

OFFICE OF THE GOVERNOR
STATE OF MONTANA

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NEWS RELEASE
GOVERNOR STEVE BULLOCK
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Governor Bullock Announces \$29 million in Savings for Montana Ratepayers

State Revolving Fund Loan Program changes to long-term loans will save ratepayers millions

HELENA – Today, Governor Steve Bullock announced changes to Montana’s State Revolving Fund Loan Program that will save water and sewer ratepayers an estimated \$29 million in the next year by lowering long-term interest rates and reducing the amount of required reserves and debt service coverage.

“Montana continues to be the envy of other states due to our excellent fiscal management,” said Governor Bullock. “We can make changes like these today because of our fiscal responsibility and still maintain strong reserves for rainy days, strong programs to help rural Montana, all without raising taxes.”

Also attempting to help communities deliver clean water to our taps and rivers, earlier this year, the Governor instituted short-term construction loans for water and wastewater loans. He packaged them with \$45 million in grants for Eastern Montana’s impacted communities, which he will ask the legislature to fund when it reconvenes.

Today, the Governor adds to the interim financing three changes to long-term loans that will save ratepayers millions of dollars. These changes include:

- **A reduction of long-term interest rates from 3% to 2.5%**

Over the term of the loan, this is a savings of over \$100,000 for every \$1 million borrowed.

- **A reduction in the amount of required reserves.**

Currently, communities must hold 2 payments in reserve. The SRF program will now only require 1 payment in reserve. This means communities borrow less at the front end and the savings are compounded over the term of the loan.

Over the term of the loan, this is a savings of \$33,400 for every \$1 million borrowed.

- **A reduction of debt service coverage from 125% to 110%.**

Debt service coverage is required to assure repayment. Currently, if your debt for infrastructure improvements costs a community \$60,000 per year, the system has to collect \$75,000.

By reducing the coverage rate to 110%, the system will now be required to collect \$66,000, a savings of \$9,000 to ratepayers each year.

Over the term of the loan, this is a savings of \$200,000 for every \$1 million borrowed.

Communities across Montana are eligible for these savings. This is not just for Eastern Montana, but it will help Eastern Montana communities with upgrades to water and wastewater infrastructure over the next several years.

The Department of Natural Resources and Conservation (DNRC) estimates that Montana communities will borrow \$72.5 million. The changes announced today will save ratepayers an estimated \$29 million.

The SRF program is co-managed by Department of Environmental Quality and DNRC. . DEQ provides engineering and technical assistance that ensures water quality and proper system design. DNRC provides the financial services for the program through the sale of state bonds and financing terms with local governments.

State Revolving Loan Fund Program

Rate Payer Cost Reductions

Loan Amount \$72,539,000.00

<u>Actions</u>	<u>Savings (20 -year term)</u>
1. Interim/construction loans at 1.25%	\$4,554,093.09
2. Reduce reserve requirement to a single payment	\$2,424,768.53
3. Reduction in long-term interest rates to 2.5 %	\$7,464,925.06
4. Reduce debt service coverage to 110%	<u>\$14,548,611.18</u>
Total Savings	\$28,992,397.86

PROJECTS FY 2015

Revolving Fund Loan Program

Drinking Water

	<u>Loan Amount</u>	<u>Savings</u>
Big Fork - Water System Work	\$1,700,000	\$679,456
Cascade - Water System Work	\$760,000	\$303,756
Culbertson - Water lines under street	\$372,000	\$148,681
Great Falls - Engineering Loan	\$4,000,000	\$1,598,720
North Central - Cut Bank to Shelby	\$600,000	\$239,808
Philipsburg - System work	\$440,000	\$175,859
South Winds WSD	\$800,000	\$319,744
Three Forks - Lines and Tank	\$1,152,000	\$460,431
Troy - Water System Work	\$1,900,000	\$759,392
Whitefish - Distribution lines	<u>\$465,000</u>	<u>\$185,851</u>
Total	\$12,189,000	\$4,871,698

Wastewater

	<u>Loan Amount</u>	<u>Savings</u>
Alberton - WW Lines	\$540,000	\$215,827
Butte - WWTP	\$26,000,000	\$10,391,683
Cut Bank - Engineering	\$1,136,000	\$454,036
Glendive - WWTP	\$17,000,000	\$6,794,562
Havre - WWTP	\$4,800,000	\$1,918,464
Joliet - WW System	\$885,000	\$353,716
Sidney - IP Cells	\$2,579,000	\$1,030,775
Sidney - Lagoon	\$6,500,000	\$2,597,920
White Sulphur Springs - WW System	<u>\$910,000</u>	<u>\$363,708</u>
Total	\$60,350,000	\$24,120,691

Grand Total \$72,539,000 \$28,992,389