



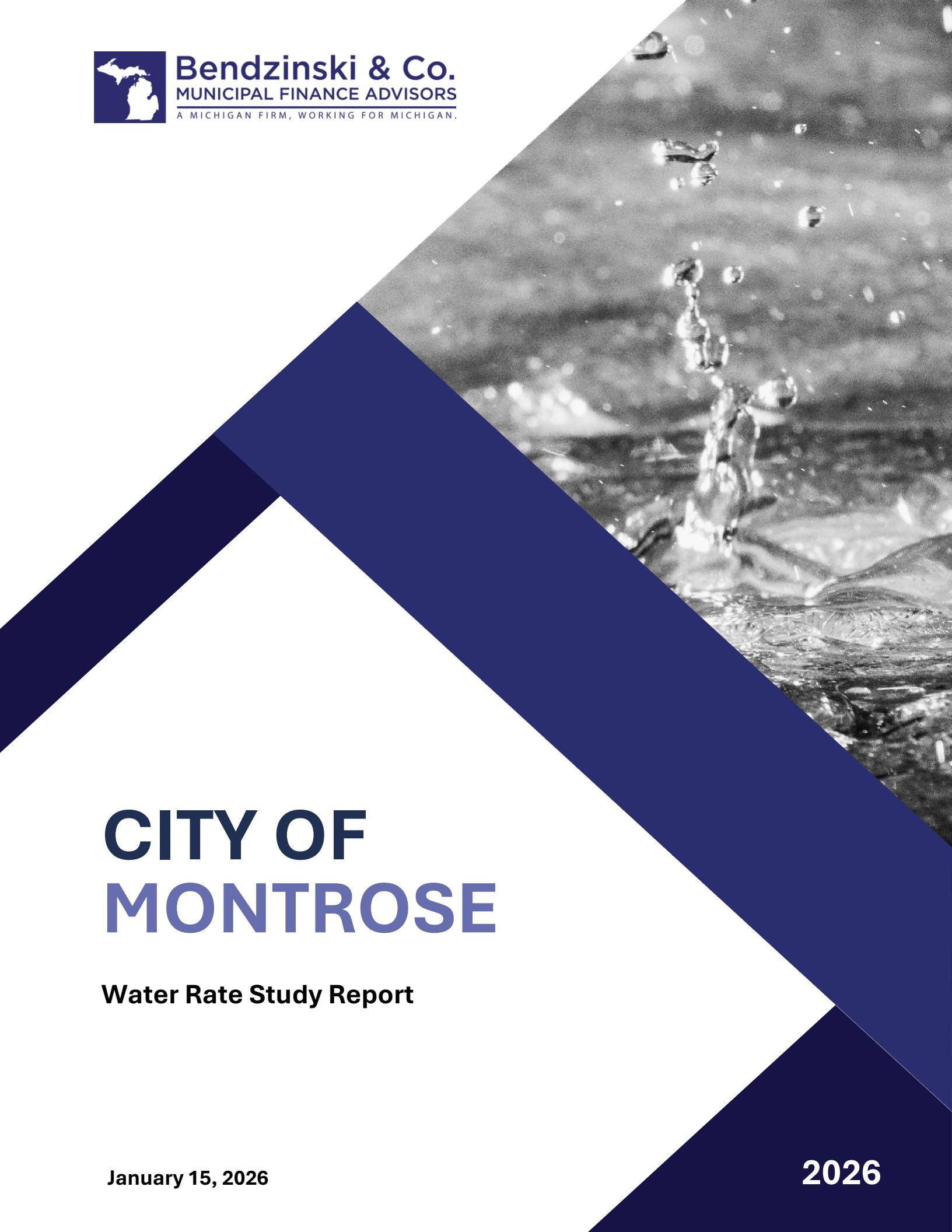
Bendzinski & Co.
MUNICIPAL FINANCE ADVISORS
A MICHIGAN FIRM, WORKING FOR MICHIGAN.

CITY OF MONTROSE

Water Rate Study Report

January 15, 2026

2026



City of Montrose – Water Rate Study

January 15, 2026

City of Montrose
139 S. Saginaw Street
Montrose, MI 48457

Subject: City of Montrose (Michigan) Water Fund – Rate Study

Dear City of Montrose:

It has been a pleasure working with you on this analysis of your Water Fund. A rate study is not a historical document, but rather it should be used as living reference for current and future budgeting and decision-making. Bendzinski & Co. is available to discuss the study at any point in the future.

This study is performed on the “cash basis” of ratemaking, as described in the American Water Works Association (“AWWA”) M1 Manual of Rate Making Practices. It is also performed with Michigan standards and case laws (specifically Bolt v. Lansing) in mind. The rates and charges must reflect the customer base being served, and much be “regulatory in nature” and not “revenue generating”. As such, the rate study found in these pages is unique to your community. The goal of every rate study we perform is to develop a rate structure and revenues that meet the needs of operations, maintenance, and capital improvements of the system, while also being economical and equitable to the customers.

By acceptance of this study, the City Council understands and accepts the responsibility and liability for potential challenges to the rate structure and management of the funds. Rate studies, while often based on various methods, industry guidelines and case laws, do not follow a clear Michigan law. In addition, state law and case laws do not provide any comprehensive guidance regarding methodologies, required rate structures or management of fund balance requirements. Bendzinski & Co. is relying on City officials, and other sources, who have access to relevant data to provide accurate information. The City accepts that fund management and rate adjustment recommendations are inherently subject to estimations and projections and, as such, no assurance is provided regarding the actual performance of the funds over time. The City is advised to seek legal counsel regarding the implementation of any recommendations as to the required legal processes, resolutions and/or ordinances needed.

Thank you very much for the opportunity to help with this endeavor. Do not hesitate to reach out if you would like to further discuss the analysis or findings.

Sincerely,



Andy Campbell, CPA
Registered Municipal Advisor

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Executive Summary

1.1 Community Background

The City of Montrose (the “City”) is located in Genesee County, Michigan. It is 0.98 square miles and has a population of approximately 1,743 (2020 Census). The City’s drinking water comes from the Genesee County Water System. The County pulls the fresh water from Lake Huron and is treated at their water plant before distributed to each municipality on the system.

Source: Water Quality Report

1.2 Discussion and Analysis

Operating & Maintenance Expenses

The City is not insulated from the inflationary pressures happening. Supplier charges, utilities, wages, healthcare, and supplies have risen significantly in the past few years.

User Growth

The City is not currently estimating future growth in the customer base on the system.

Current Debt Payments

The Water Fund currently pays on three bond issues. The Water Supply System Revenue Bonds, Series 2014A can be refunded or paid down at any time. The Water Supply System Junior Lien Revenue Bond, Series 2023, cannot be refunded or paid down at any time. The average annual bond and interest payments for the current outstanding debt are around \$87,000 a year.

Capital Improvements

Over the next 10 fiscal years, the City is anticipating cash-funding and debt-funding around \$4,200,000 of projects. The projects include Lead Service Line replacements and water main replacements.

User Rates

Since the City is not currently cash flow positive after paying debt and has future capital needs with a small cash reserve, we are recommending an immediate rate increase. Since an immediate rate increase is needed, we are presenting two different scenarios that will help the City get in a healthy position. Scenario One is a three-year plan increase of \$4.00 to the ready to serve charge and \$1.75 to the commodity charge, for fiscal years 2026/27 through 2028/29. Then, starting in fiscal year 2029/30, annual inflationary increases of 4.0%. Scenario Two is a one-time increase of \$8.25 to the ready to serve charge and \$3.50 to the commodity charge, in fiscal year 2026/27. Then, starting in fiscal year 2027/28, annual inflationary increases of 4.0%. This will help the City build up cash reserves over the forecasted period, continuously pay outstanding debt, and help debt-fund and cash-fund future capital improvements.

Information and Assumptions

A significant effort has been made by the City to gather needed background information related to current revenues and expenses, as well as helping with our forecast of future revenues and expenses. Also, the community has put significant effort in developing a capital improvement plan to maintain and improve the system. The rate study is a four-step process: 1) historical comparison with audits and budgets, 2) test year, or normalized budget year, along with inflation assumptions for purposes of forecasting, 3) proof of rate to revenue for reliance on customer data, and 4) cash flow forecast including revenues, operating expenses, capital improvements (cash and debt funded), and cash reserves. The analysis is a “cash basis” approach as described in the AWWA M1 Manual of Rate Making Practices.

Key Information Provided

- Audited comprehensive annual financial statements for FYE 2022, FYE 2023, and FYE 2024.
- Actual Revenue and Expenditure Report for FYE 2024, and FYE 2025 provided by the City.
- Budgeted Revenue and Expenditure Report for FYE 2026, provided by the City.
- Water Fund cash balance as of June 30, 2025, provided by the City.
- Capital Improvement Plan (CIP), provided by the Fleis & Vandenbrink.

Key Assumptions

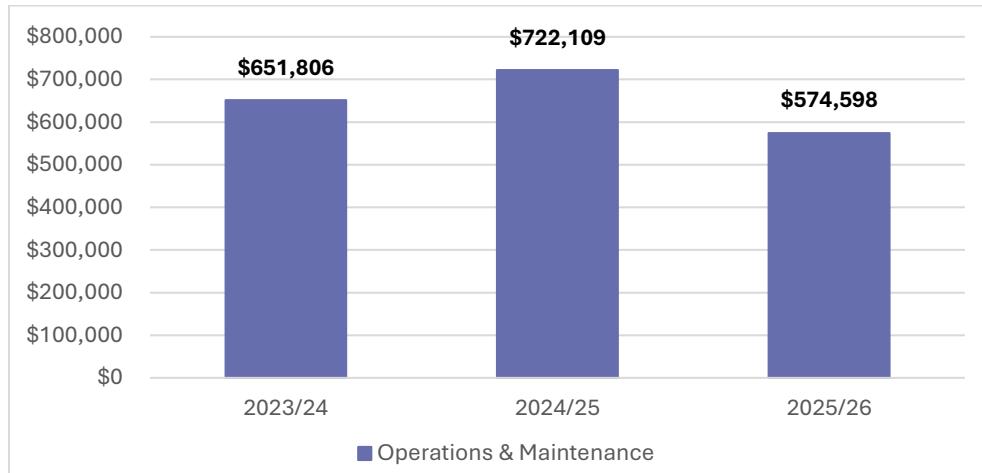
- User rates should not only cover operating expenses, but also support future system maintenance, capital improvements, and debt service payments.
- The City will follow AWWA guidelines.
- The budgeted amount for other revenue in FYE 2026 will be consistent in future years.
- The City will conduct all capital improvement projects forecasted by Fleis & Vandenbrink.
- No new major customers will be connecting to the system.

Operations & Maintenance Expenses

2.1 Historical Operations & Maintenance (“O&M”) Expenses

Historical O&M expenses are examined to identify trends and any outlier expenses. The City has experienced a fluctuation in expended over the last 3 years due to one-times costs with contracted services. For a detailed breakdown of O&M expenses, please refer to Appendix A.

TABLE 2-1: EXPENSE HISTORY & CURRENT BUDGET



2.2 Test Year

A test year is a normalized year used as a baseline for forecasting future operations and maintenance expenses. Historical actuals are reviewed to identify trends, outliers, or one-time expenses. Concerns about specific line-item expenses are discussed with City officials to establish what these costs would typically be in a normal year. Adjustments are then made to these line items to better reflect a normalized year, which is used as the basis for forecasting future years.

2.3 Inflation Assumptions

After establishing the test year, it is important to recognize that the test year is only a normalized year, and those normalized expense assumptions will change over time. The subsequent step involves adjusting the test year expenses to account for annual inflation. Given that expenses are unlikely to remain constant over the forecast period, this adjustment reflects anticipated cost increases over time. The table below outlines the inflationary assumptions applied in the report.

TABLE 2-3: INFLATION ASSUMPTIONS

Category	Inflation Assumption
Wages	4.0%
Benefits	4.0%
Supplier Charges	4.0%
Utilities	4.0%
Supplies	4.0%

Debt Service

3.1 Debt Limitation

The City is subject to the State of Michigan debt limitation of 10% State Equalized Value (SEV), however, Act 94 of 1933 allows communities to issue bonds secured by the revenues of the system and because the security is system revenues (as opposed to the City's taxing ability) these bonds do not count towards the debt limit. Since the Water Fund can issue bonds under Act 94 of 1933, the 10% of the SEV debt limit is not a concern related to the Water Fund utilizing debt to finance projects.

3.2 Existing Debt Service

The City currently has three existing bond issues the Water Fund is contributing to. The final principal and interest payment on the Water Supply System Revenue Bonds, Series 2014A, is June 1, 2054. These bonds can be refunded or paid down at any time. The final principal and interest payment for the 2021 Installment Purchase Agreement is July 1, 2030. Lastly, the final principal and interest payment for the Water Supply System Junior Lien Revenue Bond, Series 2023, is April 1, 2054. These bonds can't be refunded or paid down at any time. The City's complete debt service schedule is included in Appendix B of this report.

TABLE 3-2: WATER FUND SCHEDULE OF EXISTING DEBT SERVICE

Year	2014 USDA Rev Bonds	2021 IPA	2023 DWSRF Rev Bonds	Total
2025/26	\$28,785	\$25,313	\$33,713	\$87,810
2026/27	29,428	25,031	33,038	87,496
2027/28	29,043	24,750	32,363	86,155
2028/29	28,658	24,469	31,688	84,814
2029/30	29,273	24,188	31,013	84,473
2030/31	28,860	23,906	30,338	83,104
Total	\$174,045	\$147,657	\$192,150	\$513,852

Capital Improvement Plan

4.1 Capital Improvement Plan (CIP)

Capital improvements are larger, one-time expenses that are separate from ongoing operations and maintenance expenses. It is beneficial to plan for these potential costs in advance and develop a detailed capital improvement plan. Starting in fiscal year 2027/28 and ending in fiscal year 2038/39, the City plans on cash-funding \$60,000 (plus inflation) on Lead Service Line replacements. In fiscal year 2028/29, the City anticipates debt-funding around \$800,000 of water main replacements. The goal is to debt-fund a couple water main replacement projects every 3-4 fiscal years. The City's complete capital improvement schedule is included in Appendix C of this report

TABLE 4-1: CAPITAL IMPROVEMENT PLAN SUMMARY

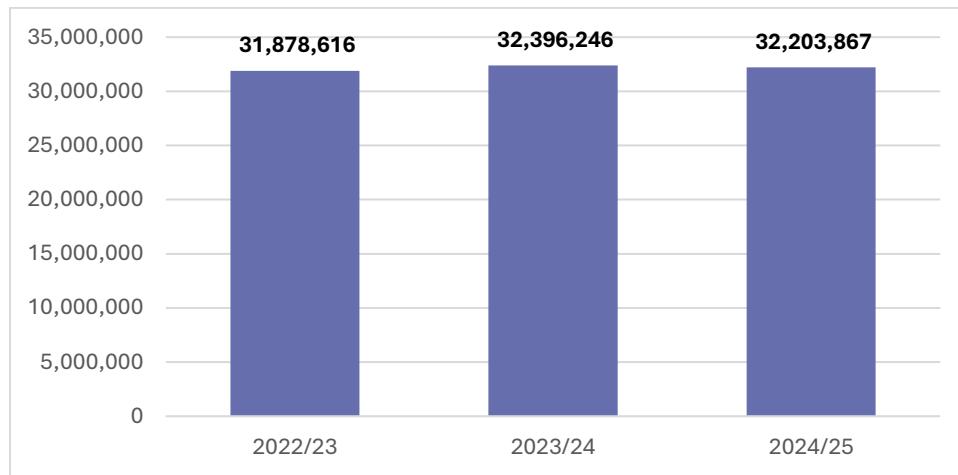
Year	Cash-Funded Capital Improvements	Debt-Funded Capital Improvements	Total
2025/26	-	-	-
2026/27	-	-	-
2027/28	\$66,150	-	\$66,150
2028/29	69,458	\$799,618	869,075
2029/30	72,930	-	72,930
2030/31	76,577	-	76,577
Total	\$285,115	\$799,618	\$1,084,733

Revenues & Cash Flow

5.1 Usage & Customers

Over the last three years, the City has had steady water usage levels. The City does not anticipate an increase or decrease in usage levels in future years. The graph below shows the total water billable flow for the system.

TABLE 5-1A: WATER GALLONS BILLED



The City serves 647 metered customer accounts. The table below shows the breakout of customers by meter size for the City.

TABLE 5-1B: METER COUNT BY METER SIZE

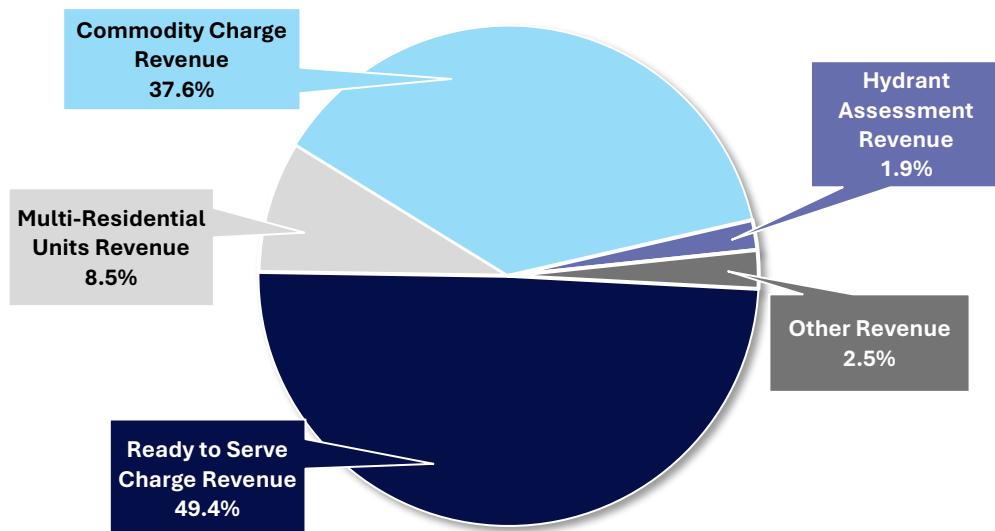
Meter Size	Meter Count
5/8"	616
1"	13
1 1/2"	7
2"	7
3"	4
Total Meter Count	647

5.2 Revenue

The City charges user rates based on their meter size and their usage. Usage charges are based on usage and are typically seen as the most equitable way to allocate costs to customers. Since these charges are based on the number of gallons used by the customers, they can have more variation and risk to the system. Since there are still fixed costs the system needs to cover regardless of the number of gallons used, a meter charge is billed. The monthly fixed “ready to serve charge” is assessed to all customers ensuring revenue flow for ongoing costs and maintenance. The multi-residential units are all charged the base monthly fixed ready to serve charge.

Along with revenue from user rates, the City is conservatively projecting about \$28,655 annually in other revenue. This revenue is not generated from user rates and primarily comes from hydrant assessments, interest and penalties. The forecast assumes these additional revenue sources will remain stable in the future. The chart below demonstrates how much revenue is derived from each charge.

TABLE 5-2: REVENUE BY USER RATE CATEGORY



5.3 Current Rates (FY 2025/26)

The current rate structure adheres to common industry practices, consisting of a two-part rate structure that is comprised of a ready to serve charge based on meter size, and a consumption-based rate calculated according to the total water usage during the billing period. Table 5-3A below displays the current monthly customer charge for City water customers based on the customer's meter size. All multi-residential units are charged the monthly base 5/8" meter size. Table 5-3B shows the current commodity charge (per 1,000 gallons) charged to all City customers.

TABLE 5-3A: CURRENT MONTHLY READY TO SERVE CHARGE

Meter Size	Meter Charge	Meter Ratio
5/8"	\$34.25	1.00
1"	34.25	1.00
1 1/2"	171.25	5.00
2"	274.00	8.00
3"	513.75	15.00

TABLE 5-3B: CURRENT MONTHLY COMMODITY CHARGE

Metered	Charge
Commodity Charge (per 1,000 gal.)	\$7.58

5.4 Proposed Rates

The revenue needs to support operations and maintenance costs, current debt payments, and future capital improvements while maintaining an adequate cash reserve. Since a large rate increase is needed, we are presenting two different scenarios that help the City get in a healthy position at the end of the projection period. The first scenario shows a smaller three-time increase of \$4.00 to the ready to serve charge and \$1.75 to the commodity charge, for fiscal years 2026/27 through 2028/29. Then starting in fiscal year 2029/30, an annual inflationary increase of 4.0%. The second scenario shows a larger one-time increase of \$8.25 to the ready to serve charge and \$3.50 to the commodity charge, in fiscal year 2026/27. Then starting in fiscal year 2027/28, an annual inflationary increase of 4.0%. Please see Appendix E for a full breakout of the meter ratios, ready to serve charge, and commodity charge. Tables 5-4A demonstrate our recommended rates for scenario one and table 5-4B demonstrates our recommended rates for scenario two.

TABLE 5-4A: SCENARIO ONE - PROPOSED RATE CHANGES

Adjustment	2026/27	2027/28	2028/29	2029/30	2030/31
Ready to Serve Charge (monthly) [1]	\$38.25	\$42.25	\$46.25	\$48.10	\$50.02
Commodity Charge (per 1,000 gal.)	9.33	11.08	12.83	13.34	13.88

[1] This table only reflects the 5/8" and 1" meter ready to serve charge. See Appendix E for the full schedule of user rates.

City of Montrose – Water Rate Study

TABLE 5-4B: SCENARIO TWO - PROPOSED RATE CHANGES

Adjustment	2026/27	2027/28	2028/29	2029/30	2030/31
Ready to Serve Charge (monthly) [1]	\$42.50	\$44.20	\$45.97	\$47.81	\$49.72
Commodity Charge (per 1,000 gal.)	11.08	11.52	11.98	12.46	12.96

[1] This table only reflects the 5/8" and 1" meter ready to serve charge. See Appendix E for the full schedule of user rates.

The City customers are all billed monthly. With the above proposed rates for scenario one and two, the tables below outline estimates of a typical homeowner's monthly bill based on 4,500 gallons of usage. Table 5-4C represents scenario one and table 5-4D represents scenario two.

TABLE 5-4C: SCENARIO ONE - TYPICAL HOMEOWNER'S TOTAL MONTHLY BILL

Homeowner Type	2026/27	2027/28	2028/29	2029/30	2030/31
Metered [1]	\$80.24	\$92.11	\$103.99	\$108.14	\$112.47

[1] Assumes 5/8" and 1" meter size and 4,500 gallons/month.

TABLE 5-4D: SCENARIO TWO - TYPICAL HOMEOWNER'S TOTAL MONTHLY BILL

Homeowner Type	2026/27	2027/28	2028/29	2029/30	2030/31
Metered [1]	\$92.36	\$96.05	\$99.90	\$103.89	\$108.05

[1] Assumes 5/8" and 1" meter size and 4,500 gallons/month.

5.5 Rate Impact Summary

For scenario one, the proposed rate track results in an increase of \$11.88 to a typical City homeowner's monthly bill in fiscal years 2026/27 through 2028/29. Then an average annual inflationary increase of \$4.24 to a typical City homeowner's monthly bill starting in fiscal year 2029/30. For scenario two, the proposed rate track results in an increase of \$24.00 to a typical City homeowner's monthly bill in fiscal year 2026/27. Then an average annual inflationary increase of \$3.92 to a typical City homeowner's monthly bill starting in fiscal year 2027/28. For both scenarios, the monthly bill assumes a 5/8" and 1" meter size for the ready to serve charge, and 4,500 gallons of usage per month.

TABLE 5-5A: SCENARIO ONE - TYPICAL CITY HOMEOWNER'S MONTHLY BILL BREAKDOWN

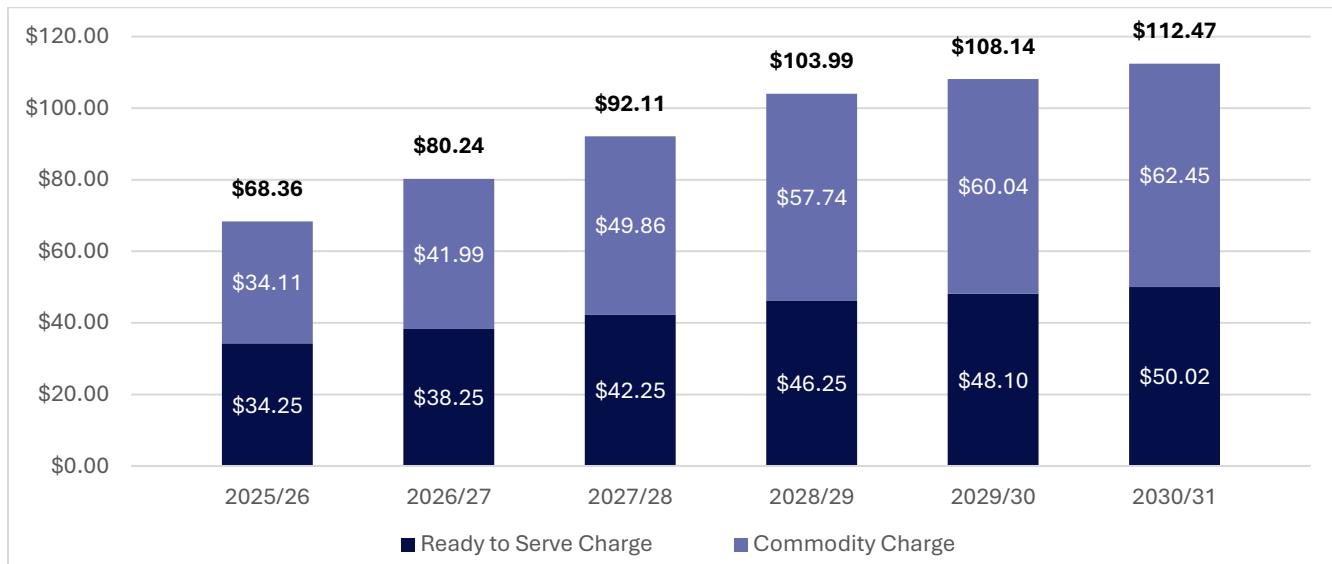
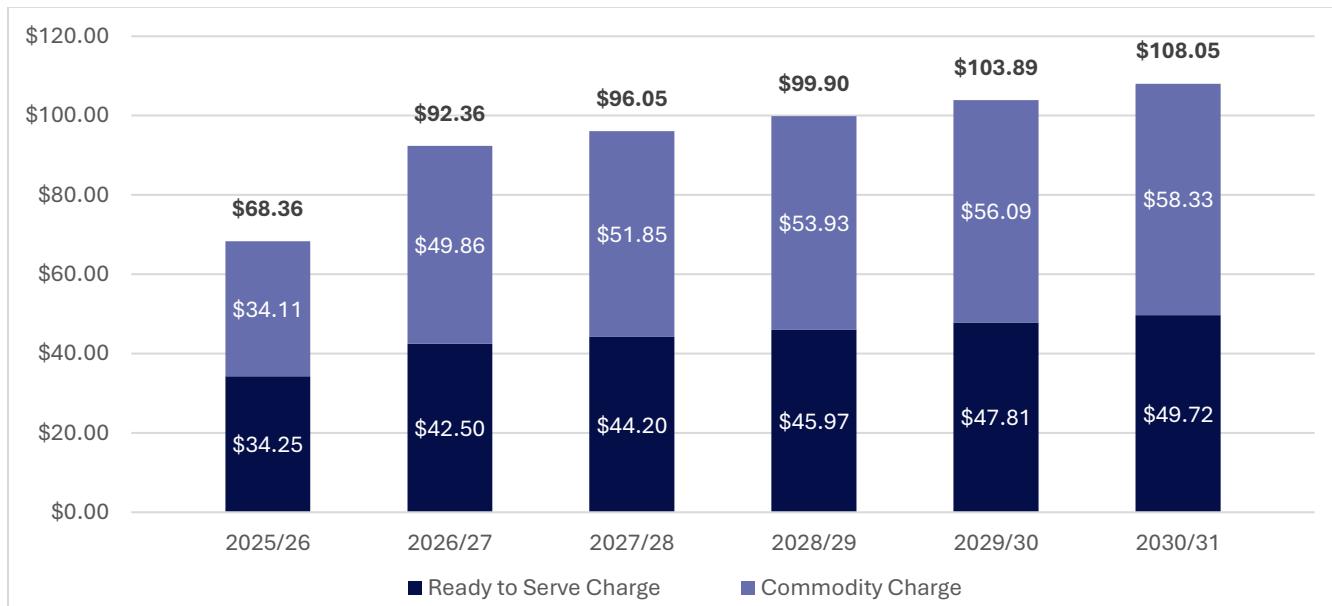


TABLE 5-5B: SCENARIO TWO - TYPICAL CITY HOMEOWNER'S MONTHLY BILL BREAKDOWN



5.6 Cash Position Summary

The cash reserves for the City are currently around 2 months of cash operations and maintenance expenses (net of depreciation). This is below our recommended minimum balance of 6 months of cash operations and maintenance expenses for the fund. The minimum target is provided as a guardrail for the City to ensure proper cash reserves. Over the forecast period, scenario one shows a slower build-up of cash reserves in comparison to scenario two. Both scenarios show an ending cash balance to be around 6 months' worth of cash operating expenses. Appendix D provides a complete cash flow analysis breakdown for both scenarios.

TABLE 5-6A: SCENARIO ONE - SCHEDULE OF ESTIMATED ENDING CASH RESERVES

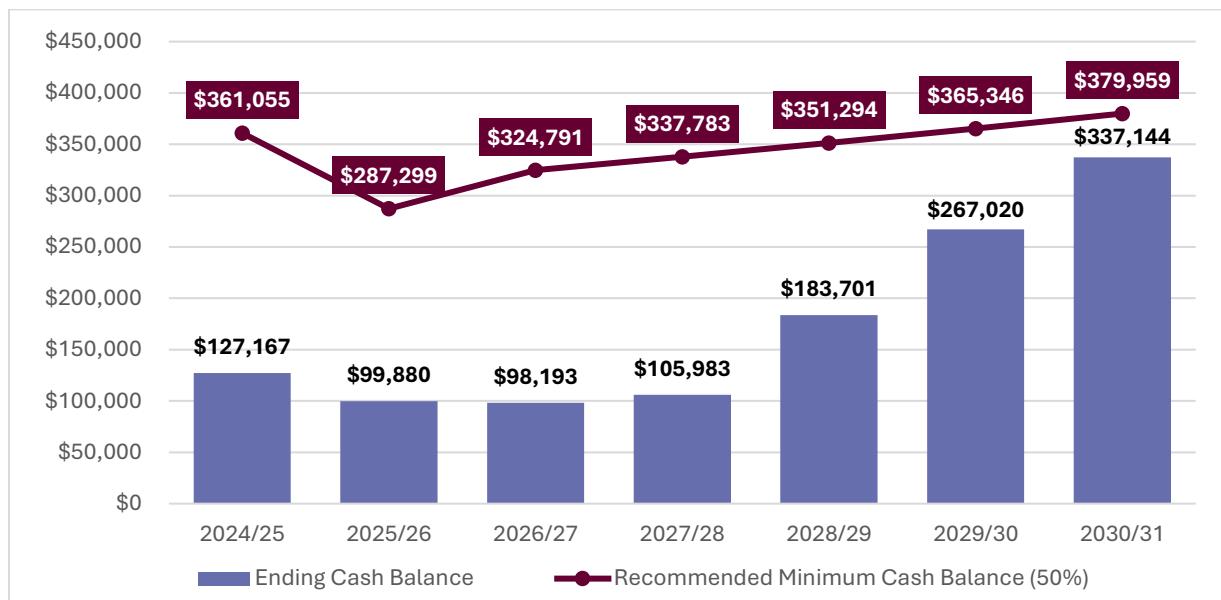
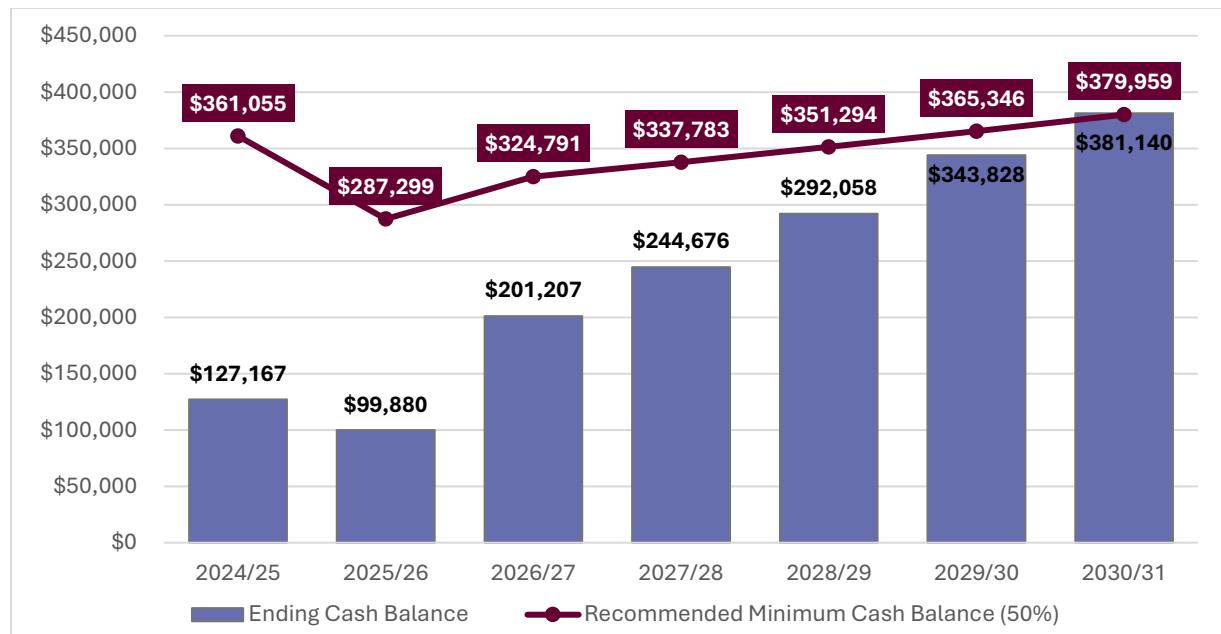


TABLE 5-6B: SCENARIO TWO - SCHEDULE OF ESTIMATED ENDING CASH RESERVES



Appendix A:

Comparative Detail of Operating Expenses

CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN
Operating & Maintenance Expenses - Water

	Fiscal Year Ended			Forecasted	
	6/30/2024	6/30/2025	6/30/2026	Test Year	Inflationary
	Actuals	Actuals	Budget		Increases
(-----Per Client-----)					
Department 536: Operations and Maintenance					
702.000 Salaries and Wages	\$128,305	\$125,119	\$116,550	\$166,550	[1] 4.00%
709.000 SS and Medicare	10,196	9,541	8,916	8,916	4.00%
716.000 Pension Expense	(10,863)	-	-	-	0.00%
717.000 MERS	3,270	2,086	3,675	3,675	4.00%
718.000 Health Insurance	1,314	5,321	12,736	12,736	4.00%
719.000 Workers Compensation	2	-	900	900	4.00%
720.000 Life and Short Term Disability	776	525	971	971	4.00%
721.000 Clothing Allowance	425	425	425	425	4.00%
752.000 Supplies - Operating and Office	8,222	3,754	8,000	8,000	4.00%
801.000 Contracted Services	125,565	229,711	-	-	0.00%
804.000 Legal Services	-	-	1,000	1,000	4.00%
811.000 IT Services	2,287	4,446	5,000	5,000	4.00%
824.000 Bank Charges	15	-	-	-	0.00%
826.000 OPEB Study	325	1,050	1,500	1,500	4.00%
840.000 Insurance	5,672	-	4,000	4,000	4.00%
850.000 Telephone	-	-	250	250	4.00%
851.000 Postage	2,000	1,000	2,000	2,000	4.00%
852.000 Internet	1,427	1,182	1,350	1,350	4.00%
861.000 Mileage and Parking	-	-	50	50	4.00%
868.000 Dues and Subscriptions	810	-	1,500	1,500	4.00%
900.000 Printing and Publishing	-	455	500	500	4.00%
910.000 Education, Meetings and Training	-	-	1,000	1,000	4.00%
920.000 Utilities	5,443	5,168	5,775	5,775	4.00%
934.000 Repairs and Maintenance	139	38	7,000	7,000	4.00%
940.000 Equipment Rentals and Leases	4,346	275	3,000	3,000	4.00%
956.000 Miscellaneous	2,310	-	-	-	0.00%
968.000 Depreciation Expense	-	-	-	[2]	0.00%
975.000 Capital Outlay	3,497	3,140	-	-	0.00%
Total Operation and Maintenance	295,483	393,236	186,098	236,098	
Department 538: Charges for Services - County					
805.000 Water Charges	356,322	328,873	388,500	388,500	4.00%
Department 906: Debt Service					
991.000 Principal	-	-	-	[3]	-
992.000 Interest Expense	-	-	-	[3]	-
Total Debt Service	-	-	-	-	
Total Water O&M Expenses	\$651,806	\$722,109	\$574,598	\$624,598	

[1] Adjusted per client.

[2] Depreciation Expense is removed from this report as it is performed on the cash basis.

[3] Bond Payments are removed from this section as these expenses are included in the debt service schedules addressed later in the re

Appendix B:

Schedule of Existing Debt Service

CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN
Debt Service Schedule of:
Water Supply System Revenue Bond, Series 2014A (Taxable)

Date	Interest Rate	Principal Payments	Interest Payments	Total Principal and Interest	Fiscal Year Total	Fiscal Year
12/01/25			\$7,892.50	\$7,892.50		
06/01/26	2.750%	\$13,000	7,892.50	20,892.50	\$28,785.00	2025/26
12/01/26			7,713.75	7,713.75		
06/01/27	2.750%	14,000	7,713.75	21,713.75	29,427.50	2026/27
12/01/27			7,521.25	7,521.25		
06/01/28	2.750%	14,000	7,521.25	21,521.25	29,042.50	2027/28
12/01/28			7,328.75	7,328.75		
06/01/29	2.750%	14,000	7,328.75	21,328.75	28,657.50	2028/29
12/01/29			7,136.25	7,136.25		
06/01/30	2.750%	15,000	7,136.25	22,136.25	29,272.50	2029/30
12/01/30			6,930.00	6,930.00		
06/01/31	2.750%	15,000	6,930.00	21,930.00	28,860.00	2030/31
12/01/31			6,723.75	6,723.75		
06/01/32	2.750%	16,000	6,723.75	22,723.75	29,447.50	2031/32
12/01/32			6,503.75	6,503.75		
06/01/33	2.750%	16,000	6,503.75	22,503.75	29,007.50	2032/33
12/01/33			6,283.75	6,283.75		
06/01/34	2.750%	16,000	6,283.75	22,283.75	28,567.50	2033/34
12/01/34			6,063.75	6,063.75		
06/01/35	2.750%	17,000	6,063.75	23,063.75	29,127.50	2034/35
12/01/35			5,830.00	5,830.00		
06/01/36	2.750%	17,000	5,830.00	22,830.00	28,660.00	2035/36
12/01/36			5,596.25	5,596.25		
06/01/37	2.750%	18,000	5,596.25	23,596.25	29,192.50	2036/37
12/01/37			5,348.75	5,348.75		
06/01/38	2.750%	18,000	5,348.75	23,348.75	28,697.50	2037/38
12/01/38			5,101.25	5,101.25		
06/01/39	2.750%	19,000	5,101.25	24,101.25	29,202.50	2038/39
12/01/39			4,840.00	4,840.00		
06/01/40	2.750%	19,000	4,840.00	23,840.00	28,680.00	2039/40
12/01/40			4,578.75	4,578.75		
06/01/41	2.750%	20,000	4,578.75	24,578.75	29,157.50	2040/41
12/01/41			4,303.75	4,303.75		
06/01/42	2.750%	20,000	4,303.75	24,303.75	28,607.50	2041/42
12/01/42			4,028.75	4,028.75		
06/01/43	2.750%	21,000	4,028.75	25,028.75	29,057.50	2042/43
12/01/43			3,740.00	3,740.00		
06/01/44	2.750%	22,000	3,740.00	25,740.00	29,480.00	2043/44
12/01/44			3,437.50	3,437.50		
06/01/45	2.750%	22,000	3,437.50	25,437.50	28,875.00	2044/45
12/01/45			3,135.00	3,135.00		
06/01/46	2.750%	23,000	3,135.00	26,135.00	29,270.00	2045/46
12/01/46			2,818.75	2,818.75		
06/01/47	2.750%	23,000	2,818.75	25,818.75	28,637.50	2046/47
12/01/47			2,502.50	2,502.50		
06/01/48	2.750%	24,000	2,502.50	26,502.50	29,005.00	2047/48
12/01/48			2,172.50	2,172.50		
06/01/49	2.750%	25,000	2,172.50	27,172.50	29,345.00	2048/49
12/01/49			1,828.75	1,828.75		
06/01/50	2.750%	25,000	1,828.75	26,828.75	28,657.50	2049/50
12/01/50			1,485.00	1,485.00		
06/01/51	2.750%	26,000	1,485.00	27,485.00	28,970.00	2050/51
12/01/51			1,127.50	1,127.50		
06/01/52	2.750%	27,000	1,127.50	28,127.50	29,255.00	2051/52
12/01/52			756.25	756.25		
06/01/53	2.750%	28,000	756.25	28,756.25	29,512.50	2052/53
12/01/53			371.25	371.25		
06/01/54	2.750%	<u>27,000</u>	371.25	<u>27,371.25</u>	<u>27,742.50</u>	<u>2053/54</u>
Total Outstanding:		<u>\$574,000</u>	<u>\$266,200.00</u>	<u>\$840,200.00</u>	<u>\$840,200.00</u>	

Note: Bonds are callable at anytime.

**CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN**
*Debt Service Schedule of:
2021 Installment Purchase Agreement*

Date	Interest Rate	Principal Payments	Interest Payments	Total Principal and Interest	Fiscal Year Total	Fiscal Year
07/01/25	2.250%	\$30,000	\$2,025.00	\$32,025.00		
01/01/26			1,687.50	1,687.50	\$33,712.50	2025/26
07/01/26	2.250%	30,000	1,687.50	31,687.50		
01/01/27			1,350.00	1,350.00	33,037.50	2026/27
07/01/27	2.250%	30,000	1,350.00	31,350.00		
01/01/28			1,012.50	1,012.50	32,362.50	2027/28
07/01/28	2.250%	30,000	1,012.50	31,012.50		
01/01/29			675.00	675.00	31,687.50	2028/29
07/01/29	2.250%	30,000	675.00	30,675.00		
01/01/30			337.50	337.50	31,012.50	2029/30
07/01/30	2.250%	30,000	337.50	30,337.50		2030/31
Total Outstanding:		<u>\$180,000</u>	<u>\$12,150.00</u>	<u>\$192,150.00</u>	<u>\$192,150.00</u>	

CITY OF MONTROSE**COUNTY OF GENESEE, STATE OF MICHIGAN****Debt Service Schedule of:****Water Supply System Junior Lien Revenue Bond, Series 2023 (ESTIMATED)**

Date	Interest Rate	Principal Payments	Interest Payments	Total Principal and Interest	Fiscal Year Total	Fiscal Year
10/01/25			\$5,156.33	\$5,156.33		
04/01/26	1.875%	\$15,000	5,156.33	20,156.33	\$25,312.66	2025/26
10/01/26			5,015.70	5,015.70		
04/01/27	1.875%	15,000	5,015.70	20,015.70	25,031.40	2026/27
10/01/27			4,875.07	4,875.07		
04/01/28	1.875%	15,000	4,875.07	19,875.07	24,750.14	2027/28
10/01/28			4,734.44	4,734.44		
04/01/29	1.875%	15,000	4,734.44	19,734.44	24,468.88	2028/29
10/01/29			4,593.81	4,593.81		
04/01/30	1.875%	15,000	4,593.81	19,593.81	24,187.62	2029/30
10/01/30			4,453.18	4,453.18		
04/01/31	1.875%	15,000	4,453.18	19,453.18	23,906.36	2030/31
10/01/31			4,312.55	4,312.55		
04/01/32	1.875%	15,000	4,312.55	19,312.55	23,625.10	2031/32
10/01/32			4,171.92	4,171.92		
04/01/33	1.875%	15,000	4,171.92	19,171.92	23,343.84	2032/33
10/01/33			4,031.29	4,031.29		
04/01/34	1.875%	15,000	4,031.29	19,031.29	23,062.58	2033/34
10/01/34			3,890.66	3,890.66		
04/01/35	1.875%	15,000	3,890.66	18,890.66	22,781.32	2034/35
10/01/35			3,750.03	3,750.03		
04/01/36	1.875%	15,000	3,750.03	18,750.03	22,500.06	2035/36
10/01/36			3,609.40	3,609.40		
04/01/37	1.875%	20,000	3,609.40	23,609.40	27,218.80	2036/37
10/01/37			3,421.90	3,421.90		
04/01/38	1.875%	20,000	3,421.90	23,421.90	26,843.80	2037/38
10/01/38			3,234.40	3,234.40		
04/01/39	1.875%	20,000	3,234.40	23,234.40	26,468.80	2038/39
10/01/39			3,046.90	3,046.90		
04/01/40	1.875%	20,000	3,046.90	23,046.90	26,093.80	2039/40
10/01/40			2,859.40	2,859.40		
04/01/41	1.875%	20,000	2,859.40	22,859.40	25,718.80	2040/41
10/01/41			2,671.90	2,671.90		
04/01/42	1.875%	20,000	2,671.90	22,671.90	25,343.80	2041/42
10/01/42			2,484.40	2,484.40		
04/01/43	1.875%	20,000	2,484.40	22,484.40	24,968.80	2042/43
10/01/43			2,296.90	2,296.90		
04/01/44	1.875%	20,000	2,296.90	22,296.90	24,593.80	2043/44
10/01/44			2,109.40	2,109.40		
04/01/45	1.875%	20,000	2,109.40	22,109.40	24,218.80	2044/45
10/01/45			1,921.90	1,921.90		
04/01/46	1.875%	20,000	1,921.90	21,921.90	23,843.80	2045/46
10/01/46			1,734.40	1,734.40		
04/01/47	1.875%	20,000	1,734.40	21,734.40	23,468.80	2046/47
10/01/47			1,546.90	1,546.90		
04/01/48	1.875%	20,000	1,546.90	21,546.90	23,093.80	2047/48
10/01/48			1,359.40	1,359.40		
04/01/49	1.875%	20,000	1,359.40	21,359.40	22,718.80	2048/49
10/01/49			1,171.90	1,171.90		
04/01/50	1.875%	25,000	1,171.90	26,171.90	27,343.80	2049/50
10/01/50			937.52	937.52		
04/01/51	1.875%	25,000	937.52	25,937.52	26,875.04	2050/51
10/01/51			703.14	703.14		
04/01/52	1.875%	25,000	703.14	25,703.14	26,406.28	2051/52
10/01/52			468.76	468.76		
04/01/53	1.875%	25,000	468.76	25,468.76	25,937.52	2052/53
10/01/53			234.38	234.38		
04/01/54	1.875%	<u>25,000</u>	<u>234.38</u>	<u>25,234.38</u>	<u>25,468.76</u>	<u>2053/54</u>
Total Outstanding:		<u>\$550,000</u>	<u>\$169,595.76</u>	<u>\$719,595.76</u>	<u>\$719,595.76</u>	

Note: Bonds are still in construction draw period.

Bonds are not callable at anytime without Municipal Finance Authority (MFA) approval.

CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN
Combined Debt Schedules - Water

Date	2014 USDA Bonds	2021 IPA	2023 DWSRF Bonds	Fiscal Year Total
2025/26	\$28,785.00	\$33,712.50	\$25,312.66	\$87,810.16
2026/27	29,427.50	33,037.50	25,031.40	87,496.40
2027/28	29,042.50	32,362.50	24,750.14	86,155.14
2028/29	28,657.50	31,687.50	24,468.88	84,813.88
2029/30	29,272.50	31,012.50	24,187.62	84,472.62
2030/31	28,860.00	30,337.50	23,906.36	83,103.86
2031/32	29,447.50		23,625.10	53,072.60
2032/33	29,007.50		23,343.84	52,351.34
2033/34	28,567.50		23,062.58	51,630.08
2034/35	29,127.50		22,781.32	51,908.82
2035/36	28,660.00		22,500.06	51,160.06
2036/37	29,192.50		27,218.80	56,411.30
2037/38	28,697.50		26,843.80	55,541.30
2038/39	29,202.50		26,468.80	55,671.30
2039/40	28,680.00		26,093.80	54,773.80
2040/41	29,157.50		25,718.80	54,876.30
2041/42	28,607.50		25,343.80	53,951.30
2042/43	29,057.50		24,968.80	54,026.30
2043/44	29,480.00		24,593.80	54,073.80
2044/45	28,875.00		24,218.80	53,093.80
2045/46	29,270.00		23,843.80	53,113.80
2046/47	28,637.50		23,468.80	52,106.30
2047/48	29,005.00		23,093.80	52,098.80
2048/49	29,345.00		22,718.80	52,063.80
2049/50	28,657.50		27,343.80	56,001.30
2050/51	28,970.00		26,875.04	55,845.04
2051/52	29,255.00		26,406.28	55,661.28
2052/53	29,512.50		25,937.52	55,450.02
2053/54	27,742.50		25,468.76	53,211.26
Total:	<u>\$840,200.00</u>	<u>\$192,150.00</u>	<u>\$719,595.76</u>	<u>\$1,751,945.76</u>

Appendix C:

Schedule of Capital Improvements

CITY OF MONTROSE

COUNTY OF GENESEE, STATE OF MICHIGAN

Schedule of Estimated Capital Improvements - Water

Project	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	Total
Water Main - RUTH-02			\$250,000								\$250,000
Water Main - OAK-BEECH-LOOP			318,750								318,750
Water Main - PERRY-05			39,490								39,490
Water Main - PERRY-06			82,500								82,500
Water Main - GENESEE-01						\$76,940					76,940
Water Main - HICKORY-04						363,100					363,100
Water Main - OAK-03						280,700					280,700
Water Main - PARKWAY-01						204,360					204,360
Water Main - WASHINGTON-05									\$183,950		183,950
Water Main - CLARK-STATE-LOOP									461,250		461,250
Water Main - STATE-01									213,420		213,420
Lead (Galvanized) Service Line Replacements	\$60,000	\$60,000	60,000	\$60,000	\$60,000	60,000	\$60,000	\$60,000	60,000	\$60,000	600,000
Subtotal	-	\$60,000	\$750,740	\$60,000	\$60,000	\$985,100	\$60,000	\$60,000	\$918,620	\$60,000	\$3,074,460
Plus 5% Yearly Inflation	-	6,150	118,335	12,930	16,577	335,028	24,426	28,647	506,461	37,734	1,086,289
Total Estimated Capital Improvements	-	\$66,150	\$869,075	\$72,930	\$76,577	\$1,320,128	\$84,426	\$88,647	\$1,425,081	\$97,734	\$4,160,749
Cash-Funded:	-	\$66,150	\$69,458	\$72,930	\$76,577	\$80,406	\$84,426	\$88,647	\$93,080	\$97,734	\$729,407
Debt-Funded:	-	-	\$799,618	-	-	\$1,239,722	-	-	\$1,332,001	-	\$3,371,342
Project	2036/37	2037/38	2038/39	2039/40	2040/41	2041/42	2042/43	2043/44	2044/45	Total	
Water Main - MAPLE-08			\$211,930								\$211,930
Water Main - MAPLE-09			47,150								47,150
Water Main - GOLD-01			134,430								134,430
Water Main - STATE-04			253,056								253,056
Water Main - STATE-03			76,000								76,000
Water Main - ELIZABETH-01					\$122,880						122,880
Water Main - ELIZABETH-02					177,480						177,480
Water Main - ELIZABETH-03					94,020						94,020
Water Main - GROVER-01					117,320						117,320
Water Main - GROVER-02					368,530						368,530
Water Main - SAGINAW-05									\$152,660		152,660
Water Main - SAGINAW-06									283,890		283,890
Water Main - SAGINAW-07									84,920		84,920
Lead (Galvanized) Service Line Replacements	\$60,000	60,000	\$60,000								180,000
Subtotal	\$60,000	\$782,566	\$60,000	-	\$880,230		-	-	\$521,470		\$2,304,266
Plus 5% Yearly Inflation	42,620	622,810	53,139	-	949,705		-	-	796,259		2,464,533
Total Estimated Capital Improvements	\$102,620	\$1,405,376	\$113,139	-	\$1,829,935		-	-	\$1,317,729		\$4,768,799
Cash-Funded:	\$102,620	\$107,751	\$113,139	-	-	-	-	-	-		\$323,511
Debt-Funded:	-	\$1,297,625	-	-	\$1,829,935		-	-	\$1,317,729		\$4,445,288

Appendix D: Cash Flow Analysis

CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN
Cash Flow - Water - Scenario One

	2025/26	Three-Step Increase	2026/27	2027/28	2028/29	Inflationary Increases	2029/30	2030/31	
Rates:									
Meter Equivalents	780		780	780	780		780	780	
Multi-Residential Units Billed	135		135	135	135		135	135	
Ready to Serve Charge (monthly)	\$34.25	\$4.00	\$38.25	\$42.25	\$46.25	4.00%	\$48.10	\$50.02	
Billable Flow	32,204		32,204	32,204	32,204		32,204	32,204	
Commodity Charge (per 1,000 gal.)	\$7.58	\$1.75	\$9.33	\$11.08	\$12.83	4.00%	\$13.34	\$13.88	
<i>Typical homeowner's monthly bill (assumes 4,500 gallons/month)</i>	\$68.36		\$80.24	\$92.11	\$103.99		\$108.14	\$112.47	
Revenues:									
Ready to Serve Charge Revenue	\$320,580		\$358,020	\$395,460	\$432,900		\$450,216	\$468,225	
Multi-Residential Units Revenue	55,419		61,892	68,364	74,837		77,830	80,943	
Commodity Charge Revenue	244,105		300,462	356,819	413,176		429,703	446,891	
Hydrant Assessment	12,540		12,540	12,540	12,540		12,540	12,540	
Other Revenue	16,125		16,125	16,125	16,125		16,125	16,125	
Total Revenues	648,770		749,039	849,308	949,577		986,414	1,024,724	
Less: Total Operating Expenditures	(574,598)		(649,582)	(675,565)	(702,588)		(730,691)	(759,919)	
Net Operating Revenue	74,172		99,457	173,743	246,989		255,722	264,805	
Less: Current Debt Service Payments	(87,810)		(87,496)	(86,155)	(84,814)		(84,473)	(83,104)	
Sewer Fund Interfund Loan Payment	(13,648)		(13,648)	(13,648)	-		-	-	
Estimated Cash-Funded Lead Service Lines	-		-	(66,150)	(69,458)		(72,930)	(76,577)	
Estimated Debt Service #1: 2028 DWSRF Bonds [1]	-		-	-	(15,000)		(15,000)	(35,000)	
Net Cash Flow	<u><u>(\$27,286)</u></u>		<u><u>(\$1,687)</u></u>	<u><u>\$7,790</u></u>	<u><u>\$77,718</u></u>		<u><u>\$83,319</u></u>	<u><u>\$70,124</u></u>	
<i>Cash & Investments</i>	\$165,588	\$138,302		\$136,615	\$144,404	\$222,122		\$305,442	\$375,565
<i>Less: Debt Service Reserve [2]</i>	<u><u>(38,422)</u></u>	<u><u>(38,422)</u></u>		<u><u>(38,422)</u></u>	<u><u>(38,422)</u></u>	<u><u>(38,422)</u></u>		<u><u>(38,422)</u></u>	<u><u>(38,422)</u></u>
<i>Unrestricted, RRI Cash and Investments</i>	<u><u>\$127,167</u></u>	<u><u>\$99,880</u></u>		<u><u>\$98,193</u></u>	<u><u>\$105,983</u></u>	<u><u>\$183,701</u></u>		<u><u>\$267,020</u></u>	<u><u>\$337,144</u></u>

[1] Estimated debt service payments based on a \$679,675 30-year DWSRF project at an estimated interest rate. Total project is \$799,618 with 15% principal forgiveness.

[2] Accumulated, includes Water Supply System Revenue Bond, Series 2014A.

CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN
Cash Flow - Water - Scenario Two

	2025/26	One-Time Increase	2026/27	Inflationary Increases	2027/28	2028/29	2029/30	2030/31
Rates:								
Meter Equivalents	780		780		780	780	780	780
Multi-Residential Units Billed	135		135		135	135	135	135
Ready to Serve Charge (monthly)	\$34.25	\$8.25	\$42.50	4.00%	\$44.20	\$45.97	\$47.81	\$49.72
Billable Flow	32,204		32,204		32,204	32,204	32,204	32,204
Commodity Charge (per 1,000 gal.)	\$7.58	\$3.50	\$11.08	4.00%	\$11.52	\$11.98	\$12.46	\$12.96
<i>Typical homeowner's monthly bill (assumes 4,500 gallons/month)</i>	\$68.36		\$92.36		\$96.05	\$99.90	\$103.89	\$108.05
Revenues:								
Ready to Serve Charge Revenue	\$320,580		\$397,800		\$413,712	\$430,260	\$447,471	\$465,370
Multi-Residential Units Revenue	55,419		68,769		71,519	74,380	77,355	80,450
Commodity Charge Revenue	244,105		356,819		371,092	385,935	401,373	417,428
Hydrant Assessment	12,540		12,540		12,540	12,540	12,540	12,540
Other Revenue	16,125		16,125		16,125	16,125	16,125	16,125
Total Revenues	648,770		852,053		884,988	919,241	954,864	991,912
Less: Total Operating Expenditures	(574,598)		(649,582)		(675,565)	(702,588)	(730,691)	(759,919)
Net Operating Revenue	74,172		202,471		209,423	216,653	224,173	231,993
Less: Current Debt Service Payments	(87,810)		(87,496)		(86,155)	(84,814)	(84,473)	(83,104)
Sewer Fund Interfund Loan Payment	(13,648)		(13,648)		(13,648)	-	-	-
Estimated Cash-Funded Lead Service Lines	-		-		(66,150)	(69,458)	(72,930)	(76,577)
Estimated Debt Service #1: 2028 DWSRF Bonds [1]	-		-		-	(15,000)	(15,000)	(35,000)
Net Cash Flow	<u><u>(\$27,286)</u></u>		<u><u>\$101,326</u></u>		<u><u>\$43,470</u></u>	<u><u>\$47,382</u></u>	<u><u>\$51,770</u></u>	<u><u>\$37,312</u></u>
<i>Cash & Investments</i>	\$165,588	\$138,302	\$239,628		\$283,098	\$330,480	\$382,249	\$419,562
<i>Less: Debt Service Reserve [2]</i>	(38,422)	(38,422)	(38,422)		(38,422)	(38,422)	(38,422)	(38,422)
<i>Unrestricted, RRI Cash and Investments</i>	<u><u>\$127,167</u></u>	<u><u>\$99,880</u></u>	<u><u>\$201,207</u></u>		<u><u>\$244,676</u></u>	<u><u>\$292,058</u></u>	<u><u>\$343,828</u></u>	<u><u>\$381,140</u></u>

[1] Estimated debt service payments based on a \$679,675 30-year DWSRF project at an estimated interest rate. Total project is \$799,618 with 15% principal forgiveness.

[2] Accumulated, includes Water Supply System Revenue Bond, Series 2014A.

Appendix E:

Schedule of User Rates

CITY OF MONTROSE
COUNTY OF GENESEE, STATE OF MICHIGAN
User Rates - Water - Scenario One

Meter Size	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
5/8"	\$34.25	\$38.25	\$42.25	\$46.25	\$48.10	\$50.02
1"	34.25	38.25	42.25	46.25	48.10	50.02
1 1/2"	171.25	191.25	211.25	231.25	240.50	250.12
2"	274.00	306.00	338.00	370.00	384.80	400.19
3"	513.75	573.75	633.75	693.75	721.50	750.36

Metered	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Commodity Charge (per 1,000 gal.)	\$7.58	\$9.33	\$11.08	\$12.83	\$13.34	\$13.88

User Rates - Water - Scenario Two

Meter Size	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
5/8"	\$34.25	\$42.50	\$44.20	\$45.97	\$47.81	\$49.72
1"	34.25	42.50	44.20	45.97	47.81	49.72
1 1/2"	171.25	212.50	221.00	229.84	239.03	248.59
2"	274.00	340.00	353.60	367.74	382.45	397.75
3"	513.75	637.50	663.00	689.52	717.10	745.78

Metered	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Commodity Charge (per 1,000 gal.)	\$7.58	\$11.08	\$11.52	\$11.98	\$12.46	\$12.96