KANSAS
RURAL
WATER
association
quality water, quality life

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July 16, 2026

Garrett Jones, Chairman
Montgomery Co. RWD 9
PO Box 515
Fredonia, KS 66736

Dear Chairman Jones,

Thank you for allowing the Kansas Rural Water Association the opportunity to assist the district with a simplified review of water rates. I spoke with the district bookkeeper, Joe Bambick, on a couple of occasions to gather the necessary information needed to complete the review. The goal is to have adequate rates to properly fund the district's current and future needs. It is also beneficial to work towards saving enough revenue back each year to build a six-to-twelve-month reserve fund to cover any unexpected repairs. The rate review has been conducted with a rate review tool developed by Carl Brown, President of GettingGreatRates.com, and licensed to the Kansas Rural Water Association.

The district is trying to navigate major issues with a lack of supply in several areas and is working to put a secondary source in place, as we discussed in the meeting on July 14. Enclosed are three reports that were provided to the district. During the initial meeting, I discussed that the base rate is calculated from most of the fixed costs, such as insurance, office expenses, and administrative wages. The rate per 1000 gallons is calculated from variable costs such as electricity, operational repairs, and operator wages, as well as from how the number of benefit units and gallons sold affect the rate.

After reviewing the water cost-to-serve model, it is evident that the district has been adequately increasing rates over time to keep up with the rising cost of operations. The 2026 Budget model accounts for upcoming expenses, with secondary supply from Elk City. I used a $10.00 per thousand gallons with a 200,000-gallon monthly minimum. As long as the district is mindful of the new expenses and any unexpected financial needs. The district may need to evaluate and adjust rates in the future and also potentially increase benefit unit cost to account for any future shortfalls. Planning ahead and addressing potential issues, along with good maintenance practices, are key to the water district's sustainability. The Loan Model has a potential annual payment of $90,000 that would force the district to substantially increase the minimum and the rate per thousand.

If you or the board have any questions regarding the rate review or any other issues that may arise. KRWA is here to help. I hope this information was helpful to the board as they review their options and make the important decisions that will determine the district's successful future. If you have any questions, I can be reached at 785-219-1990 or kris@krwa.net

USDA Rural Development provided funding for this assistance through a contractual agreement between the National Rural Water Association and KRWA to assist Kansas's public water supply and wastewater systems. Don't hesitate to contact me at 785-219-1990 or call the KRWA office at 785-336-3760 if anyone can be of any help. For news, information, training schedules, and more about KRWA programs, visit the KRWA website at https://krwa.net.

Sincerely,

Kris Kline

Kris Kline
KRWA Circuit Rider/Technical Assistant

Enclosure
c: Dan Fischer, USDA Rural Development

Montgomery RWD 9, Kansas, Water System Cost Classification and Resulting Rates

2025 Cost to Serve

This model calculates rates in a cost-to-serve structure.

The first day of the year for which these rates will apply is August 1, 2026

Cost Item	Annual Cost	% Fixed	Fixed Cost	Variable Cost	Monthly Minimum Cost	Unit Cost / 1,000 Gallons	Unbilled-for Water Unavoidable Known Cost / 1,000 Gallons
Administration Salaries, Benefits, etc.	$0	100%	$0	$0	$0.00	$0.000	
Office-related Expenses (Rent or amortized value, utilities, computers and software, etc.)	$2,615	100%	$2,615	$0	$1.14	$0.000	
Water Testing	$1,260	100%	$1,260	$0	$0.55	$0.000	
Insurance, Legal, Accounting, Technical Support, Similar Personal Services	$9,226	100%	$9,226	$0	$4.03	$0.000	
Travel and Training	$0	100%	$0	$0	$0.00	$0.000	
Bad Debt	$0	100%	$0	$0	$0.00	$0.000	
Permitting Agency Fee	$950	100%	$950	$0	$0.41	$0.000	
Operations Staff Salaries, Benefits, etc.	$26,151	25%	$6,538	$19,613	$2.85	$1.335	
Repairs and Maintenance	$9,142	25%	$2,286	$6,857	$1.00	$0.467	
Mileage and Misc.	$3,901	25%	$975	$2,926	$0.43	$0.199	
3yr Avg. Operating Supplies	$6,500	25%	$1,625	$4,875	$0.71	$0.332	
Annual Payment to Operating Reserve	$0	25%	$0	$0	$0.00	$0.000	
Engineering for Capital Improvements	$0	50%	$0	$0	$0.00	$0.000	
Capital Improvements Paid With Cash	$0	50%	$0	$0	$0.00	$0.000	
Existing Loan Payments for Capital Improvements	$0	50%	$0	$0	$0.00	$0.000	
Debt Reserve Payments	$0	50%	$0	$0	$0.00	$0.000	
Annual Payment to Capital Improvements Reserve	$0	50%	$0	$0	$0.00	$0.000	
Annual Payment to Replacement Fund	$0	50%	$0	$0	$0.00	$0.000	
One-time Payment to Replacement Fund	$0	50%	$0	$0	$0.00	$0.000	
Treatment Chemicals, Supplies and Equipment	$0	0%	$0	$0	$0.00	$0.000	$0.000
Purchased Water	$113,213	0%	$0	$113,213	$0.00	$7.707	$7.707
Electricity to Operate System	$1,892	0%	$0	$1,892	$0.00	$0.129	$0.129
New for 2025-Credit Card Fees	$2,556	0%	$0	$2,556	$0.00	$0.174	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Total Costs	$177,406		$25,475	$151,932	$11.11	$10.34	
Less Offsetting Incomes (NOT User Charge Rates)	$0	14%	$0	$0	Needed Monthly Minimum Charge	Needed Unit Charge / 1000 Gallons	
Total Cost, Less Offsetting Income	$177,406		$25,475	$151,932			
Overall Fixed and Variable Cost Percentages			14%	86%			

Unbilled-for Water Statistics

$7.84 Unbilled-for Water Unavoidable Known Cost / 1,000 Gallons

4,890,246 Unbilled-for Water (Gallons) During Test Year

25% Unbilled-for Water Percentage

$38,319 Total Unavoidable Known Cost of Unbilled-for Water

22% The Unavoidable Cost of Unbilled-for Water Amounts to This Percentage of Costs above.

Unbilled-for Water is not free. The known parts of those costs were calculated immediately above. Additional costs are related to Unbilled-for Water, but must be estimated. If those costs were included, the cost of Unbilled-for Water may be double what was calculated here. This highlights the importance of trying to locate and reduce Unbilled-for Water.

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These calculations are provided by the Kansas Rural Water Association and were performed by:

Kris Kline, Circuit Rider / Technical Assistant, (785) 219-1990, kris@krwa.net

Montgomery RWD 9, Kansas, Water System Cost Classification and Resulting Rates

2026 Budget

This model calculates rates in a cost-to-serve structure.

The first day of the year for which these rates will apply is August 1, 2026

Cost Item	Annual Cost	% Fixed	Fixed Cost	Variable Cost	Monthly Minimum Cost	Unit Cost / 1,000 Gallons	Unbilled-for Water Unavoidable Known Cost / 1,000 Gallons
Administration Salaries, Benefits, etc.	$0	100%	$0	$0	$0.00	$0.000	
Office-related Expenses (Rent or amortized value, utilities, computers and software, etc.)	$2,900	100%	$2,900	$0	$1.27	$0.000	
Water Testing	$1,300	100%	$1,300	$0	$0.57	$0.000	
Insurance, Legal, Accounting, Technical Support, Similar Personal Services	$9,500	100%	$9,500	$0	$4.14	$0.000	
Travel and Training	$0	100%	$0	$0	$0.00	$0.000	
Bad Debt	$0	100%	$0	$0	$0.00	$0.000	
Permitting Agency Fee	$1,100	100%	$1,100	$0	$0.48	$0.000	
Operations Staff Salaries, Benefits, etc.	$26,900	25%	$6,725	$20,175	$2.93	$1.345	
Repairs and Maintenance	$10,000	25%	$2,500	$7,500	$1.09	$0.500	
Mileage and Misc.	$7,200	25%	$1,800	$5,400	$0.79	$0.360	
2026 Budget Operating Supplies	$12,000	25%	$3,000	$9,000	$1.31	$0.600	
Annual Payment to Operating Reserve	$35,450	48%	$17,016	$18,434	$7.42	$1.229	
Engineering for Capital Improvements	$0	50%	$0	$0	$0.00	$0.000	
Capital Improvements Paid With Cash	$0	50%	$0	$0	$0.00	$0.000	
Existing Loan Payments for Capital Improvements 15yr for $1M	$0	50%	$0	$0	$0.00	$0.000	
Debt Reserve Payments	$0	50%	$0	$0	$0.00	$0.000	
Annual Payment to Capital Improvements Reserve	$0	50%	$0	$0	$0.00	$0.000	
Annual Payment to Replacement Fund	$0	50%	$0	$0	$0.00	$0.000	
One-time Payment to Replacement Fund	$0	50%	$0	$0	$0.00	$0.000	
Treatment Chemicals, Supplies and Equipment	$0	0%	$0	$0	$0.00	$0.000	$0.000
Purchased Water	$125,000	0%	$0	$125,000	$0.00	$8.333	$8.333
Electricity to Operate System	$2,000	0%	$0	$2,000	$0.00	$0.133	$0.133
Not in Budget for 2026-Credit Card Fees	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Total Costs	$233,350		$45,841	$187,509	$20.00	$12.50	
Less Offsetting Incomes (NOT User Charge Rates)	$0	20%	$0	$0	Needed Monthly Minimum Charge	Needed Unit Charge / 1000 Gallons	
Total Cost, Less Offsetting Income	$233,350		$45,841	$187,509			
Overall Fixed and Variable Cost Percentages			20%	80%			

Unbilled-for Water Statistics

$8.47 Unbilled-for Water Unavoidable Known Cost / 1,000 Gallons

5,000,000 Unbilled-for Water (Gallons) During Test Year

25% Unbilled-for Water Percentage

$42,333 Total Unavoidable Known Cost of Unbilled-for Water

18% The Unavoidable Cost of Unbilled-for Water Amounts to This Percentage of Costs above.

Unbilled-for Water is not free. The known parts of those costs were calculated immediately above. Additional costs are related to Unbilled-for Water, but must be estimated. If those costs were included, the cost of Unbilled-for Water may be double what was calculated here. This highlights the importance of trying to locate and reduce Unbilled-for Water.

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Montgomery RWD 9, Kansas, Water System Cost Classification and Resulting Rates

2026 Budget with15yr Loan for $1M

This model calculates rates in a cost-to-serve structure.

The first day of the year for which these rates will apply is August 1, 2026

Cost Item	Annual Cost	% Fixed	Fixed Cost	Variable Cost	Monthly Minimum Cost	Unit Cost / 1,000 Gallons	Unbilled-for Water Unavoidable Known Cost / 1,000 Gallons
Administration Salaries, Benefits, etc.	$0	100%	$0	$0	$0.00	$0.000	
Office-related Expenses (Rent or amortized value, utilities, computers and software, etc.)	$2,900	100%	$2,900	$0	$1.27	$0.000	
Water Testing	$1,300	100%	$1,300	$0	$0.57	$0.000	
Insurance, Legal, Accounting, Technical Support, Similar Personal Services	$9,500	100%	$9,500	$0	$4.14	$0.000	
Travel and Training	$0	100%	$0	$0	$0.00	$0.000	
Bad Debt	$0	100%	$0	$0	$0.00	$0.000	
Permitting Agency Fee	$1,100	100%	$1,100	$0	$0.48	$0.000	
Operations Staff Salaries, Benefits, etc.	$26,900	25%	$6,725	$20,175	$2.93	$1.345	
Repairs and Maintenance	$10,000	25%	$2,500	$7,500	$1.09	$0.500	
Mileage and Misc.	$7,200	25%	$1,800	$5,400	$0.79	$0.360	
2026 Budget Operating Supplies	$12,000	25%	$3,000	$9,000	$1.31	$0.600	
Annual Payment to Operating Reserve	$35,450	48%	$17,016	$18,434	$7.42	$1.229	
Engineering for Capital Improvements	$0	50%	$0	$0	$0.00	$0.000	
Capital Improvements Paid With Cash	$0	50%	$0	$0	$0.00	$0.000	
Existing Loan Payments for Capital Improvements 15yr for $1M	$90,000	50%	$45,000	$45,000	$19.63	$3.000	
Debt Reserve Payments	$0	50%	$0	$0	$0.00	$0.000	
Annual Payment to Capital Improvements Reserve	$0	50%	$0	$0	$0.00	$0.000	
Annual Payment to Replacement Fund	$0	50%	$0	$0	$0.00	$0.000	
One-time Payment to Replacement Fund	$0	50%	$0	$0	$0.00	$0.000	
Treatment Chemicals, Supplies and Equipment	$0	0%	$0	$0	$0.00	$0.000	$0.000
Purchased Water	$125,000	0%	$0	$125,000	$0.00	$8.333	$8.333
Electricity to Operate System	$2,000	0%	$0	$2,000	$0.00	$0.133	$0.133
Not in Budget for 2026-Credit Card Fees	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Other Cost	$0	0%	$0	$0	$0.00	$0.000	
Total Costs	$323,350		$90,841	$232,509	$39.63	$15.50	
Less Offsetting Incomes (NOT User Charge Rates)	$0	28%	$0	$0	Needed Monthly Minimum Charge	Needed Unit Charge / 1000 Gallons	
Total Cost, Less Offsetting Income	$323,350		$90,841	$232,509			
Overall Fixed and Variable Cost Percentages			28%	72%			

Unbilled-for Water Statistics

$8.47 Unbilled-for Water Unavoidable Known Cost / 1,000 Gallons

5,000,000 Unbilled-for Water (Gallons) During Test Year

25% Unbilled-for Water Percentage

$42,333 Total Unavoidable Known Cost of Unbilled-for Water

13% The Unavoidable Cost of Unbilled-for Water Amounts to This Percentage of Costs above.

Unbilled-for Water is not free. The known parts of those costs were calculated immediately above. Additional costs are related to Unbilled-for Water, but must be estimated. If those costs were included, the cost of Unbilled-for Water may be double what was calculated here. This highlights the importance of trying to locate and reduce Unbilled-for Water.

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