NEW WASTEWATER TREATMENT PLANT PROJECT BOND ELECTION

The River Rock County Water & Sewer District has a mail ballot bond election scheduled for Tuesday, September 13th, 2011. This will be a mail ballot general obligation bond election to authorize the District to borrow $3.9 million dollars to fund an upgrade to the wastewater treatment system for River Rock. This project includes:

- $3.1 million for a new Membrane Bio-Reactor (MBR) wastewater treatment plant.
- $55,000 for an emergency backup generator for the new wastewater plant.
- $20,000 for an emergency bypass pump for the sewer lift stations.

This newsletter has information about the project, and the costs of debt service for the bonds to property owners in the District. More information about the election and how residents and property owners can vote is on the District's website:

www.riverrockwatersewer.com/wwtp_project.htm

WASTEWATER PROJECT SUMMARY

In April of 2010, the Montana Department of Environmental Quality (DEQ) issued a new groundwater discharge permit for the River Rock wastewater treatment system. A permit is required because the wastewater effluent from the subdivision is discharged into the groundwater.

The discharge permit has a list of water quality parameters that must be consistently met to remain in compliance with Montana law. The River Rock lagoon system has not been able to meet the discharge permit limits for total nitrogen and coliform bacteria which are considered to be permit violations. Therefore the DEQ included a compliance schedule in the permit to get the wastewater system into compliance with the discharge permit limits.

The compliance schedule gives River Rock until October of 2013 to have a system that meets groundwater discharge permit limits every month. A complete copy of the discharge permit is available on the District website. The website also has more information about the project, project costs, voting information about the bond election, and a section on "frequently asked questions".

MAIL BALLOT GENERAL OBLIGATION BOND ELECTION

TUESDAY SEPTEMBER 13TH 2011

PUBLIC INFORMATIONAL MEETING FOR BOND ELECTION:

THURSDAY AUGUST 18TH 7:00 PM

Meeting will be held at the River Rock Community Center 101 River Rock Drive
The River Rock Subdivision was originally approved by the Montana DEQ as a subdivision that has a central sewer collection system. An aerated lagoon was also approved as the treatment system for the wastewater collected from the sewers. The District has 2 aerated lagoons, a primary and secondary lagoon which hold and treat wastewater. Large blowers inject air into the lagoons 24 hours a day to keep microorganisms alive and to control odors. Wastewater effluent leaves the second lagoon and gravity flows into a series of infiltration percolation (IP) beds to the west. The effluent then seeps into the ground through the bottom of the infiltration beds. The aerial image below shows and aerial view of the lagoons and infiltration cells.

**WASTEWATER TREATMENT UPGRADE**

The District hired Morrison & Maierle Engineering to evaluate the current system and to complete a preliminary engineering report (PER). In the PER the engineers concluded that the current lagoon system would not be able to meet the new discharge permit limits. They have recommended building a Membrane Bio-Reactor (MBR) treatment plant as the best cost option for the District. This new treatment plant will replace the aerated lagoon treatment system. The plant will be initially constructed to handle 200,000 gallons per day and is expandable to 375,000 gallons per day which was approved by DEQ as the full build-out capacity for River Rock. The new treatment plant will be located at the south end of the lagoon area between the IP beds and primary lagoon. The map view below shows the footprint of the new MBR plant. The access to the plant will be changed to the south of the plant into North River Rock Drive. Morrison & Maierle has completed plans for the new plant and has submitted the plans to DEQ. The Department is reviewing the plans and will approve them for bidding and construction.

Map view of River Rock lagoon area future MBR site location.
PROJECT COSTS

Capital Costs

The total project cost is $4,195,255. This total cost includes administration, engineering, construction and a contingency. The project will be funded by a State Revolving Fund Loan (SRF) backed by General Obligation (GO) bonds. The SRF loan program has also told River Rock that $300,000 of the cost will be "forgiven" from the loan repayment schedule. This reduces the amount the District needs to borrow to $3,830,220. To borrow this money from the SRF program the District has to conduct an election to approve the bonds. A sample mail ballot for this election is at the bottom.

SRF Loan Debt Service Costs

The SRF loan amortization based on a $3,830,220 over 20 years at 3.75% makes the total loan repayment for principal and interest $5,571,060. The annual debt service for this loan is estimated at $273,931. The loan will be repaid from money collected by an annual tax levy. The mill rate levy is estimated to be 91 mills and the average cost per home is estimated at $250 per year.

Operation & Maintenance Costs

In addition to the capital costs, the project will add costs to the annual operation and maintenance budget for the wastewater system. The new plant will add depreciation costs for the new equipment and added costs for labor, power and chemicals.

The estimated annual cost to the District budget for O&M and replacement depreciation is $162,915. If this cost is prorated equally among 1,031 sewer customers, the cost per month is estimated at $13.17, or $160 per year. The combined total annual cost for the tax levied debt service and increase to the operating budget for the sewer system is $410 per year as summarized below.

<table>
<thead>
<tr>
<th>PROJECT COST ESTIMATES</th>
<th>July 21, 2011</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Loan Cost (P+I)</strong></td>
<td>$5,571,060</td>
</tr>
<tr>
<td><strong>Total Taxable Value of the District [ A ]</strong></td>
<td>$3,016,565</td>
</tr>
<tr>
<td><strong>Annual P&amp;I Payment for GO Bond [ B ]</strong></td>
<td>$273,931</td>
</tr>
<tr>
<td><strong>Mill Rate Estimate ([B]/[A])/1,000</strong></td>
<td>90.81</td>
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<tr>
<td><strong>Est. Average Cost per Home per Year</strong></td>
<td>$250</td>
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<table>
<thead>
<tr>
<th><strong>Annual Replacement and O&amp;M Cost Estimate</strong></th>
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<tr>
<td><strong>Annual Depreciation &amp; Replacement Cost</strong></td>
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<tr>
<td><strong>Annual Operating Cost Estimate</strong></td>
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<tr>
<td><strong>Est. Total O&amp;M&amp;R Annual Costs</strong></td>
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<tr>
<th><strong>Estimated Impact on Monthly Sewer Rates</strong></th>
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<tr>
<td><strong>Total Sewer Connections</strong></td>
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<tr>
<td><strong>Monthly Increase per Connection</strong></td>
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<tr>
<td><strong>Annual Increase per Connection</strong></td>
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**TOTAL ANNUAL COST ESTIMATE** | $408.02

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RIVER ROCK COUNTY WATER AND SEWER DISTRICT
GENERAL OBLIGATION BOND ELECTION
EXAMPLE MAIL BALLOT DUE SEPTEMBER 13, 2011

INSTRUCTIONS TO VOTERS: Make an “X” or similar mark in the vacant square before the words “BONDS - YES” if you wish to vote for the bond issue; if you are opposed to the bond issue make an “X” or similar mark in the square before the words “Bonds-No”.

Shall the Board of Directors of River Rock County Water & Sewer District (the “District”) be authorized to sell general obligation bonds of the District in the amount of up to Three Million Nine Hundred Twenty Thousand and No/Dollars ($3,920,000), bearing interest at a rate not more than three and three-quarters percent (3.75%) per year, payable over a period of not more than 20 years, for the purpose of paying a portion of the costs of improvements to the District’s wastewater system treatment plant consisting of an advanced treatment membrane bioreactor system, ultraviolet disinfection system, a new generator and improvements to existing lift stations and related improvements, and paying costs associated with the sale and issuance of the bonds. The bonds will be payable from an ad valorem property tax levied against all property in the District. It is estimated by the District that a home with a market value for tax purposes of $100,000 will have taxes assessed annually in the amount of $266.84 for the payment of the bonds.

[X] BONDS — YES
[ ] BONDS — NO
FOR MORE INFORMATION
Please see the District webpage for more information about the project and upcoming election at:
www.riverrockwatersewer.com/wwtp_project.htm

MEETING SCHEDULE
The River Rock Water & Sewer District Board of Directors generally meets the third Thursday of each month at the River Rock Community Center, 101 N. River Rock Drive. The public is invited to all Board meetings and your input is welcomed.

GALLATIN COUNTY ELECTION DEPARTMENT
Attn: Charlotte Mills
311 W. Main, Room 210
Bozeman, MT 59715
Tel 406-582-3060
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Email: elections@gallatin.mt.gov

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www.riverrockwatersewer.com

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Suzette Whipple, Secretary

Board of Directors:
Shawna Verdi, President
Ron Squyres, Vice President
Sharold Buerkle, Director
David Keeney, Director
Josh McKenzie, Director

PUBLIC INFORMATIONAL MEETING
THURSDAY - AUGUST 18, 2011 - 7:00 PM
RIVER ROCK COMMUNITY CENTER
101 RIVER ROCK DRIVE

RIVER ROCK COUNTY WATER & SEWER DISTRICT
265 N. River Rock Dr., Belgrade, MT 59714

SEPTEMBER 13TH BOND ELECTION & VOTING INFORMATION