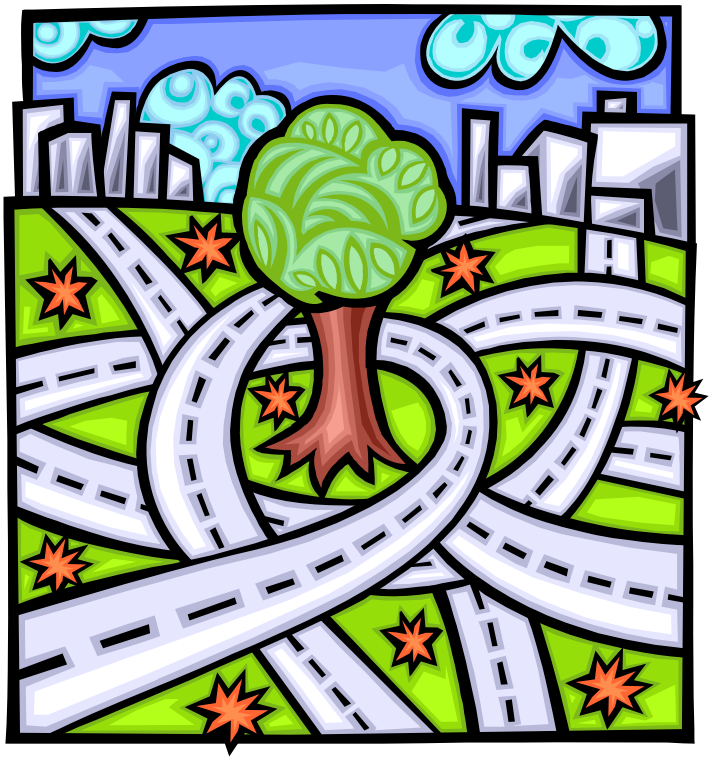
Show me the Money!



Keeping your Aging Infrastructure Working and Planning for the Future

Presented By:

Rural Community Assistance Corporation

2008

A Financial Plan - *Educated Estimates*

Expenses

1. Fixed Expenses
    a. Don't change during the year
    b. Are constant
    c. The amount is known in advance

Fixed expenses include:

- Debt service
- Insurance
- Salaries

2. Variable Expenses
    a. Fluctuate with changes in treatment, volume or consumption
    b. Increase as production increases

Revenues

Revenue values are the _____ for budget calculations. They must be _____ and _____ and must cover operational expenses throughout the year. The most dependable ways to project future revenue comes from tracking previous year's revenue.

Typical Utility Reserves

Operations and Maintenance (O&M)
1/8 of _____ O&M expenses (45 to 60 days)

Capital Improvement "Asset Depreciation"
Approximately _____of the annual replacement value
Or the funding agency may _____ a
"long term and short term" assets _____
accounts.
Asset depreciation could be equal to loan payment (principal and interest) plus renewal and replacement expenses.

Emergency
Replacement of the _____ _____ piece of equipment.

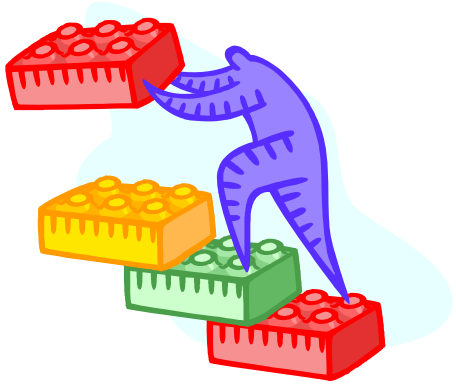
Debt Service Reserve
_____ _____ of payments funded over 10 years
or as 10% of the _____ _____ per year

Reserve accounts can be funded over a period of several years

Financial Statements and 2008 OPERATING BUDGET

			2005	2006	2007	2008
	OPERATING INCOME:		**Actual**	**Actual**	**Actual**	**Budget**
1	Water Sales - Deposits		$61,310.86	$58,189.52	$69,391.57	$71,927.41
2	*Water Conservation fee					
3	*Gross Receipt Taxes					
4	**Total Operating Income:**		**$61,310.86**	**$58,189.52**	**$69,391.57**	**$71,927.41**
	OPERATING EXPENSES:					
	Fixed Operating Expenses:	**%**				
5	Debt Service (RIP & RD)		$43,811.77	$20,768.86	$43,248.32	$43,342.32
6	Salaries					
7	Insurance		$165.00	$165.00	$1,480.00	$1,696.00
8	**Total Fixed Expenses:**		**$43,811.77**	**$20,768.86**	**$44,728.32**	**$45,038.32**
	Variable Operating Expenses:	%				
9	Electricity		1,700.16	1,731.17	2,587.96	2,750.00
10	Repairs and maintenance		7,501.15	5,441.36	1,348.82	1,030.41
11	Operating Supplies			3,087.67	1,014.16	2,056.00
12	Office supplies		639.15	26.60	489.43	600.00
13	Postage		644.29	720.00	993.46	1,020.00
14	Bookkeeper/record keeper -contract		6,144.71	5,923.31	6,550.27	5,500.00
15	Meter Reader - contract		5,175.00	5,725.00	5,900.00	5,600.00
16	*GRT & WC Fee		2,424.53	942.68	1,611.38	2,230.00
17	Permits - State Land Office		1,000.00	2,030.00		
18	Bank, bounced checks, changes		44.20	77.70	649.68	100.00
19	State Engineer			100.00		
20	Audit – 2007 audit					4,800.00
21	**Total Variable Expenses:**		**25,273.19**	**25,805.49**	**21,145.16**	**25,686.41**
22	**TOTAL OPERATING EXPENSES (f + v)**		**69,084.96**	**46,574.35**	**65,873.48**	**70,724.73**
	RESERVES:					
23	Debt Reserve					
24	Emergency Reserve					
25	Operating Reserve					
26	Capital Improvement Reserve (a.k.a. Depreciation Reserve)					
27	**Total Reserves:**					
28	**Total Expenses & Reserves (lines 22+27)**					
29	**Net Operating Income (line 8 – 28)**					

Basic Rate Setting Principles



1. Make sure rates _____ the cost of service

2. Design rates that are fair and _____

3. Use water system _____ to pay for water system _____

4. _____ customers on what their rates are

5. Make rate structure _____ to understand

6. Review rates _____

7. Base rate structure on the budget and customer records

Rate Setting Exercise

Preparing a Uniform Block Rate Structure

Charge per customer = Base Rate + (Unit Rate * Number of Gallons Used)	
1. **Full cost of water delivery** Total Expenses = Fixed Expenses + Variable Expenses + Reserves	**$**_____
2. **Total Fixed Expenses** = Charges paid by customers to recover fixed expenses	**Total Fixed Expenses $**_____
3. **Annual Base Rate** = Annual amount that must be paid by each connection in order to recover the fixed expenses and reserves requirements	*Divide Total Amount by number of connections:* $_____/_____ connections = **$_____ per connection**
4. **Monthly Base Rate** = Monthly amount that must be paid by each connection in order to recover the fixed expenses and reserve requirements	*Divide Annual Base Rate by 12 months:* $_____ per connection/ 12 months = **$_____ per connection per month**
5. **Total Variable Expenses** = Charges paid by customers to recover variable expenses	**Total Variable Expenses $**_____
6. **Unit Rate** = Amount that must be paid by each connection per gallon of water used in order to recover the variable expenses	*Divide Total Variable Expenses by number of gallons used per year:* $_____/_____ gallons = $_____**per gallon** or **$**_____ **per 1000 gallons**

Monthly Base Rate = $_____	**Monthly Unit Rate = $**_____ **per 1000 gallons**

Notes & Ideas