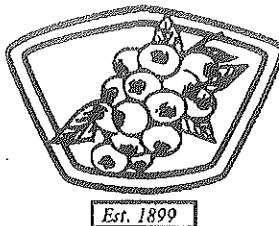


CITY OF MONTROSE

PHONE (810) 639-6168
FAX (810) 639-6125



CITY OFFICES, 141 PARKWAY
MONTROSE, MICHIGAN 48457

City of Montrose, Michigan

Water System Asset Management Program

Executive Summary

December 2017

The asset management program team consisted of the following people:

Name	Position	Employer
Sam Spence	DPW Supervisor	City of Montrose
Neil Rankin	City Manager	City of Montrose
Janet Loomis	Secretary	City of Montrose

This report contains the asset management program for the City of Montrose water system. The city's assets include 56,855 feet, or over 10 miles of water main, 107 fire hydrants, 156 main valves, and 633 curb stops. Our city's water is sourced from the Genesee County Water Distribution System (GCWDS). The city does not store or treat its water. The city currently has one backup well for emergency situations that is tested accordingly. We currently service an estimated population of 1,657 people. We are extremely lucky to receive our high quality water from the GCWDS.

Neil Rankin
City Manager

Sam Spence
Water Superintendent

In accordance with Federal law and US Department of Agriculture policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age, religion, disability, political beliefs, or disability. (Not all prohibited bases apply to all programs.) Hearing or speech impaired services available by dialing 711.

To file a complaint of discrimination, write to: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410 or call (800) 795-3272 (voice), or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

HOME OF THE ANNUAL BLUEBERRY FESTIVAL

Asset inventory,-

The Director of Public Works will maintain and make changes to the file as needed. The inventory will be updated as system improvements are made. The file will be kept on the DPW garage computer as well as the shared drive with the city office.

The following assets are tracked:

Water mains, main valves, fire hydrants, water meters, and curb stops.

The City of Montrose does not employ any form of treatment. We receive our water from the Genesee County Water Distribution System (GCWDS), which is administered by the Genesee County Drain Commissioner (GCDC). This such water is now provided to the City of Montrose by the KWA pipeline.

The City of Montrose is currently working to budget in the upcoming fiscal year for a GIS system to properly locate and document all aspects of the water system. As well as the purchase of a powered valve exerciser from Municipal Supply Co. Then develope a program to track and document all such activities.

The Volumes listed above are only those titles that are in common

卷之三

This table shows the gallons of water / sewage incurred to customers. The Township is showing a slight decrease in usage over the past three years. For purposes of this evaluation we used the lowest for each class. We also anticipated a reduction in usage of 5% to follow the trend.

Rate evaluations must be based on a worst case scenario. Taking into account factors that could influence the amount of water sold or sewage invoiced, (which is based on water usage) These factors include; A wet rainy summer will result in less outdoor activities and lawn sprinkling. Technology alone will account for a reduction in use per person, things like water efficient appliances, washing machines etc. and water efficient shower heads, toilets etc. will naturally reduce the water usage per customer.

Montrose Water

UN-METERED CUSTOMERS

CALCULATING GALLONS TO ADD TO "GALLONS SOLD"

NUMBER OF UN-METERED CUSTOMERS

0

AVERAGE GALLONS USED PER CUSTOMER PER BILL

4200

IS THIS GALLONS PER MONTH OR PER QUARTER?

BILLING PERIODS PER YEAR

12

GALLONS PER YEAR ATTRIBUTED TO UNMETERED CUSTOMERS

THIS FIGURE SHOULD BE ADDED TO THE ANNUAL GALLONS INVOICED

NOTES

MICHIGAN RURAL WATER ASSOCIATION RATE EVALUATION PROGRAM

		RATE CLASS 1	RATE CLASS 2	RATE CLASS 3	RATE CLASS 4	RATE CLASS 5	RATE CLASS 6			
		Montrose Water	0	0	0	0	0			
METER SIZE - INCHES		NUMBER OF METERS	NUMBER OF METERS	NUMBER OF METERS	NUMBER OF METERS	NUMBER OF METERS	CUSTOMERS	SELECTED METER EQUIVALENT	CALCULATED METER EQUIVALENT	ANNUAL EQUIVALENT REU'S (UNITS)
5/8	633	0	0	0	0	0	633	1.00	1.00	633
1	13	0	0	0	0	0	13	1.00	1.00	13
1 1/4	6	0	0	0	0	0	6	5.00	5.00	30
1 1/2	4	0	0	0	0	0	4	15.00	15.00	60
2	7	0	0	0	0	0	7	8.00	8.00	56
3	4	0	0	0	0	0	4	15.00	15.00	60
4	0	0	0	0	0	0	0	0.00	0.00	0
6	0	0	0	0	0	0	0	0.00	0.00	0
8	0	0	0	0	0	0	0	0.00	0.00	0
10	0	0	0	0	0	0	0	0.00	0.00	0
TOTAL	667	0	0	0	0	0	667	852	0	0
		TOTAL EQUIVALENT ANNUAL REU'S			PERCENT REDUCTION			REU REDUCTION PER BILLING CYCLE		
		ANNUAL EQUIVALENT REU'S USED FOR RATE EVALUATION			0			0		

The table above lists the number of water meters being invoiced for each size water meter for each entity being served.

NOTES

CURRENT RATE CHARGES		1,000 GALLONS MONTHLY PER Customers Are Invoiced	BASE RATE	
0	0		0	0
ENTER THE CHARGES CURRENTLY ASSOCIATED WITH EACH ENTITY				
METER SIZE	CURRENT RATES	CURRENT RATES	CURRENT RATES	CURRENT RATES
3/4	\$34.25			
1	\$34.25			
1 1/4				
1 1/2	\$171.25			
2	\$274.00			
3	\$513.75			
4				
6				
8				
10				

City of Montrose

Conclusion of Analysis

Cost per	Current Rates	Calculated Rates	Difference
1,000 gal	\$7.58		
<hr/>			
Meter size- Inches	Current Rates	Calculated Rates	Difference
5/8	\$7.58		
1 1/2"	\$7.58		
2"	\$7.58		
3"	\$7.58		

City of Montrose

Montrose, MI

WATER SYSTEM ASSETS

2017

WATER SYSTEM ASSETS ESTIMATED VALUE- AT DATE OF EVALUATION

	Replacement Cost	Average Percent of Life Remaining
Water Distribution Mains-Excluding valves and hydrants	\$10,174,450	35%
Water Distribution Valves	\$107,000	40%
Fire Hydrants	\$321,000	36%
Equipment Replacement	\$45,000	55%
Curb Stops & Misc	\$98,000	40%
Other Miscellaneous Assets	\$33,750	61%
TOTALS	\$10,779,200	44.5%

CRITICAL ASSETS

WATER DISTRIBUTION SUMMARY

WATER DISTRIBUTION PIPE SUMMARY				
Pipe size	Feet of pipe	Percent of total	\$ per foot	Replacement cost
4	8,890	28%	\$170	\$151,300
6	24,280	42%	\$170	\$4,127,600
8	6,425	11%	\$170	\$1,092,250
10	20,902	37%	\$185	\$3,870,200
12	4,340	7%	\$200	\$933,100
TOTAL	56,855	100%		
			TOTAL	\$10,174,450
			Overall cost per foot	\$177

Current Year: 2017 Water Distribution Pipe Summary PERCENT BASED ON AGE			Estimated Life Span of Pipe		90
Date of Installation	Length	Age of pipe	Percent of total	Percent of life remaining	Percent of life consumed
2014	4,810	3	8%	95%	5%
2000	1,817	17	3%	81.1%	19%
1990	6,075	27	10%	70%	30%
1980	14,000	37	25%	58.9%	41%
1970	2,200	47	4%	47.8%	52%
1960	7,450	57	13%	36.7%	63%
1950	12,850	67	23%	25.6%	74%
1940	5,100	77	9%	14.4%	86%
1930	2,550	87	5%	3.3%	97%
TOTAL:	56,855		100%		

LEVELS OF SERVICE STATEMENT

Level of Service statement defines the way in which the utility stakeholders want the utility to perform over the long term. The Levels of Service plan below is a fundamental part of how the utility operates through the setting of practical goals for the City's water system.

AREAS	GOALS/OBJECTIVES	LEVEL OF SERVICE
Safe drinking water	All federal and state water quality regulations will be met	<ul style="list-style-type: none"> • Perform all required monitoring
Health and safety	To provide a safe and injury free work place	<ul style="list-style-type: none"> • Conduct regular safety meetings • No MIOSHA safety violations
Security	Secure all water installations from break ins/intrusions	<ul style="list-style-type: none"> • Name sure all water installations have two barriers of security
Operator certification	Must have operator in charge and back up operator on staff	<ul style="list-style-type: none"> • Department will consist of at least 2 operators • Operators will possess S-2, D-2 licensing, or we will be working toward them in less than 2 years
Customer complaints	To provide excellent customer service	<ul style="list-style-type: none"> • All customer complaints will be investigated within 2 business days of reporting the complaint
Upcoming regulatory changes	Be aware of regulatory changes and comply with changes as they occur	<ul style="list-style-type: none"> • Attend industry conferences and training sessions to stay abreast of changes and requirements • Request annual meeting with local MDEQ representative to ensure compliance
Response Time	To provide excellent customer service	<ul style="list-style-type: none"> • Customer emergency response time within 2 hours
Operating Reserves	Enough reserves to cover all anticipated major expenses and potential unexpected breakdowns	<ul style="list-style-type: none"> • Follow MDEQ asset management guidelines • Evaluate water rates every 3 hours
Alternative Power Source	Goals- all wells have a permanent generator or back up power or portable generator, generator service contract	<ul style="list-style-type: none"> • Annual inspections of generators by outside professionals • Keep building painted

		and clean
Quality drinking water	To provide high quality good tasting drinking water	<ul style="list-style-type: none"> Flush water mains twice per year
Distribution System	<p>Distribution system valves</p> <p>Fire Hydrants</p> <p>Water main flushing</p> <p>General System Maintenance</p> <p>Water Loss will be maintained below 10%</p>	<ul style="list-style-type: none"> Exercise all water distribution valves on rotating 3 year program. To insure all valves are exercised every year. Provide adequate manpower to perform valve exercise program Have written documentation of valve exercising Insure that 90% of valves function properly <ul style="list-style-type: none"> Insure that 100% of fire hydrants are in good working order <ul style="list-style-type: none"> Water mains will be flushed every 6 months Provide adequate manpower to perform water main flushing Have written documentation of water main/hydrant flushing Under normal conditions pressures will be maintained between 30 and 40 psi <ul style="list-style-type: none"> Insure water rates and budget are adequate to provide manpower to perform valve exercising, hydrant maintenance, water main flushing and replacement if necessary <ul style="list-style-type: none"> Meter replacement program was completed in 2014.

CITY OF MONTROSE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2017

	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Operating revenues:			
Charges for services			
Sales	\$ 363,465	\$ 622,530	\$ 985,995
Penalties and fees	9,980	19,962	29,942
Other	-	13,040	13,040
Total operating revenues	<u>373,445</u>	<u>655,532</u>	<u>1,028,977</u>
Operating expenses:			
Salaries and fringe benefits	104,955	118,437	223,392
Supplies	5,009	12,376	17,385
Contracted services	26,445	28,728	55,173
Sewage treatment charges	149,631	-	149,631
Water purchases	-	304,011	304,011
Other services and charges	12,257	32,620	44,877
Depreciation	23,581	92,525	116,106
Total operating expenses	<u>321,878</u>	<u>588,697</u>	<u>910,575</u>
Operating income (loss)	<u>51,567</u>	<u>66,835</u>	<u>118,402</u>
Non-operating revenues (expenses):			
Interest income	858	1,118	1,976
Insurance recoveries	7,563	-	7,563
Interest expense	-	(26,508)	(26,508)
Net non-operating revenues (expenses)	<u>8,421</u>	<u>(25,390)</u>	<u>(16,969)</u>
Changes in fund net position	59,988	41,445	101,433
Net position, beginning of year	<u>597,856</u>	<u>1,637,243</u>	<u>2,235,099</u>
Net position, end of year	<u>\$ 657,844</u>	<u>\$ 1,678,688</u>	<u>\$ 2,336,532</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONTROSE

BUSINESS-TYPE ACTIVITIES

SCHEDULE OF INDEBTEDNESS, CONTINUED

June 30, 2017

2014B WATER REVENUE BOND, CONTINUED

<i>Fiscal Year Ended</i>	<i>Interest Rate</i>	<i>Interest due December 1</i>	<i>Principal due June 1</i>	<i>Interest due June 1</i>	<i>Total Annual Requirement</i>
2050	3.25%	423	4,000	423	4,846
2051	3.25%	358	4,000	358	4,716
2052	3.25%	293	4,000	293	4,586
2053	3.25%	228	4,000	228	4,456
2054	3.25%	163	10,000	163	10,326
		<u>\$ 37,591</u>	<u>\$ 98,000</u>	<u>\$ 37,591</u>	<u>\$ 173,182</u>

CITY OF MONTROSE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
Cash flows from operating activities:			
Receipts from customers	\$ 375,137	\$ 656,037	\$ 1,031,174
Payments to and on behalf of employees	(86,467)	(100,129)	(186,596)
Payments to suppliers	(204,773)	(399,189)	(603,962)
Net cash provided (used) by operating activities	<u>83,897</u>	<u>156,719</u>	<u>240,616</u>
Cash flows from noncapital financing activities:			
Insurance recoveries	<u>7,563</u>	<u>-</u>	<u>7,563</u>
Cash flows from capital and related financing activities:			
Principal payments	-	(71,720)	(71,720)
Interest paid	-	(26,733)	(26,733)
Net cash used by capital related financing activities	<u>-</u>	<u>(98,453)</u>	<u>(98,453)</u>
Cash flows from investing activities:			
Interest received	<u>858</u>	<u>1,118</u>	<u>1,976</u>
Net increase in cash and cash equivalents	<u>92,318</u>	<u>59,384</u>	<u>151,702</u>
Cash, cash equivalents, and investments, beginning of year	<u>449,345</u>	<u>515,031</u>	<u>964,376</u>
Cash and cash equivalents, end of year	<u>\$ 541,663</u>	<u>\$ 574,415</u>	<u>\$ 1,116,078</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 51,567	\$ 66,835	\$ 118,402
Adjustments:			
Depreciation	23,581	92,525	116,106
Change in assets and liabilities:			
Accounts receivable	1,692	505	2,197
Prepaid expenses	(160)	(624)	(784)
Accounts payable	(11,271)	(20,830)	(32,101)
Accrued expenses	(2,003)	(2,182)	(4,185)
Compensated absences payable	254	254	508
Net OPEB obligation	24,997	24,997	49,994
Net pension liability and related deferred outflows	(4,760)	(4,761)	(9,521)
Net cash provided (used) by operating activities	<u>\$ 83,897</u>	<u>\$ 156,719</u>	<u>\$ 240,616</u>

The accompanying notes are an integral part of these financial statements.

CITY OF MONTROSE

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The following table shows the comparison of the change in net position in a condensed format for the fiscal years ended June 30:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	\$ 140,621	\$ 144,880	\$ 1,028,977	\$ 1,008,235	\$ 1,169,598	\$ 1,153,115
Operating grants	219,927	192,229	-	12,520	219,927	204,749
Capital grants	103,449	859	-	23,314	103,449	24,173
General revenues						
Property taxes	409,006	407,718	-	-	409,006	407,718
Franchise fees	27,421	16,489	-	-	27,421	16,489
State shared revenue	184,362	168,793	-	-	184,362	168,793
Investment earnings	927	3,529	1,976	4,293	2,903	7,822
Other	3,386	14,406	7,563	-	10,949	14,406
Total revenues	<u>1,089,099</u>	<u>948,903</u>	<u>1,038,516</u>	<u>1,048,362</u>	<u>2,127,615</u>	<u>1,997,265</u>
Program Expenses:						
General government	158,054	171,250	-	-	158,054	171,250
Public safety	370,571	407,586	-	-	370,571	407,586
Public works	359,326	403,396	-	-	359,326	403,396
Health and welfare	17,500	14,000	-	-	17,500	14,000
Community and economic development	769	2,445	-	-	769	2,445
Recreation and culture	19,215	18,906	-	-	19,215	18,906
Interest on long-term debt	13,021	15,702	-	-	13,021	15,702
Sewer	-	-	321,878	371,693	321,878	371,693
Water	-	-	615,205	612,177	615,205	612,177
Total program expenses	<u>938,456</u>	<u>1,033,285</u>	<u>937,083</u>	<u>983,870</u>	<u>1,875,539</u>	<u>2,017,155</u>
Increase (decrease) in net position before other	<u>150,643</u>	<u>(84,382)</u>	<u>101,433</u>	<u>64,492</u>	<u>252,076</u>	<u>(19,890)</u>
Other items:						
Disposal of capital assets	-	-	-	(4,125)	-	(4,125)
Change in net position	150,643	(84,382)	101,433	60,367	252,076	(24,015)
Net position, beginning of year	<u>881,500</u>	<u>965,882</u>	<u>2,235,099</u>	<u>2,174,732</u>	<u>3,116,599</u>	<u>3,140,614</u>
Net position, end of year	<u>\$ 1,032,143</u>	<u>\$ 881,500</u>	<u>\$ 2,336,532</u>	<u>\$ 2,235,099</u>	<u>\$ 3,368,675</u>	<u>\$ 3,116,599</u>

READY TO SERVE CHARGE
BASED ON WATER METER SIZE

CITY OF MONTROSE		
METER SIZE	NUMBER OF METERS	CURRENT \$ RATE PER MONTH
5/8"	633	\$34.25
1"	13	\$34.25
1.5"	6	\$171.25
2"	7	\$274.00
3"	4	\$513.75

City of Montrose**UNITS OF WATER INVOICED TO CUSTOMERS ANNUALLY**

Usage Reported In
Usage Reported In

GALLONS
FISCAL YEAR

	2012/2013	2013/2014	2014/2015	2015/2016
--	-----------	-----------	-----------	-----------

GALLONS INVOICED	26,365,630	27,093,640	31,381,520	31,029,507
------------------	-------------------	-------------------	-------------------	-------------------

CHARGE PER 1,000 GALLONS OF WATER	\$4.90	\$5.37	\$5.92	\$6.60
--------------------------------------	---------------	---------------	---------------	---------------

TOTAL WATER THROUGH METER STARTING FROM GALLON ZERO

REU Table

Customer Name	# of REU's Charged
Forest Creek Apts	48
Beechtrail Apts	48
Montrose Manor	38
Montrose Country Est.	32
Larry Leonard	17
Warren Edwards	4
O'Guinn's Funeral Home	2
Rick Wilson	2
Anthony Grella	2
Uncle Matty's LLC	2
Montrose Tax & Acct.	2
Richard Woosley	2
(12 Customers)	Total 199