City of Sidney
Montana's Sunrise City
115 2nd Street S.E., Sidney, Montana - 406-433-2809

October 14, 2025

Sidney City Council
115 2nd St SE
Sidney, MT 59270

Subject: USDA Laon for

Dear Mayor and Members of the City Council,

At the October 6th, 2025, City Council meeting I was tasked with providing information on paying of the City of Sidney's USDA Bond for the 200,000-gallon water tower and extension.

Background:
In 2004 the City of Sidney received an USDA Rural Development Loan for $780,374.00 that they added $65,503.23 to in 2008. The purpose of this loan was to pay off an approximately $110,000 bond for 1,200 water meters, the building of the 200,000-gallon water tank and water service in northwest Sidney. The details are of the loan, per Resolution 3301 are:

- **Amount:** $845,877.23
- **Term:** 40 years
- **Interest Rate:** 4.25%
- **Reserve Requirement:** $400 installment per month until 1 annual payment is reserved, additional reserves are for R&D of system or payment of loan.
- **Current reserve amount (5210-102230):** $499,016.00
- **Monthly payment:** $3,767.00
- **Final payment date:** March 18th, 2042
- **Payoff balance (as of 10/18/25):** $534,559.46

Discussion:
The Water Department could be looking into replacing the 200,000-gallon water tank and if that is done, paying off the loan with cash reserves or a lower interest SRF loan are options to consider. The Water Department, as of September 30, 2025, had $7,406,884.08 in cash balance, of which $499,016.00 is restricted for the USDA Rural Development Loan and $5,598,544.35 is unrestricted for operations. This payoff was not budgeted for in FY25-26 and if done prior to July 1st, 2026, a budget amendment would need to be done.

Fiscal Impact:
When looking at paying off a loan, we must look at more than just if we have the funds available, but also the financial impact of using that large amount of cash. Key information for this fiscal impact includes the Water Department currently has their cash savings invested in a

STIP Rate backed repurchase agreement through Stockman Bank. The average interest earned for September was 4.4406%, which has been trending down for several months with the current financial climate.

The Water State Revolving Fund, which the City of Sidney currently uses for project loans has a lower interest rate (2.5%) than that of the USDA Rural Development Loan. Should the City wish to move forward with the replacement of the tank and getting an SRF loan with the approximately $4,000,000 in bonding capacity they have, they could roll that loan into it and save on interest.

Recommendation:
Currently, I recommend the City Council allow myself more time to investigate whether the $499,016 in the Rural Development account can be used for paying off the loan. The large discrepancy between the stated reserve requirement and the current reserve amount leads to the need of more investigation into the reserve balance to ensure that it can be used for paying off the loan.

I also recommend that due to this not being a budgeted item and the unknown of how the city will be proceeding with the 200,000-gallon water tank, to hold off on any payoff's until FY26-27. By holding off on this, the City Council will not only be able to make the best financial decision of paying off the loan, rolling the loan into a lower interest SRF loan, or continuing as we have, but we will also be able to make the best decision for long range planning within the water department and budget accordingly. This time will also give the City Council the opportunity to what the interest rates on the repurchase agreement and if they continue to trend down.

Respectfully submitted,

Jessica Chamberlin

Jessica Chamberlin
Clerk/Treasurer
City of Sidney, Montana