,762 EDUS for the sewer system calculates a potential rate increase of \$163.96 per EDU per year (or \$13.66 per EDU per month).

The City Council has expressed a desire to find a way to mitigate and/or graduate these potential rate increases. One option that was discussed and received a favorable response was creating a capital improvements surcharge for each system. Capital improvements surcharges were described in Chapter 5.

Determining an amount for the capital improvements surcharge is somewhat of an arbitrary process that must consider several intangible factors, including the potential impact to customers. Identifying necessary capital costs at some point in the future and amortizing those costs over the time period would be mathematically simple. However, this method would put an inordinate burden on customers, and it would not be appropriate to ask existing customers to wholly finance improvements up front that will be utilized many years into the future. Blending collected reserves with long-term debt distributed over the life of the improvements is a much more equitable approach.

Discussions with the Public Works Committee indicated a desire to graduate the necessary rate increase over the next four years as shown in the following table.

Table 6.3: Monthly Capital Projects Surcharge per EDU

Year	%	Water		Sewer	
		Increase	Cumulative	Increase	Cumulative
Total	100%	\$ 14.07	-	\$ 13.66	-
2016	20%	\$ 2.81	\$ 2.81	\$ 2.73	\$ 2.73
2017	20%	\$ 2.81	\$ 5.63	\$ 2.73	\$ 5.46
2018	30%	\$ 4.22	\$ 9.85	\$ 4.10	\$ 9.56
2019	30%	\$ 4.22	\$ 14.07	\$ 4.10	\$ 13.66

Enacting the rate increases ahead of the identified projects will allow create some reserve funds and allow the City to reduce future borrowing to finance these projects. This will in turn help minimize rates over the long-term by reducing closing costs, interest payments, reserve obligations, and other costs associated with the debt. Accordingly, 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, with the hope that they can be decreased somewhat.

6.2.5 Annual Increase

Similar to the rate study for the water system prepared by HKM in 2007, this study recommends the City building in an annual increase for the rates over the next five years. The annual increase should account for ever increasing O&M cost without requiring the City to update the rate study every year and conduct rate hearings.

The HMK rate study utilized a 3.0% increase to the rates the first year followed by a 2.0% increase for the next four years. The FY 2015 budgets for both the water and sewer funds are projected to increase less than 2.0% over the previous fiscal year, so it is recommended the City continue the use of the 2.0% annual increase to the monthly charges and monthly usage charges at this time.

7.0 CONCLUSIONS AND IMPLEMENTATION SCHEDULE

The following sections present a summary of the proposed rates incorporating the recommendations in Chapter 6 and a potential implementation schedule.

7.1 Proposed Rate Structure

The following tables summarize the proposed rate structure for each system incorporating the recommendations discussed in Chapter 6, including a 2.0% increase annually to the base rate and usage charges.

Table 7.1: Proposed Water Rates

		Current	2015	2016	2017	2018	2019
Base Rate per EDU		-	\$ 22.95	\$ 23.41	\$ 23.88	\$ 24.35	\$ 24.84
Capital Expenses per EDU		-	\$ -	\$ 2.81	\$ 5.63	\$ 9.85	\$ 14.07
Total		-	\$ 22.95	\$ 26.22	\$ 29.51	\$ 34.20	\$ 38.91
Meter Size	EDUs	Monthly Service Charge					
¾"	1.00	\$ 22.95	\$ 22.95	\$ 26.22	\$ 29.51	\$ 34.20	\$ 38.91
1"	1.79	\$ 32.79	\$ 41.08	\$ 46.93	\$ 52.82	\$ 61.23	\$ 69.65
1½"	4.00	\$ 39.35	\$ 91.80	\$ 104.88	\$ 118.03	\$ 136.82	\$ 155.65
2"	7.14	\$ 71.05	\$ 163.86	\$ 187.20	\$ 210.68	\$ 244.22	\$ 277.83
3"	16.00	\$ 163.96	\$ 367.20	\$ 419.50	\$ 472.11	\$ 547.28	\$ 622.59
4"	28.57	\$ 327.91	\$ 655.68	\$ 749.08	\$ 843.02	\$ 977.23	\$ 1,111.71
Block		Monthly Usage Charge per 1,000 gallons					
0 to 3,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,001 to 8,000 gallons		\$ 4.12	\$ 4.12	\$ 4.20	\$ 4.29	\$ 4.37	\$ 4.46
8,001 to 20,000 gallons		\$ 5.41	\$ 5.41	\$ 5.52	\$ 5.63	\$ 5.74	\$ 5.86
> 20,001 gallons		\$ 6.83	\$ 6.83	\$ 6.97	\$ 7.11	\$ 7.25	\$ 7.39

Table 7.2: Proposed Sewer Rates

		Current	2015	2016	2017	2018	2019
Base Rate per EDU		-	\$ 23.83	\$ 24.31	\$ 24.79	\$ 25.29	\$ 25.79
Capital Expenses per EDU		-	\$ 10.82	\$ 13.55	\$ 16.28	\$ 20.38	\$ 24.48
Total		-	\$ 34.65	\$ 37.86	\$ 41.07	\$ 45.67	\$ 50.27
Meter Size	EDUs	Monthly Service Charge					
¾"	1.00	\$ 23.83	\$ 34.65	\$ 37.86	\$ 41.07	\$ 45.67	\$ 50.27
1"	1.79	\$ 42.66	\$ 62.02	\$ 67.76	\$ 73.52	\$ 81.75	\$ 89.99
1½"	4.00	\$ 95.32	\$ 138.60	\$ 151.43	\$ 164.29	\$ 182.67	\$ 201.10
2"	7.14	\$ 170.15	\$ 247.40	\$ 270.30	\$ 293.26	\$ 326.07	\$ 358.96
3"	16.00	\$ 381.82	\$ 554.40	\$ 605.71	\$ 657.16	\$ 730.70	\$ 804.39
4"	28.57	\$ 680.82	\$ 989.95	\$ 1,081.56	\$ 1,173.45	\$ 1,304.75	\$ 1,436.34
Block		Monthly Usage Charge per 1,000 gallons					
0 to 3,000 gallons		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,001 to 8,000 gallons		\$ 1.61	\$ 1.61	\$ 1.64	\$ 1.68	\$ 1.71	\$ 1.74
8,001 to 20,000 gallons		\$ 1.61	\$ 2.11	\$ 2.15	\$ 2.20	\$ 2.24	\$ 2.28
> 20,001 gallons		\$ 1.61	\$ 2.67	\$ 2.72	\$ 2.78	\$ 2.83	\$ 2.89

7.2 Estimated Impact

Per MCA guidelines, the estimated impact from proposed rate increases must be calculated and evaluated to insure the rate increase is "reasonable and just". The following table calculates the monthly rate assuming 6,000 gallons of usage for a typical residential service under the current and proposed rate structures. The table also presents the current target rate for the community for reference and comparison.

Table 7.3: Estimated Impact of Proposed Rates on Residential Service

Fund	Current	2015	2016	2017	2018	2019	Current 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
Water and Sewer	\$ 63.97	\$ 74.79	\$ 81.61	\$ 88.46	\$ 98.12	\$ 107.79	\$ 96.51
Increase Over Current	-	\$ 10.82	\$ 17.64	\$ 24.49	\$ 34.15	\$ 43.82	-

As clearly illustrated in the table, the recommended capital projects from the City's CIP result in a significant increase in the user rates for both systems. The City is encouraged to explore available grant funding sources to help reduce the capital expenditures as much as possible, although the community will not be eligible for many of these programs until the average user rate meets or exceeds the target rate.

In addition, the table does not include a comparison of rates for the commercial and/or larger service sizes as the usage related to these services fluctuates greatly depending up the use of the specific service. Rate increases for the larger services have been calculated using the same methodology as the base rate increase and are proportional. However, the rate increases are more significant due to the EDU conversion factors. Two things the City can do to help mitigate the significance of the rate increases for larger services include:

1. Establishing irrigation water service categories that do not have an associated sewer charge; and
2. Working with individuals with larger services to determine if a smaller meter would adequately serve their need.

7.3 Proposed Implementation Schedule

Before the proposed rate structure can be implemented, there are several steps that must be completed. The following table presents a potential implementation schedule to finalize the rate study and enact the proposed rate structure.

Table 7.4: Implementation Schedule

Task	Date
Submit Final Draft Study to City Council for Review & Comment	March 10, 2015
Finalize Rate Study per Review Comments	March 30, 2015
Hold Public Forum on Proposed Rate Increases	April 9, 2015
Conduct Public Hearing	April 28, 2015 ¹
Implement New Rate Structure	July 1, 2015 ¹

¹ *Tentative Dates*

Utility rates are not meant to be static for long periods of time, and the proposed water and sewer rates should be periodically updated if they are approved and enacted. At a minimum, 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.

APPENDIX A

FY 2015 BUDGETS

11/10/14
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CITY OF RED LODGE
Expenditure Budget Report -- MultiYear Actuals
For the Year: 2014 - 2015

Page: 1 of 2
Report ID: B2400

Object	Actuals				Current Budget	% Exp. Budget	Prelim. Budget	Budget Changes	Final Budget	% Old Budget
	10-11	11-12	12-13	13-14						
100 Personal Services	207,155	217,711	227,418	232,781	268,121	87%	220,572	0	220,572	82
142 Workers' Compensation		3,675	6,295	6,546	7,000	94%	7,000	0	7,000	100
210 Office Supplies & Materia	2,252	1,465	1,971	2,368	4,000	58%	2,000	0	2,000	50
214 Postage	3,321	3,067	3,081	3,216	3,500	92%	3,500	0	3,500	100
221 Agriculture & Horticultur					0	***	2,000	0	2,000	***
222 Chemical & Medical Suppli	8,371	10,611	9,133	9,201	9,201	100%	10,000	0	10,000	109
223 Food			25		0	***	0	0	0	0
224 Janitorial Supplies					503	0%	0	0	0	0
226 Clothing and Uniforms	583	1,117			1,000	0%	0	0	0	0
228 Educational Supplies					600	0%	528	0	528	88
229 Other Operating Supplies	2,386	1,340			2,000	0%	1,000	0	1,000	50
231 Gas, Oil, Diesel Fuel, Gr	8,083	9,666	7,696	7,830	10,000	78%	9,000	0	9,000	90
232 Motor Vehicle Parts	2,062	7,824	5,920	4,302	10,000	43%	5,000	0	5,000	50
233 Machinery & Equipment Par	31,343	36,156	35,351	25,956	40,000	65%	20,000	0	20,000	50
234 Painting Supplies		381		330	1,000	33%	900	0	900	90
235 Plumbing Supplies			1,040	38	1,000	4%	900	0	900	90
236 Electrical Supplies	705	165	568	2,950	1,000	0%	1,200	0	1,200	120
237 Tools					10,000	0%	2,951	0	2,951	68
238 Repair Parts for Water an	1,591	4,391		446	8,000	6%	4,500	0	4,500	45
239 Tires	554				1,000	0%	2,000	0	2,000	25
242 Sign Parts & Supplies			1,079	1,301	5,000	26%	0	0	0	0
243 Sand & Gravel				344	345	100%	0	0	0	0
244 Radio Parts & Batteries		98			345	100%	0	0	0	0
331 Publication of Formal & L	3,055	4,420	3,514	3,415	2,000	19%	2,000	0	2,000	100
335 Membership & Registration	35,608	35,335	37,292	37,986	5,000	68%	3,000	0	3,000	60
341 Electric & Gas Utility Se	1,117	1,160	1,475	2,008	40,000	95%	39,000	0	39,000	98
345 Telephone & Telegraph	593	661	792	585	3,000	67%	3,000	0	3,000	100
346 Cellular Phone	599	694	1,068	419	2,000	29%	1,500	0	1,500	75
347 Internet	838	638	217		1,500	28%	2,000	0	2,000	133
352 Legal Services	2,999	3,000		1,213	5,000	0%	3,000	0	3,000	60
353 Accounting and Auditing	1,358	80,683	58,392	3,821	3,000	40%	3,000	0	3,000	100
354 Architectural/Engineering	4,105	3,369	4,001	3,318	33,095	12%	65,000	0	65,000	196
355 Computer Technical Suppor	1,438	1,970	1,557	1,993	5,000	66%	4,000	0	4,000	80
359 Other Professional Servic	706	1,903	1,404	591	3,000	66%	3,000	0	3,000	100
361 Motor Vehicle	1,749	130	153	1,589	2,000	30%	2,000	0	2,000	100
362 Equipment Repair		2,850			5,000	32%	5,000	0	5,000	100
365 Grounds Maintenance	3,759	294	2,128	13,761	1,000	0%	0	0	0	0
366 Building Maintenance	458				13,761	100%	3,000	0	3,000	22
367 Plumbing, Heating, & Elec	1,163	150	3,260	1,153	1,000	0%	0	0	0	0
368 Roads and Streets					3,000	38%	4,000	0	4,000	133
380 Training Services					0	***	18,500	0	18,500	***
390 Other Purchased Services	4,424	3,173	3,102	5,800	5,000	100%	2,000	0	2,000	40
396 Porta-pottie Rental		424			2,000	0%	5,000	0	5,000	86
397 Contract Payments	2,095	10,727	15,691	27,343	2,000	0%	0	0	0	0
416 Cement & Concrete Supplie					0	***	0	0	0	0
452 Gravel and Sand					27,344	100%	9,000	0	9,000	33
471 Asphalt & Asphalt Filler					1,500	0%	2,000	0	2,000	133
810 Losses (Bad Debt Exp-Ente					79,730	0%	5,000	0	5,000	6
940 Machinery & Equipment					216,784	0%	0	0	0	0
950 Construction										
Grand Total:	345,197	452,716	435,785	402,974	852,735		476,100	0	476,100	

CITY OF RED LODGE
Expenditure Budget Report -- MultiYear Actuals
For the Year: 2014 - 2015

Object	Actuals				Current			% Exp.	Prelim. Budget	Budget Changes	Final Budget	% Old Budget
	10-11	11-12	12-13	13-14	13-14	13-14	14-15					
100 Personal Services	233,766	231,756	247,549	277,278	277,278	277,279	100%	268,972	0	268,972	97	
142 Workers' Compensation		5,855	7,803	9,732	9,732	9,732	100%	9,800	0	9,800	101	
210 Office Supplies & Materia	1,427	1,262	1,219	2,135	2,135	2,136	100%	1,000	0	1,000	47	
214 Postage	3,012	2,887	2,899	3,454	3,454	3,454	100%	3,000	0	3,000	87	
221 Agriculture & Horticultur							0	8,208	0	8,208	*****	
222 Chemical & Medical Suppli	7		550				0	1,000	0	1,000	*****	
224 Janitorial Supplies					2		3	67%	0	0	0	
226 Clothing and Uniforms	500	903					0	500	0	500	*****	
228 Educational Supplies	59						0	0	0	0	0	
229 Other Operating Supplies		2,854					0	0	0	0	0	
231 Gas, Oil, Diesel Fuel, Gr	7,997	9,554	8,005	7,779	7,779	7,779	100%	10,000	0	10,000	129	
232 Motor Vehicle Parts	1,605	6,264	4,602	7,226	7,226	7,227	100%	6,000	0	6,000	83	
233 Machinery & Equipment Par	16,100	21,341	19,721	58,288	58,288	58,289	100%	20,322	0	20,322	35	
234 Painting Supplies	160			336	336	336	100%	0	0	0	0	
235 Plumbing Supplies			2,057				4	75%	2,000	0	2,000	50000
236 Electrical Supplies	3,274		188	528	528	529	100%	5,000	0	5,000	945	
237 Tools	265			4,332	4,332	4,332	100%	1,000	0	1,000	23	
239 Tires	1,531	2,724		1,378	1,378	1,378	100%	3,000	0	3,000	218	
242 Sign Parts & Supplies	554						0	0	0	0	0	
243 Sand & Gravel				1,301	1,301	1,302	100%	0	0	0	0	
244 Radio Parts & Batteries				344	344	345	100%	0	0	0	0	
331 Publication of Formal & L		299	653	226	226	227	100%	1,000	0	1,000	441	
335 Membership & Registration	3,025	5,025	7,126	8,725	8,725	8,725	100%	10,000	0	10,000	115	
341 Electric & Gas Utility Se	32,920	47,087	53,492	59,731	59,731	59,731	100%	60,000	0	60,000	100	
345 Telephone & Telegraph	1,117	1,160	1,474	2,008	2,008	2,009	100%	2,000	0	2,000	100	
346 Cellular Phone	578	661	792	632	632	632	100%	1,500	0	1,500	237	
347 Internet	599	599	626	395	395	396	100%	1,500	0	1,500	379	
351 Medical, Dental, Veterina							0	1,000	0	1,000	*****	
353 Accounting and Auditing	3,988	5,000		1,213	1,213	1,213	100%	4,500	0	4,500	371	
354 Architectural/Engineering	23,964	3,256		8,716	8,716	8,717	100%	5,000	0	5,000	57	
355 Computer Technical Suppor	3,218	2,627	3,706	3,358	3,358	3,358	100%	5,000	0	5,000	149	
356 Consultant's Services							0	7,500	0	7,500	*****	
359 Other Professional Servic	30,560	40,973	40,654	35,068	35,068	35,069	100%	47,000	0	47,000	134	
361 Motor Vehicle	564	904	2,693	2,380	2,380	2,380	100%	3,500	0	3,500	147	
362 Equipment Repair	1,057	13	163	75	75	75	100%	500	0	500	667	
366 Building Maintenance	327			17	17	17	100%	0	0	0	0	
367 Plumbing, Heating, & Elec	27,126	8,484	6,816	8,933	8,933	8,934	100%	8,000	0	8,000	90	
368 Roads and Streets	1,558			50	50	50	100%	0	0	0	0	
380 Training Services	898		557	763	763	763	100%	700	0	700	92	
396 Porta-pottie Rental		8,330					0	0	0	0	0	
397 Contract Payments	10,520	1,345	6,246				0	9,000	0	9,000	*****	
425 Small Hardware, Wire & Na	333			765	765	765	100%	1,000	0	1,000	*****	
452 Gravel and Sand							0	0	0	0	0	
471 Asphalt & Asphalt Filler		509					0	1,500	0	1,500	*****	
810 Losses (Bad Debt Exp-Ente			99				0	7,500	0	7,500	*****	
940 Machinery & Equipment							0	0	0	0	0	
Grand Total:	412,609	411,672	420,455	506,406	506,406	506,421		517,502	0	517,502		



HELENA

PO Box 4817
2501 Belt View Drive
Helena, MT 59604
PHONE 406.449.8627
FAX 406.449.8631

BILLINGS

115 N. Broadway
Suite 500
Billings, MT 59101
PHONE 406.652.5000
FAX 406.248.1363

Water/Wastewater ▪ Transportation ▪ Grant Administration ▪ Development ▪
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