City of White Sulphur Springs, Montana

Comprehensive Capital Improvements Plan

March, 2021

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Introduction:

In 2017, the City of White Sulphur Springs compiled a Growth Policy document. One of the goals of the Growth Policy document was the compilation of a Capital Improvements Plan (CIP) which is also sometimes called a CCIP (Comprehensive Capital Improvements Plan).

History:

White Sulphur Springs saw population highs of over 1500 people in the early 60s which has shrunk to just over 920 people in 2018. This negative growth pattern was largely due to the City's natural resource based economy. Most rural communities in Montana have seen a recent reduction in the population base unless the community has been able to take advantage of the tourist trade. The City has seen a major reduction in the logging industry, followed by the closing of local sawmills (the mill in Townsend just closed recently).

Agriculture and timber were the primary industries within the Community for many years. More recently, increased tourism and independent businesses have started to create new and unique opportunities. These trends will hopefully continue, making White Sulphur Springs a more vibrant and resilient community. Looking forward in White Sulphur Springs, it appears another cycle of natural resource development appears to be starting up with the advent of the Black Butte Copper Mine and the Gordon Butte Project. While a trend in this area back towards natural resource development is likely, this type of development is more unpredictable in terms of the challenges and opportunities that it provides to a community like White Sulphur Springs. At the time of the draft of this Growth Policy, the certainty of these specific projects was also unknown. Regardless of an individual project, it is likely that additional natural resource development will develop near White Sulphur Springs in the future, some yet to be predicted. Balancing the community's heritage with new opportunities will be critical to a thriving community. White Sulphur Springs has a number of assets and recent activity that provide a positive framework for thinking about the future. A couple of examples of these are the construction of a new school and the reconstruction of Main Street. White Sulphur Spring's central location in Montana, excellent natural amenities, hot springs, a ski mountain, medical facilities, and buildings with historic character and charm which should all help to promote growth of the community. At the same time, White Sulphur Springs faces challenges similar to many communities in the west, primarily with aging infrastructure and an aging population with limited resources to remedy all of the needs. In this way, the Black Butte Copper Mine specifically provides new opportunities to fix some of the infrastructure within the community based upon potential impacts. This growth policy provides a general overview of the projected growth in White Sulphur Springs as a result of the mine, but a more detailed analysis will be required of the mine through the State's Hard Rock Mining Impact Program. The White Sulphur Springs Growth Policy was developed following the development of the Meagher County Growth Policy. The Meagher County growth policy has a wealth of technical information and a variety of similar goals to this policy that should also be referred to as the Community considers actions in the future.

Why A Capital Improvements Plan?

One of the primary responsibilities of the City of White Sulphur Springs is to preserve, maintain, and improve a community's assets including buildings, streets, parks, water and sewer lines, and various types of equipment. Planning for capital improvements is a matter of prudent financial management.

In order to provide service to its citizens, a city government needs funding for costs such as salaries, supplies, and other operating items. Most public services also entail costs for furniture, automobiles, other equipment and vehicles, land, and construction of buildings or other public facilities.

These costs are separated into two main categories: (1) operating expenditures, and (2) capital outlays.

Operating expenses include personnel costs, day-to-day maintenance and operation of City assets, and the acquisition of goods that are consumed or used up as a service is provided. These types of expenses cost less on a unit basis than most capital outlays, and they recur at roughly the same level Capital outlays occur on a periodic basis.

Capital outlay expenditures include both (a) capital equipment and (b) capital improvements. The City is planning to budget capital equipment annually through the CIP process. The City also budgets capital improvements annually through dedicated revenue. Capital improvement expenses also generate operating costs that must be recognized and accommodated.

A Comprehensive Capital Improvements Plan (CCIP) is a budgeting and financial tool used by government entities to establish long term goals for maintaining, improving, or building new public facilities. The general planning process used to develop a CCIP identifies specific projects, costs, priorities, timetables, and funding sources, and includes all public facilities owned or maintained by the local government. Capital Improvement Programs, defined by the Montana Legislature who passed the legislation, allows a municipality to set aside funds from its general all-purpose levy for replacement and acquisition of property plant or equipment costing in excess of $5,000 with a life expectancy of five years or more.

Exceptions include Preliminary Engineering Reports (PERs) or Master Plans or Growth Policies although specific plans like a PER can be included in CIP if the Council desires. Software purchases are often made as purchasing a "service" so are not typically included in a CIP.

Grant and loan agencies are requiring the City prepare the CIP for proper consideration of any applications for financial assistance. If the City was to charge any development or impact fees it would be required to keep a current CIP as a matter of state law.

A CIP or CCIP should contain the following elements:

1. A clear general summary of contents;

2. Identification of the long-term goals of the community;

3. A list of all capital improvements and other capital expenditures which are proposed to be undertaken during the fiscal years next ensuing, with appropriate supporting information as to the necessity for each;

4. Cost estimates and recommended time schedules for each improvement or other capital expenditure;

5. Method of financing upon which each capital expenditure is to be reliant;

6. The estimated annual cost of operating and maintaining the facilities to be constructed or acquired;

7. A commentary on how the plan addresses the sustainability of the community or region of which it is a part; and

8. Methods to measure outcomes and performance of the capital plan related to the long-term goals of the community.

This CCIP for the City of White Sulphur Springs covers a five year planning period from FY2021 to FY2026, and is a living document that will be reviewed annually and updated as necessary. Some major projects considered in this planning document may extend beyond the planning period to allow the City time for funding acquisition and planning. As city needs change to reflect community necessities and service requirements, environmental factors and City priorities, the CCIP will be updated to add new projects or reprioritize existing needs. As well as aiding the City with annual budgeting requirements, the CCIP is intended to provide tangible goals and objectives for the city to improve and replace public facilities before they are faced with severe degradation or catastrophic failure.

This CCIP was developed through a cooperative process managed by a team that included The City Engineer (Innovative Engineering), the Mayor and City Council, the Public Works Department, the Fire Department, the Sheriff's Department and input from the public.

The City of White Sulphur Springs realizes the need for a planning tool that will provide direction to existing and future City Councils. The implementation of a CCIP is an effort to meet public works needs and demonstrate sound planning efforts to the local residents, as well as to funding agencies and bond underwriters. Evidence of planning and managing debt for capital improvements illustrates the need for grant and loan funding, and has the potential for minimizing interest rates and the cost of borrowing money. Recent grant applications have been criticized because of the lack of a CIP and this process will help future applications score better. In addition, the CIP process is a valuable planning tool if used properly and if the CIP is updated each year.

This CCIP is connected by reference to the existing City of White Sulphur Springs Growth Policy completed in 2017. Goals and objectives within the 2017 Growth Policy emphasize the pursuit of cost effective public services and facilities, economic development, growth that encourages preservation of the character and value of property in White Sulphur Springs, protection of the quality of housing, and development of recreation facilities. Goals and objectives also support the utilization and conservation of natural resources for economic development and conservation that retain the natural character of

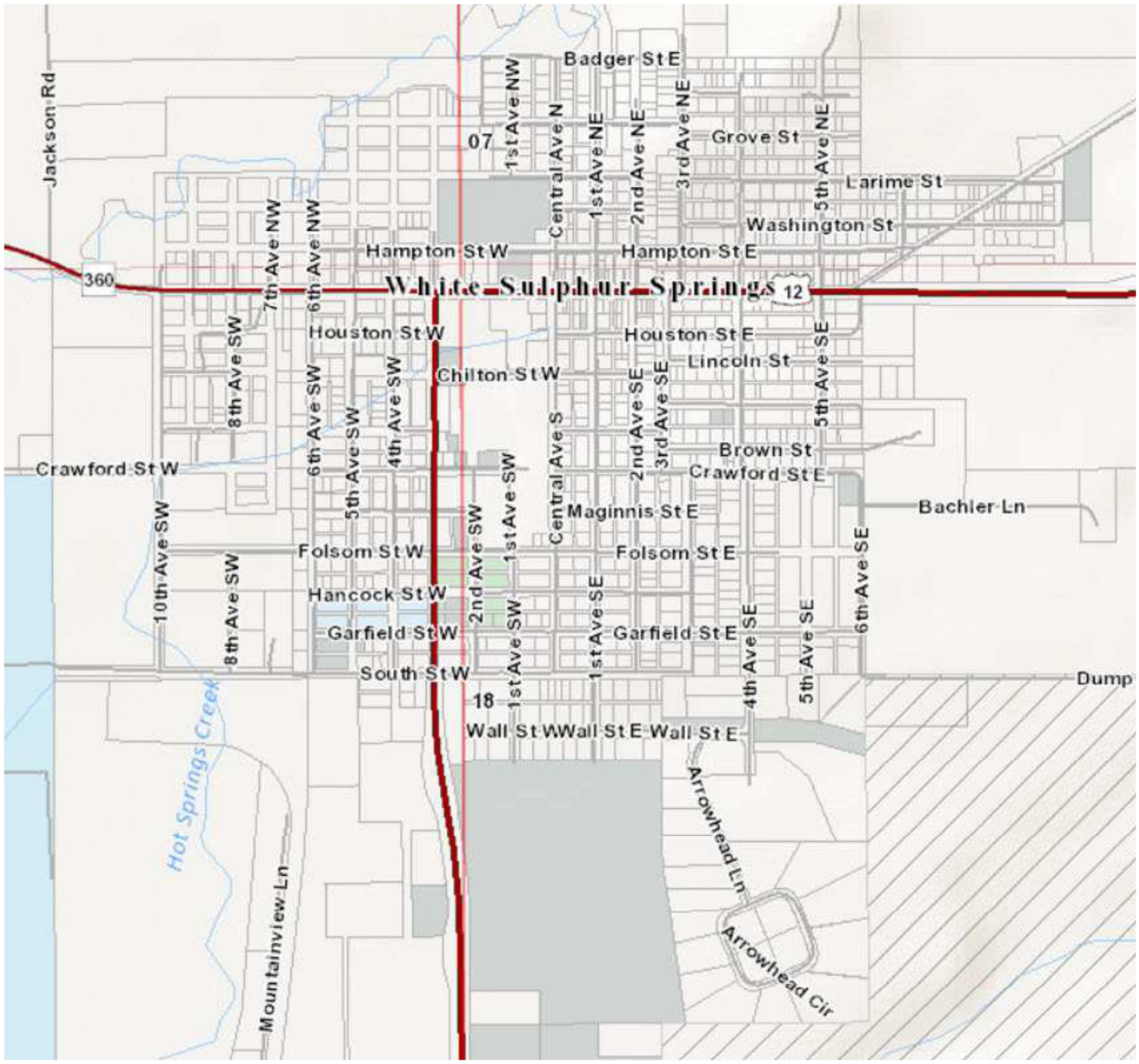
the community and promote transportation improvements that support local businesses and land uses with a sensitivity to the cost of maintenance.

Specific issues identified and goals and objectives defined by the update to the Growth Policy (2017) have impact on the capital projects that are prioritized within this CCIP. Of primary focus within the Growth Policy are the following issues:

- Maintain and develop infrastructure to enhance the town's functioning
- Preserve and enhance the town's unique character
- Build and make use of the town's amenities; and
- Support the efforts of the residents to enhance and better the community

The area served by this CIP is within the City Limits of the City of White Sulphur Springs as shown below:

Figure 1 – City of White Sulphur Springs



The population of White Sulphur Springs has been declining since it peaked in about 1960. From 1910 to 2015, the City saw a population growth of 122%, or a net increase of about 500 people. However, between 1980 and 2014 the population declined about 30% or roughly 275 people. The population at the time of the last water system PER (2010) was about 950 people but current estimates are about 940 persons residing within City Limits. Loss of population growth reflects the need for planning at the city level and a continued effort to set tangible goals for the city to maintain its public facilities. Planning and budgeting for population decline is as important as planning for growth.

The CIPP Process

The CCIP planning process allows for the identification, review, planning and budgeting of capital expenditures. This process allows time for the study of identified projects, encourages public discussion

of these projects, and allows citizens to provide advice and recommendations regarding potential projects and expenditures. The creation of a CCIP, as identified in the "Capital Improvements Planning Manual" published by the Montana Department of Commerce, follows a logical and sequential process, as outlined below.

A. Assess Needs

The first step in the CCIP planning process assessed the overall needs of the City. City department heads, city council members, and city personnel were provided an opportunity to give input on capital project needs. Departments contributing included:

1. Fire Department

2. Parks and Recreation

3. Public Works

4. City Clerk

5. Police/Sheriff Department

6. City Council

7. Public

The Mayor of White Sulphur Springs made a request of all city personnel asking about specific projects, their estimated timeline of need for the project, and capital and maintenance costs of the project if known. Each City Department provided information in the Fall of 2019 about the need for the project and details that may be available to help determine timeline and cost for the project.

This Needs Assessment and public outreach is complemented by an open government policy followed by the City Council for White Sulphur Springs. This CCIP was developed in close cooperation with the City Council, which meets regularly in open session with a noticed agenda that includes time for public comment. Throughout the development of the CCIP, the topic has been on the Council's agenda and comments have been encouraged from the general public.

B. Project Identification and Prioritization of Need

The next step in the CCIP planning process evaluated potential projects and prioritized the capital needs of the City of White Sulphur Springs. Projects were limited by the Council to those in excess of $5,000 and projects that would be completed or require planning within the next five budget cycles (FY2021 - 2025). Once projects were identified by the City Council and prioritized, public comment was sought. Typical criteria utilized were:

1. Public health and safety (0-10 points) - does the project address an urgent health or safety concern, legal mandate, or code compliance?

2. Public infrastructure/ integral to another project/long term cost savings to the City (0- 10 points) – is the project directly related to infrastructure owned and maintained by the City? Does implementation of another critical project depend on this project or does it extend and existing project to provide additional benefit? Will the project provide cost savings to the City over the lifetime of the project?

3. Economic development/community benefit (0-10 points) – does the project promote increases in economic activity in the City? Does the project provide a benefit to the entire community, or only to a particular segment of the population based on location or need? Does the project improve or enhance the lives of individuals residing in the City?

4. Protection of property values (0-10 points) – does the project enhance the value of homes and businesses in the City?

5. Long range reinvestment in the City (0-10 points) – will the project serve the goals and values of the City of White Sulphur Springs over the long term?

The City Council scored each project and then sought public input before finalizing the scoring. The Council was provided with a copy of the scoring summary and then met in a public meeting to discuss and take comment on the final prioritization of projects to be included in the CCIP. Requests identified during the needs assessment were eliminated from the ranking process because the project had already been completed, it was not considered a capital project, or it was felt the project was out of the scope of the City's means or responsibility.

C. Funding Options

After researching all funding options, a possible funding scenario was created for each project on the final CCIP. Due to the scope and size of some projects, more than one funding source may be identified for a single project. This can be advantageous, as funding strategies that are not dependent on one source are less vulnerable to changes in funding availability, and are more likely to be successful.

Funding assistance can be obtained from one or more of several different agencies. The Treasure State Endowment (TSEP) program can provide up to $750,000 for projects in the form of a grant and require a dollar for dollar match. The matching funds can come from other programs, City coffers, or a combination of the two. Applications are due in May of even numbered years, and are typically used for water, wastewater, solid waste, stormwater or bridge projects.

CDBG Public Facilities Grants are annual grants that can provide up to $450,000 for engineering, administration, and construction of drinking water, wastewater, flood control, drainage, stormwater, solid waste, parks and playgrounds, sidewalks, curbs, and gutters, along with police, fire, library, and public schools. For public infrastructure projects, the applicant must demonstrate that 51% or more of the persons living in the project area are low-and-moderate

income (LMI). The City of White Sulphur Springs recently completed an income survey that showed there were approximately 58 percent LMI households in the City so have met the burden of proof for qualification for CDBG funds.

The benefit cannot exceed $20,000 per LMI household and applicants must contribute matching funds equal to at least 25% of the total CDBG funds requests unless a waiver is requested. Eligible sources of match include but are not limited to local general funds, or other cash, including loans from traditional lenders, proceeds from the sale of general obligation or revenue bonds.

DNRC Renewable Resource Grant and Loan Program (DNRC-RRGL) is a biannual grant that provides up to $125,000 with no match requirement. The proposed project must conserve, manage, develop, and preserve/protect Montana's renewable resources. special assessment bonds loan or grant funds from a state or federal program.

USDA Rural Development Water and Environmental Program (often referred to as "RD") provide grant and loan funding to municipalities for water and wastewater projects that improve the quality of life and promote economic development in Rural America. Municipalities with a population of less than 10,000 are eligible to apply, though; priority is given to those with a population of less than 5,500. Grant eligibility and loan interest rates are based on the community's median household income (MHI) and user rates. If the area to be served has an median household income (MHI) of $38,205 or lower, and the project is necessary to alleviate a health and/or sanitation concern, up to 75% of the project costs are grant eligible. Up to 45% of the project costs are grant eligible if the planning area has an MHI between $38,205 and $47,757. The maximum term is 40 years with current interest rates ranging from 1.75% to 3.0%. Rural Development changes its interest rates the first day of each quarter.

Delivering Local Assistance (DLA) Program was created in 2019 to support communities impacted by natural resource development, specifically coal, oil, natural gas, and timber. This program will focus grant funds toward local governments and schools to address the needed investments in facilities and other community infrastructure priorities across Montana. In total, $21.5 million in grants are available. Of that, $10.75 million will be distributed to local infrastructure projects and $10.75 million will be distributed to school district infrastructure projects. This allocation funding is currently a one-time authorization available for the 2021 Biennium; however, it is possible the Legislature authorize the permanent funding of the program in 2021.

Northwestern Energy Universal Systems Benefits (USB) program provides funding for renewable energy installations on non-profit or government/public buildings with a 10% project match requirement for the host site. Funding availability varies for each 6 month cycle they accept proposals.

Alternative Energy Revolving Loan Program (AERLP) provides loans fixed at a 3.25% interest rate to increase investments in alternative energy systems and energy conservation measures in

Montana. Maximum loan amount is $40,000 for a maximum loan term of 10 years. Eligible projects include solar photovoltaic (PV) systems, solar thermal systems for water or space heating, geothermal systems, wind generators, EPA-certified low-emission pellet stoves or wood stoves, insulation, high-efficiency windows, and energy-efficient appliances.

An additional funding option is Montana's State Revolving Funds (SRF), which is administered by the Montana Department of Environmental Quality (DEQ). The SRF Program provides low-interest loan funds for water, wastewater, stormwater, and in some cases, solid waste projects. The current interest rate is 2.5% with a 20-year term. In certain situations, a 30-year term is also available depending on the useful life of the project.

SRF also has a limited amount of "principal forgiveness" funds available for projects. For water projects, 50% of the SRF funding for a project, up to $500,000 may be obtained, depending on the availability of the funds. The SRF also allocates principal forgiveness to wastewater projects, but funding is limited, and for planning purposes should not be assumed to be part of a funding package.

WaterSMART Water and Energy Efficiency Grants provide 50/50 cost share funding to water or power delivery authorities for projects that conserve and use water more efficiently, increase the production of hydropower, mitigate conflict risk in areas at a high risk of future water conflict, and accomplish other benefits that contribute to water supply reliability in the western US. For the 2020-2021 program, $300,000 per agreement was available for a project that can be completed within two years. Up to $1.5 million per agreement was available for a project that can be completed within three years. It is likely (but not certain) the program will be renewed in 2020 and subsequent years.

Special Improvement Districts (SID's) are utilized by public entities to generate funding for capital improvements that only impact a specific portion of their jurisdiction. Once the area of impact is defined, properties within the SID boundary are assessed a fee-based typically upon frontage or square footage. SID's based upon frontage are applicable to street or sidewalk improvements. For stormwater systems, the entire area of a property contributes runoff to the system, so basing the costs on square footage of the properties is more appropriate.

Maintenance Districts are a feasible and equitable method to generate funds necessary for maintenance and repair. The City Council may choose at any time to create a maintenance district(s) by providing by ordinance a method of performing and funding maintenance and improvements. The Council must also adopt a resolution delineating the physical boundaries of the district(s). Once a district is defined, the City can make changes to the district by resolution in any succeeding year after the district is created. Maintenance districts are common for streets and stormwater.

The Transportation Alternative Program (TA) is administered by the Montana Department of Transportation (MDT). Per MDT, projects funded by TA grants can include "on- and off-road pedestrian and bicycle facilities, infrastructure projects for improving non-driver access to public

transportation and enhanced mobility, community improvement activities, and environmental mitigation; recreational trail program projects; safe routes to school projects; and projects for the planning, design or construction of boulevards and other roadways largely in the right-of-way of former Interstate System routes or other divided highways". The TA Program is currently without funding and the MDT is not expected to accept applications until after the program is given additional funding.

D. General Fund

Many projects in the CIP will be funded from the General Fund and during the most recent annual audit, the auditors recommended the City setup a couple of accounts within the General Fund to assist in financing these CIP projects. Money can moved back and forth between these accounts and still be within the General Fund, which will give added flexibility in the budgeting process. The City is currently in the process of establishing these accounts within the general fund.

E. Adoption and Implementation of the Final CIP

The final step in completing the City of White Sulphur Springs CCIP was to adopt and implement the plan. Prior to formal adoption, a draft CCIP was provided to members of the City Council and the public. The availability of the draft CCIP for review was published in the Meagher County News. The CCIP was adopted by resolution at a public meeting held on XXXXXXX. The formal adoption of the CCIP enables the City of White Sulphur Springs to begin implementation of the projects identified.

City of White Sulphur Springs Budget

The City of White Sulphur Springs has an annual budget of $2,983,992 and full time staff of five people. The City also contracts for services including City Court, City Attorney, City Engineering and Law Enforcement Services. This budget anticipates several major expenditures that may, or may not happen and if these expenses were realized, some of these expenses would have to be funded at least in part, by transfers from reserve accounts. Total expenses for the General Fund from year 2020 to 2021 are estimated as $691,273.

The General Fund projected income looks like Table 1 shown below.

General Fund - Table 1	
Income	
Taxes	$166,113
Licenses & Permits	$3,100
Intergovernmental Revenues	$141,955
Charges for Services	$2,324
Court Fines	$15,500
Miscellaneous	$1,600
Investment Earnings	$660
Total	**$331,252**

Most general projects for the City will likely have to be funded through the General Fund. Some projects may be able to be funded through special funds or enterprise funds where funding is specifically earmarked and cannot be used for other purposes.

The following designated funds have anticipated income in these amounts:

Dedicated Funds - Table 2 Income	
Airport	$2,156
Liability & Comp Insurance	$10,189
State Entitlement	$8,766
Library Fund - nonvoted	$6,811
Library Fund - Voted	$6,198
Fire Department	$9,047
Fire Department - Retirement	$9,913
PERS	$18,782
Group Insurance	$9,238
Police Reserve Training	$2,000
Gas Tax	$32,429
Gas Tax – Special Allocation – HB 473	41,023
CDBG Fund	$50
CIP – Aging Equipment	$76,000
CIP – Aging City Hall	$67,300
CIP – Aging Road & Streets	$30,000
CIP – Aging Playground Equipment	$9,250
Water	$171,810
Water Line Replacement	$35,000
Water Transmission Main Replacement	$500,000
Water Tank Project	$168,000
Sewer	$137,400
Sewer Project - Phase 1	$30,800
Sewer Project - Phase 2	$149,500

Fireman's Disability	$2,000
Total	**$1,533,662**

Current projected expenditures are shown below in Table 3. These projections were based on average expenses from 2017 – 2020 and will not match line item budget expenses. There may be larger line item budget expenses, based on one time anticipated expenses in the next fiscal year. Depending on the extent of the actual budget, there may be as much as $30,000 available for projects needing financing from the general fund.

Table 3 - Projected Expenses

	2017	2018	2019	2020	Average
Council	$5,938	$5,336	$4,937	$5,087	$5,325
Mayor	$7,539	$9,682	$8,864	$8,861	$8,737
Court	$19,143	$26,149	$16,353	$21,323	$20,742
Financial	$43,426	$56,718	$57,504	$63,574	$55,306
Audit	$8,300	$9,800	$8,300	$8,770	$8,793
Election					$2,000
Legal	$22,501	$17,864	$12,986	$31,421	$21,193
Facilities	$15,488	$14,119	$6,697	$22,308	$14,653
Phone	$5,172	$4,931	$5,307	$5,550	$5,240
Sheriff					$17,500
Roads	$100,798	$126,324	$101,479	$83,496	$103,024
Forestry					$3,800
Lighting	$11,099	$4,576	$4,307	$4,497	$6,120
Propane	$4,648	$6,473	$7,410	$5,371	$5,976
Garbage	$1,872	$2,650	$1,708	$5,282	$2,878
Weeds	$527	$499	$499	$554	$520
Animal Control	$2,513	$294	$1,642	$2,400	$1,712
Parks	$11,448	$4,855	$17,078	$26,942	$15,081
Misc.					$1,000
				Subtotal	**$299,597**
Airport					$7,800
L. Insurance					$18,000
Library - NV					$12,475
Library -V					$6,565
Fire	$39,072	$7,973	$4,200	$3,856	$13,775
PERS	$13,980	$15,045	$14,723	16960	$15,177
Group I.	$27,544	$21,087	$14,926	16321	$19,970
Gas Tax	$4,931	$19,048	$37,023	9363	$17,591
Gas Tax HB473					$40,137
CIP/Zoning					$75,000
Water	$252,686	$293,071	$386,068	$192,725	$281,138

H20 Line Replace					$24,860
H20 Tran Main					$400,000
Water Tank	$17,946	$36,525	$34,585	102585	$47,910
Sewer	$92,176	$83,605	$183,878	57003	$104,166
Sewer Phase 1	$10,860	$10,380	$9,900	26420	$14,390
Sewer Phase 2	$30	$34,505	$26,107	71850	$33,123
				Subtotal	**$1,132,077**
				Total	**$1,431,674**

There are other funds in the City budget including Special Revenue Funds and Enterprise Funds. Money collected and placed into these funds generally must be used for these specific purposes. A CIPP project may be allowed to be funded with these types of funds if it meets the description of that fund's purpose.

The City will have two tasks at hand for each potential CIPP project. The first is to rank each project on the basis of need and importance to the City. The second will be to determine how to fund each project.

The City assessed and prioritized the project list with the end results as shown below in Table 4.

Table 4 - Prioritized Project List

Fire Trucks	New Fire Station	Re-Roof Fire Station	Resurface Tennis Courts	Generator for Wells	Ph III H20 Replacement	Well House Plumbing	Looping Dead End H20 Mains	Replace Undersized Mains	New City Shops Building	New Work Truck	Grader	Pave Two Blocks	
15	15	15	23	26	46	32	41	41	10	5	10	44	
45	40	Done	Current	45	50	45	40	45	50	40	35	50	
35	17	Current	17	Current	28	23	17	36	15	9	20	43	
39	49	Done	current	38	43	29	42	42	34	5	9	47	
48	42	50	39	50	50	48	50	40	50	40	40	50	
29	10	Done	19	Done	37	28	18	21	30	22	28	30	
43	50	41	23	50	50	49	49	50	28	28	37	42	
254	**223**	**106**	**121**	**209**	**304**	**254**	**257**	**275**	**217**	**149**	**179**	**306**	**Total**
#6	#7	#12	#13	#9	#2	#5	#4	#3	#8	#11	#10	#1	**Rank**

Since the CIPP process began, three projects on the priority list have been funded and have been removed from consideration. They are the re-roof of the fire station, resurfacing of the tennis courts and installing an emergency generator for the two water wells at the City Shops building.

The remaining projects scored from a high of 306 to a low of 149 points.

CIPP Project Summary

1. Pave two blocks of City streets: This CIPP alternative scored 306 points and was ranked as the highest priority project for the City. Paving two blocks of streets in the city highlighted the City's need to increase its paving base and emphasized the frustration with the current condition of the City's mostly gravel streets. Costs for this project are specific to the location as the condition of the sewer, water and drainage facilities should all be considered before a final project cost can be compiled. A logical way to

proceed on this project is to identify the two blocks that are most in need of improvement, and then develop a project cost. Funding for this type of project would likely come from a combination of the General Fund and Gas Tax revenues. A typical two block long paving project is estimated to cost about $65,000 without installation of new culverts or replacement of existing water or sewer mains and services. A project of this type could be completed with funds from the general fund with possible assistance from Gas Tax funds.

The City presently uses all of its gas tax allocation for maintenance and repair of the existing streets. The City also gets a second allocation of gas tax revenues as part of the BARSAA allocation. BARSAA is the Bridge and Road Safety and Accountability program. Funds for this program are held in reserve for the City by the Department of Transportation and must be requested by the City. Funds unspent after five years must be returned to the Montana Department of Transportation and the City must match $1 for every $20 in a funding request. In addition, the City can earmark funds for a two year period, but not for a longer period. The City must also provide MDT with a report annually detailing how the BARSAA funds were spent. The 2020 allocation of BARSAA funds for the City of White Sulphur Springs was $32,615.

These funds have already been incorporated into the City's road budget and so does not represent and new source of funding. IF BARSAA funds were redirected from their present road maintenance and repair and instead, held in reserve for paving two blocks of city streets, that presently funded maintenance would either have to be deferred or funded from the general fund.

The City has also examined the potential for using a Street Maintenance District as an alternate form of funding for street paving and the conclusion was that a Street Maintenance District could be used for street maintenance, but could not be used to finance actual paving as indicated by state statute.

The City also examined the feasibility of classifying White Sulphur Springs as a "Resort" area and qualifying for the ability to assess a "Resort Tax". A resort area as defined by MCA 7-6-1501 means an area that is an unincorporated area and is a defined contiguous geographic area, has a population of less than 2,500 according to the most recent federal census, derives the major portion of its economic well-being from businesses catering to the recreational and personal needs of persons traveling to or through the area for purposes not related to their income production; and has been designated by the department of commerce as a resort area prior to its establishment by the county commissioners as provided in 7-6-1508. A "Resort area district" means a district created under 7-6-1532 through 7-6-1536, 7-6-1539 through 7-6-1544, 7-6-1546 through 7-6-1548, and 7-6-1550 that has been established as a resort area under 7-6-1508.

A "Resort community" means a community that is an incorporated municipality, has a population of less than 5,500 according to the most recent federal census, derives the primary portion of its economic well-being related to current employment from businesses catering to the recreational and personal needs of persons traveling to or through the municipality for purposes not related to their income production; and has been designated by the department of commerce as a resort community.

It appears that a community would need to petition the Department of Commerce for designation as a "Resort Community". Commerce would then do the research and conclude whether or not the

community derives the primary portion of its economic well-being related to current employment from businesses catering to the recreational and personal needs of persons traveling to or through the municipality for purposes not related to their income production. Until the Department of Commerce makes that designation, no assessment of resort taxes can be made. For the purposes of this CIPP, no consideration of Resort Tax revenues will be made.

The funding of two blocks of paving, at an estimated cost of $65,000 will have to be made through contributions to a line item in the CIPP budget from the General Fund. This project will be funded by two annual contributions of $32,500 and constructed in 2022.

2. The second highest priority project for the City (304 points) is the "Replacement of Water Transmission Main – Phase III". The water transmission main from the east end of the alfalfa field east of the City needs to be replaced. This project is estimated to cost about $540,000 to complete and will be likely be funded by TSEP, CDBG or Rural Development with a match from the City's water main replacement fund. The water line fund currently has a balance of about $337,000 and SRF would likely loan the amount required and potentially provide a Principle Forgiveness of about half, which would reduce the City's portion of the debt to about $270,000. Rural Development also provides grant/loan combinations for projects like this, with a maximum possible grant of 75% and loan of 25% if the median household income of the proposed service area is below the city MHI (median household income) which is calculated as the higher of the poverty line, or 60 percent of the State nonmetropolitan median household income. The poverty level in Montana for a family of four is a total household income of $26,200.

The traditional funding cycle for water system improvements utilizes DNRC and TSEP for grant funds with a match from the City. TSEP is a state funded grant program, which is administered by the Montana Department of Commerce (MDOC). TSEP provides financial assistance to local governments for infrastructure improvements. Grants can be obtained from TSEP for up to $500,000 if the projected user rates are less than 125% of the target rate, for up to $625,000 if projected user rates are between 125% and 150% of the target rate, and for up to $750,000 if the projected user rates are over 150% of the target rate. TSEP grant recipients are required to match the grant dollar for dollar, but the match may come from a variety of sources including other grants, loans, or cash contributions.

White Sulphur Springs will be eligible for a TSEP loan as the target rate for the community for combined water and sewer services is $74.04. The target rate for water alone is $45.08 per month.

Part of this financing option would also include a grant from RRGL. RRGL is a state program that is funded through interest accrues on the Resource Indemnity Trust Fund and the sale or Coal Severance Tax Bonds and is administered by the Montana Department of Natural Resources and Conservation (DNRC). The primary purpose of the RRGL is to enhance Montana's renewable resources. For public facilities projects that conserve, manage, develop, or protect renewable resources, grants of up $100,000 are available. For an estimated project cost of $547,000, TSEP would pay half ($273,500), the City would obtain a grant from RRGL for $100,000, and the City would pay $173,500 from its reserve account.

This funding option relies on the City completing their CCIP, plus completing a new water system PER. These documents would be considered in the next funding cycle, with recommendations for funding going to the 2023 Legislature and funding being allocated in the first half of 2023, and construction scheduled for 2024.

Another alternative is funding from Rural Development or RD, which provides grant and loan funding to municipalities for water and wastewater projects that improve the quality of life and promote economic development in Rural America. Municipalities with a population of less than 10,000 are eligible to apply, although priority is given to those with a population of less than 5,500.

Grant eligibility and loan interest rates are based on the community's median household income (MHI) and user rates. If the area to be served has a MHI of $38,636 or lower and the project is necessary to alleviate a health and/or sanitation concern, up to 75% of the project costs are grant eligible. White Sulphur Springs had 58% of the population make less than the estimated MHI so would likely qualify for an RD grant based on this criteria alone. RD also has a target rate which is compiled differently than what TSEP develops. The rates are usually very similar, and discussions with RD personnel in the Great Falls office indicates that the combined rate will likely need to be around $60/month to qualify for grant funding.

Rural Development has an annual funding cycle that also does not require legislative action, although they will still require a new water system PER to be completed. Once the PER is completed, application could be made to RD with options for funding known within less than a year, making this option more attractive. A realistic schedule utilizing RD funding would be to complete the PER this year, apply to RD for funding, and plan for this project to go to construction in 2022. The City does not have enough in reserves to accomplish this project without assistance but could possibly proceed with a loan from SRF if the Principle Forgiveness (50%) is still in effect.

3. The third highest priority with 275 points was the replacement of the undersized water mains in the City. The water system currently has multiple fire hydrants throughout the City that are served by four inch (or smaller) water mains. DEQ standard (DEQ-1 8.2.3) states: "The minimum size of water main for providing fire protection and serving fire hydrants must be six inches in diameter."

The concern is that four inch (and smaller) lines, particularly those that are old and tuberculated, present a significant restriction on capacity and hence fire protection. This deficiency represents a threat to public safety. It follows that all undersized four and two inch mains should be replaced, as those that do not directly serve fire hydrants still present a restriction in available fire flows in a looped distribution grid.

In order to get an idea of the minimal impact to fire flows, all four and two inch mains in the distribution system would be replaced by six inch or larger PVC. This improvement would replace approximately 16,000 lineal feet of undersized water main. The greatest improvement to fire flow capacity would be realized in those areas directly served by undersized mains, especially along undersized dead end mains. Fire flows on the west end of the City would realize a significant improvement due to the upsizing of an old four inch steel main near Main Street that currently acts as a bottleneck, stifling capacity by

introducing a great deal of headloss. On average, fire flows on the west end along Main Street would increase by roughly 900 gpm if the undersized piping were replaced. The cost of completing this work was estimated as $2,101,000 in 2010. At an average inflation rate of three percent, this project would now cost an estimated three million dollars. A project of this size would need to be funded by combination of TSEP, RRGL, and CDBG financing a maximum of $1.3 M, and the City contributing the balance of $1.7 M. The other financing option would be a grant /loan combination from Rural Development with matching funds from the City's water main replacement account. Rural Development would determine the relative percent of grant verses loan financing. This project is currently scheduled for 2026.

4. Looping of all dead end water mains in the City was the fourth ranked priority with 257 points. According to the record drawings produced by RPA (1986), there are 13 dead end water mains in the City's distribution system. Approximately 5,700 lineal feet of six inch PVC is included in this scenario to loop in all of the dead end mains in the system. In general, all improvements to fire flow capacity as a result of this improvement are limited to those areas directly served by each dead end main. The estimated cost of this project was $915,000 in 2010 which is now estimated as $1.4 M, which could be funded by TSEP, CDBG and RRGL or Rural Development, with matching funds from the City's water main replacement account. If the City was granted a CDBG grant for $450,000, a grant from RRGL for $100,000 and a TSEP grant for $750,000, the balance would need to come from the City's reserve account for $100,000. The other financing option would be a grant /loan combination from Rural Development with matching funds from the City's water main replacement account. Rural Development would determine the relative percent of grant verses loan financing. This project is currently scheduled for 2026.

5. The 5th ranked alternative is modifications to plumbing in the current well house. The current plumbing configuration in the existing well house only allows water to be metered from Well No. 2, which is located in the well house. The second well is located outside the well house, and is plumbed directly into the distribution system. This water use is not measured, which is against both DNRC and DEQ rules, and also makes it difficult to know how much water the City consumes when the sand filter is turned off. The estimated cost of this project is $35,000. The water fund has a projected income of $205,900 and average annual expenses of $281,000, so it is likely that this project will need to be funded through use of reserves, or through outside financial assistance. SRF would likely loan the amount required and likely provide a Principle Forgiveness of about half, which would reduce the City's portion of the debt to about $17,500. Rural Development also provides grant/loan combinations for projects like this, with a maximum possible grant of 75% and loan of 25% if the median household income of the proposed service area is below the higher of the poverty line or 60 percent of the State nonmetropolitan median household income. This project is scheduled for 2022.

6. The Fire department would like to purchase two new fire trucks. The existing trucks are 25 and 30 years old and newer trucks are needed to keep the equipment dependable. Each truck is estimated to have a cost of $150,000. Currently, the Fire Department gets about $6,282 in taxes from the City and depends heavily on financing its annual expenses from revenue from FEMA, typically in the form of a $25,000 grant with another $1,500 grant typically from the Bair Foundation. The Fire Department had

reported expenditures of $3,856 in 2020, $4,200 in 2019, $7,973 in 2018 but spent about $39,072 in 2017. Average expenditures over the last four years are on average about $13,775 – about double the income generated by taxes. The purchase of new trucks will need to be funded from outside sources – perhaps with another grant from FEMA. The Central Valley Fire Department in Belgrade, MT has also indicated a willingness to perhaps donate two fire trucks they are about to retire. These trucks would be newer than the trucks they would replace, but would still be used equipment approaching the end of their usable life. This project is scheduled for 2026.

7. The seventh ranked priority is the construction of a new fire station – the existing fire station will not be large enough to house the new trucks. The Central Valley Fire Station in Belgrade Montana has built several new stations in the last few years and has indicated a typical new un-manned fire station will probably cost an estimated $500,000. This project will have to be funded from grant sources, likely FEMA and will require about $100,000 worth of funding per year for five years with construction scheduled for 2026.

8. The eight ranked priority for the City is the construction of a new City Shops Building. This building was estimated to cost about $225,000 and would provide heated space for maintenance of the City's equipment plus storage of spare parts for the water system. This project would likely be built in 2026 after five years of dedicated saving about $45,000 per year from the General Fund. It's also possible funding could also be obtained in part from the City's water and sewer funds.

9. The ninth ranked priority for the City was the installation of a backup power generator for the City's two wells. This project is now planned for 2021 and has funding in the current budget, so no longer is a CIP project. The next highest ranked project was the purchase a grader for work on city streets for an estimated $50,000. The cost of this acquisition would be split between Gas Tax revenues (80%), Water fund Revenues (10%) and Sewer Fund Revenues (10%) and is planned for 2026. It requires annual funding of $10,000 per year for the next five years and a purchase in 2026.

10. Purchase a one ton dually shop truck – flat bed with dumping capabilities for $25,000. Current city trucks are at the end of their useable life cycles and are not dependable for trips outside city limits. Additionally, the City's dump truck is often pressed into service to haul a small amount of sand to a slick spot when a smaller truck could do the job better. This purchase would likely be financed equally between the General Fund, Water fund and Sewer Fund. This acquisition would require a contribution of $12,500 for a purchase in 2022.

Table 5 shown below is a summary of the plan and action for the City of White Sulphur Springs Capital Improvements Projects.

Table 5 - Capital Improvements Plan Summary					
Priority	**Project**	**Annual Cost**	**Total Cost**	**Year**	**Funding**
1	Two Blocks of Paving	$32,500	$65,000	2022	General Fund
2	Phase III H20 Transmission Main		$540,000	2024	Water Fund, TSEP, DNRC, CDBG, RD
3	Replace Undersized Mains		$3,000,000	2026	Water Fund, TSEP, DNRC, CDBG, RD
4	Replace Dead End Mains		$1,400,000	2026	Water Fund, TSEP, DNRC, CDBG, RD
5	Well House Modifications	$17,500	$35,000	2022	General Fund, SRF
6	New Fire Trucks		$300,000	2026	FEMA Grant
7	New Fire Station	$100,000	$500,000	2026	FEMA Grant
8	New City Shops Building	$45,000	$225,000	2026	General Fund
9	New Motor Grader	$10,000	$50,000	2026	General Fund Sewer & Water Funds
10	New Shop Truck	$12,500	$25,000	2022	General Fund Sewer & Water Funds