

Missouri Department of

Natural Resources

Financial Assistance Center

Drinking Water State Revolving Fund

User Charge Ordinance

The Financial Assistance Center (FAC) has developed the following draft document for participants in the Drinking Water State Revolving Fund (DWSRF) loan program and other grant and loan programs administered by the FAC. This document may be used as a draft ordinance for cities or as a draft resolution for water districts. For the benefit of the user, the draft document is not protected and participants can modify it to fit their specific needs. This document provides the basic format and information needed for DWSRF projects. However, the actual format it is not a requirement of the DWSRF and the use of this document does not waive the review requirements for participating in the DWSRF.

As part of this document, participants will need to attach to this ordinance or resolution an appendix for the User Charge Budget and Rate Calculations (Appendix A), the Replacement Schedule (Appendix B) and the Annuity Calculations (Appendix C). To help with these Appendices, FAC has designed a DWSRF Rate Calculation Program that may be used to produce these appendices. This program is divided into four tabs titled “Instruction”, “Budget and Rate Calculation”, “Replacement Schedule” and “Annuity Calculation”). Once the Rate Calculation Program is completed, the tabs titled, “Budget and Rate Calculation”, “Replacement Schedule” and “Annuity Calculation” can be printed for use as Appendices A, B and C, respectively.

The Rate Calculation Program can be viewed and downloaded at the following site: <https://dnr.mo.gov/water/business-industry-other-entities/financial-opportunities/financial-assistance-center/drinking-water>

As mentioned above, this document can be used for cities or water districts. In an attempt to designate the appropriate document language, the suggested modifications related to cities are highlighted in red and the modifications related to water districts have been highlighted in blue. Any other general instructions, suggests or modifications have been highlighted in magenta.

 **(ORDINANCE/RESOLUTION) NO. \_\_\_\_\_\_\_\_\_\_**

**(AN ORDINANCE/A RESOLUTION) ESTABLISHING A USER CHARGE SYSTEM FOR THE (CITY OF\_\_\_\_\_\_\_\_\_\_, COUNTY OF \_\_\_\_\_\_\_\_\_, STATE OF MISSOURI)(PUBLIC WATER SUPPLY DISTRICT NO. \_\_\_\_ OF \_\_\_\_\_\_\_\_\_\_\_ COUNTY, MISSOURI, STATE OF MISSOURI), TO PROVIDE FUNDS NEEDED TO PAY FOR ALL EXPENSES ASSOCIATED WITH THE (CITY’S/DISTRICT’S) WATER SYSTEM.**

**WHEREAS**, the (City of\_\_\_\_\_\_\_\_\_\_, County of \_\_\_\_\_\_\_\_\_, State of Missouri (the “City”))(Public Water Supply District No. \_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_ County, Missouri, State of Missouri (the “District”)) owns and operates a revenue producing public waterworks system (“Water System”); and

**WHEREAS**, the (City/District) must pay all expenses associated with said Water System and charge the users of said Water System accordingly;

**NOW, THEREFORE, BE IT (ORDAINED/RESOLVED) BY THE (BOARD OF ALDERMEN/CITY COUNCIL/BOARD OF DIRECTORS), OF THE (CITY OF\_\_\_\_\_\_\_\_\_\_, COUNTY OF \_\_\_\_\_\_\_\_\_, STATE OF MISSOURI)(PUBLIC WATER SUPPLY DISTRICT NO. \_\_\_\_ OF \_\_\_\_\_\_\_\_\_\_\_ COUNTY, MISSOURI, STATE OF MISSOURI), AS FOLLOWS:**

 **ARTICLE I**

It is hereby determined and declared to be necessary and conducive to the protection of the public health, safety, welfare, and convenience of the (City/District) to collect charges from all users who use the (City’s/District’s) Water System and to establish a user charge system as set forth herein. The proceeds of such charges so derived will be used for the purpose of operating, maintaining, and retiring the debt for such Water System.

 **ARTICLE II**

Unless the context specifically indicates otherwise, the meaning of terms used in this (Ordinance/Resolution) shall be as follows:

Section 1: “Operation and Maintenance” shall mean all expenditures during the useful life of the Water System for materials, labor, utilities, and other items which are necessary for managing and maintaining the Water System to achieve the capacity and performance for which said Water System was designed and constructed. The term “Operation and Maintenance” includes Replacement.

Section 2: “Replacement” shall mean expenditures for obtaining and installing equipment, accessories, or appurtenances which are necessary during the useful life of the Water System to maintain the capacity and performance for which such works were designed and constructed.

Section 3: “Residential User” shall mean any user of the (City’s/District’s) Water System whose lot, parcel of real estate, or building is used for domestic dwelling purposes only.

Section 4: “Shall” is mandatory; “may” is permissive.

Section 5: “Water System” shall mean any devices and systems for the storage, treatment, recycling, transmission, and distribution of water. These include transmission and distribution lines, individual systems, pumping, power, and other equipment and their appurtenances; extensions, improvements, remodeling, additions, and alterations thereof; elements essential to provide a reliable water supply such as standby treatment units and any works, including site acquisition of land that will be part of the treatment process.

Section 6: “Winter average use” shall mean average use of the Winter quarter (Dec., Jan., Feb.).

Section 7: “Useful Life” shall mean the estimated period during which the treatment works will be operated.

Section 8: “User Charge” shall mean that portion of the total water service charge which is levied in a proportional and adequate manner for the cost of operation, maintenance, and replacement of the Water System.

Section 9: “Water Meter” shall mean a water volume measuring and recording device, furnished and/or installed by the (City/District) or furnished and/or installed by a user and approved by the (City/District).

 **ARTICLE III**

Section 1: The user charge system established by this (Ordinance/Resolution) shall generate adequate annual revenues to pay the costs of annual Operation and Maintenance including Replacement and cost associated with the (City’s/District’s) revenue bonds issued to finance or refinance improvements to the Water System (including, but not limited to, the payment of principal, interest and redemption premium, if any, on said bonds) which the (City/District) may by (ordinance/resolution) designate to be paid by the user charge system. To the extent any term or provision set forth in the (ordinance/resolution) pursuant to which the (City’s/District’s) revenue bonds have been issued conflicts with this (Ordinance/Resolution), the (ordinance/resolution) pursuant to which the (City’s/District’s) revenue bonds have been issued shall control.

Section 2: There are hereby created or ratified and ordered to be established and maintained in the treasury of the (City/District) the following separate funds and accounts to be known respectively as the:

(a) Water System Revenue Fund (the “Revenue Fund”).

(b) Water System Operation and Maintenance Account (the “Operation and Maintenance Account”).

 (c) Water System Depreciation and Replacement Account (the “Replacement Account”).

 Section 3: All of the total user charge imposed and collected pursuant to this (Ordinance/Resolution) shall as and when received be paid and deposited into the Revenue Fund unless otherwise specifically provided in this (Ordinance/Resolution) and/or any (ordinance/resolution) pursuant to which the (City’s/District’s) revenue bonds have been issued. Said revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the (City/District) and shall not be commingled with any other moneys, revenues, funds and accounts of the (City/District). The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in this (Ordinance/Resolution) and any (ordinance/resolution) pursuant to which the (City’s/District’s) revenue bonds have been issued.

 Section 4: On the first day of each month, beginning in the month following the month in which this (Ordinance/Resolution) goes into effect, administer and allocate the moneys then held in the Revenue Fund as follows:

 (a) *Operation and Maintenance Account.* There shall first be paid and credited to the Operation and Maintenance Account an amount sufficient to pay the estimated cost of Operation and Maintenance during the ensuing month; provided, however, that deposits into the Operation and Maintenance Account shall equal at least $\_\_\_\_\_\_\_ annually. *(This amount shall equal Total Annual Expense, less Debt Service, Less Replacement Costs set forth in Appendix A).* All amounts paid and credited to the Operation and Maintenance Account shall be expended and used by the (City/District) solely for the purpose of paying the Operation and Maintenance expenses of the Water System.

 (b) *Replacement Account*. After all payments and credits required at the time to be made under paragraph (a) of this Section and subject to the provisions of any (ordinance/resolution) pursuant to which the (City’s/District’s) revenue bonds have been issued relating to payments required to be made to debt service accounts, debt service reserve accounts or administrative fees for said bonds have been made, there shall next be paid and credited to the Replacement Account, the amount of $\_\_\_\_\_\_\_ each month ($\_\_\_\_\_\_\_\_\_\_\_ annually). *(This amount shall equal Replacement Costs set forth in Appendix A).* Moneys in the Replacement Account shall be expended and used by the (City/District), if no other funds are available therefor, solely for the purpose of ensuring Replacement needs over the useful life of the Water System as may be necessary to keep the Water System in good repair and working order and to assure the continued effective and efficient operation thereof.

 (c) All remaining funds on deposit in the Revenue Fund shall be administered and applied pursuant to the provisions of the (ordinance/resolution) under which the (City’s/District’s) revenue bonds have been issued.

Section 5: Fiscal year-end balances in the Operation and Maintenance Account and the Replacement Account shall be carried over to the same accounts in each subsequent fiscal year, and shall be used for no other purposes than those designated for these accounts. Monies which have been transferred from other sources to meet temporary shortages in the Operation and Maintenance Account and the Replacement Account shall be returned to their respective accounts upon appropriate adjustment of the user charge rates for Operation and Maintenance and Replacement. The user charge rate(s) shall be adjusted such that the transferred monies will be returned to their respective accounts within the fiscal year following the fiscal year in which the monies were borrowed.

 **ARTICLE IV**

*(Actual Use Rate Structure)*

Section 1: Each user shall pay for the services provided by the (City/District) based on their use of the Water System as determined by water meter(s) acceptable to the (City/District).

Section 2: All monthly user charges will be based on monthly water usage.

Section 3: The (City/District) hereby imposes the following charges for services:

*OPTION ONE:* The user charge rates set forth in **Appendix A** of this (Ordinance/Resolution).

*OPTION TWO:* The minimum charge per month shall be $\_\_\_\_\_\_\_\_\_\_\_\_\_\_. In addition, each user shall pay a user unit charge of $\_\_\_\_\_\_\_\_\_\_\_\_ per 1,000 gallons of water as determined in the preceding section.

Section 4: *OPTIONAL*: For those users which use water at greater than or equal to 50% above their winter average use, a surcharge, in addition to the normal user charge will be collected. For those users provided with fire protection, a surcharge for water used will be collected. The surcharge for peak flow or fire protection that will recover the increased cost of Operation and Maintenance Including Replacement is as follows:

$\_\_\_\_\_\_\_\_\_\_\_\_ per 1,000 gallons excess peak flow use

$\_\_\_\_\_\_\_\_\_\_\_\_ per 1,000 gallons fire protection

$\_\_\_\_\_\_\_\_\_\_\_\_ per Other (Specify)

Section 5: The user charge rates established in this Article apply to all users of the (City’s/District’s) Water System, regardless of the user’s location.

 **ARTICLE V**

*(Note: Billing periods other than monthly are acceptable. Late payment criteria and penalties may be set as the recipient deems appropriate. Criteria set out below are for illustration purposes only.)*

Section 1: All users shall be billed monthly. Billings for each month shall be made within thirty days after the end of that month. Payments are due when billings are made. Any payment not received within thirty days after the billing is made shall be delinquent.

Section 2: A late payment penalty of 10 percent of the user charge bill will be added to each delinquent bill for each thirty days of delinquency. When any bill is thirty days in default, water service to such premises shall be discontinued until such bill is paid following due notice and opportunity for hearing. Reconnection fees shall be paid by the customer.

 **ARTICLE VI**

Section 1: The (City/District) shall review the user charge system annually and revise user charge rates as necessary to ensure that the Water System generates adequate revenues to pay the costs of annual Operation and Maintenance including Replacement and cost associated with the (City’s/District’s) revenue bonds issued to finance or refinance improvements to the Water System (including, but not limited to, the payment of principal, interest and redemption premium, if any, on said bonds) and that the Water System continues to provide for the proportional distribution of said costs among users and user classes.

Section 2: The (City/District) will notify each user at least annually, in conjunction with a regular bill, of the rate being charged pursuant to the user charge system.

 **ARTICLE VII**

This (Ordinance/Resolution) shall be in full force and effect from and after its passage and approval.

PASSED and APPROVED by the (City of\_\_\_\_\_\_\_\_\_\_, County of \_\_\_\_\_\_\_\_\_, State of Missouri)(Public Water Supply District No. \_\_\_\_ of \_\_\_\_\_\_\_\_\_\_\_ County, Missouri, State of Missouri) on this \_\_\_\_\_\_\_ day of Month, Year, by the following vote:

Ayes namely: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Nays namely: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 (Mayor/Chairman/President)

Signature

Name and title, typewritten or printed

ATTEST:

 (City Clerk/Secretary/District Clerk)

Signature

Name and title, typewritten or printed

**APPENDIX A**

**BUDGET AND RATE CALCULATIONS**

**APPENDIX B**

**REPLACEMENT SCHEDULE**

**APPENDIX C**

**ANNUITY CALCULATIONS**