

Engineering Services, Inc.

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April 3, 2008

Mr. Jim Bowen, President
Mt. Sherman Water Association
HCR 70, Box 250
Jasper, Arkansas 72641

RE: Proposed Water Main Extensions to Serve Murray Road, Low Gap, & Shiloh Road
Mt. Sherman Water Association (Newton County, Arkansas)

Dear Mr. Bowen:

Enclosed please find two (2) copies of a Preliminary Layout Map and Engineer's Preliminary Opinion of Probable Cost for the above referenced water extensions. The total cost of the Murray Road, Low Gap, and Shiloh Road Water Extensions is estimated to be \$226,431. Since these extensions would serve 14 customers, the cost per customer is estimated at \$16,175, which is relatively low.

Based on an average bill of \$30 per month, the 14 customers would generate approximately \$420 per month. After deducting the cost to produce the water, operations, and maintenance, very little revenue remains to apply to a loan payment. Based on our calculations, a deferred loan of approximately \$50,000 is possible to obtain. Therefore, significant grant funds would be required to cover the difference. Due to the amount of grant funds required we have divided the project into two (2) phases, as indicated on the Preliminary Layout Map and Engineer's Preliminary Opinion of Probable Cost.

Since the Median Household Income in Newton County is only \$24,756, it is recommended that the water bills remain relatively low and equivalent to the existing customer base. Shown below is the proposed funding for each phase.

Phase I (Murray Road Extension)

Arkansas Natural Resources Commission (Grant)	\$100,000
Arkansas Natural Resources Commission (Deferred Loan)	<u>\$ 50,000</u>

Total for Phase I	\$150,000
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Phase II (Low Gap / Shiloh Extensions)

Arkansas Natural Resources Commission (Grant)	\$ 76,000
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Consulting Engineers and Surveyors

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