

Water Division Financial Capacity Workbook

This workbook has been developed to assist water suppliers in the demonstration of financial capacity for their water system. The enclosed sample worksheets are for example and convenience. Actual financial worksheets may be substituted.

An annual budget is required (including allowances for replacement) and a five year budget projection.

Section I – Water Suppliers with dedicated budgets

Water Fund Estimated Budget for Initiation of Operation

Operating Expenses

Personnel services	\$ _____
Professional services	\$ _____
Supplies	\$ _____
Contractual services	\$ _____
Repairs and maintenance	\$ _____
Equipment rental	\$ _____
Insurance	\$ _____
Utilities	\$ _____
Administration	\$ _____
Other	\$ _____
Replacement of equipment	\$ _____

Total Operating Expenses \$ _____

Non-Operating Expenses

Debt	\$ _____
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Total Expenses \$ _____

Operating Revenues

Water charges	\$ _____
Water penalties and shutoffs	\$ _____
Water sales and service	\$ _____
Surcharges	\$ _____
Tower rental	\$ _____
Other	\$ _____

Non-Operating Revenues

Interest Income	\$ _____
Transfers in	\$ _____

Total Revenues \$ _____

Income Sources

(Anticipated sources of revenue)

Rate \$ _____ x Flow _____ = Revenue \$ _____

Fee \$ _____ x Number of Users _____ = Revenue \$ _____

Other \$ _____ = Revenue \$ _____

Replacement needs –

Itemize a list of equipment that will last less than 20 years and will need to be replaced during the life of the system. Items can include vehicles, pumps, motors, computers, and tower painting. These funds are to be used for the procurement and installation of equipment, accessories and appurtenances necessary during the useful life of the water system to maintain its design capacity and performance. It is not intended to provide funding for reconstruction, expansion, upgrading or betterment.

**Table 1
Replacement Expense Sample**

<u>Item</u>	<u>Replacement Value</u>	<u>Est. Life</u>	<u>Annual Value</u>
Computers	\$ 2,000	4 years	\$ 500
Pumps	\$ 5,000	10 years	\$ 500
Generators	\$ 2,500	10 years	\$ 250
Control Valves	\$ 5,000	10 years	\$ 500
Vehicles	\$ 10,000	10 years	\$ 1,000
Safety Equipment	\$ 1,000	10 years	\$ 100
Replacement Cost:			\$ 2,850

Five Year Planning

(Project expenses and revenues for the next 5 years)

Operating Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Personnel services	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Professional services	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Supplies	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Contractual services	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Repairs and maintenance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Equipment rental	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Insurance	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Utilities	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Administration	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Replacement of equipment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Non-Operating Expenses					
Debt	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Expenses	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Operating Revenues	Year 1	Year 2	Year 3	Year 4	Year 5
Water charges	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Water penalties and shutoffs	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Water sales and service	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Surcharges	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Tower rental	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Non-Operating Revenues					
Interest Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Transfers in	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Revenues	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Capital Planning

Capital Expenditures	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Capital Investment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

5 Year Revenue Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
Rate	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fee	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Section II – Water Suppliers with non-dedicated budgets

Statement of Operations

Revenues

Rental Income	\$ _____
Management Fees	\$ _____
Interest Income	\$ _____
Other Income	\$ _____

Total Revenues \$ _____

Expenses

Administrative	\$ _____
Property operating & maintenance	\$ _____
Real estate taxes	\$ _____
Depreciation & Amortization	\$ _____
Interest and related amortization	\$ _____
Replacement of equipment	\$ _____
Debt	\$ _____

Total Expenses \$ _____

Net Income \$ _____

Income Sources

(Anticipated sources of revenue)

Fee \$ _____ x Number of Users _____ = Revenue \$ _____

Other \$ _____ = Revenue \$ _____

Replacement needs –

Itemize a list of equipment that will last less than 20 years and will need to be replaced during the life of the system. Items can include vehicles, pumps, motors, computers, and tower painting. These funds are to be used for the procurement and installation of equipment, accessories and appurtenances necessary during the useful life of the water system to maintain its design capacity and performance. It is not intended to provide funding for reconstruction, expansion, upgrading or betterment.

**Table 2
Replacement Expense Sample**

<u>Item</u>	<u>Replacement Value</u>	<u>Est. Life</u>	<u>Annual Value</u>
Computers	\$ 2,000	4 years	\$ 500
Pumps	\$ 5,000	10 years	\$ 500
Generators	\$ 2,500	10 years	\$ 250
Control Valves	\$ 5,000	10 years	\$ 500
Vehicles	\$ 10,000	10 years	\$ 1,000
Safety Equipment	\$ 1,000	10 years	\$ 100
Replacement Cost:			\$ 2,850

Five Year Planning

(Project expenses and revenues for the next 5 years)

Revenues	Year 1	Year 2	Year 3	Year 4	Year 5
Rental Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Management Fees	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Interest Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Revenues	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Expenses	Year 1	Year 2	Year 3	Year 4	Year 5
Administrative	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Property operation & mnt.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Real estate taxes	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Depreciation & Amortization	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Int. & related amortization	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Replacement of equipment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Debt	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total Expenses	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Net Income	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Capital Planning					
Capital Expenditures	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Capital Investment	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

5 Year Revenue Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
Fee	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Other	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

Instructions

Operating Expenses

Personnel services – add expenses for salaries, wages, benefits, overtime, sick and vacation leave, insurance pension plans, worker’s comp.

Professional services – add expenses for legal, engineering, accounting services by outside contractors.

Supplies – add expenses for materials and supplies used for O&M other than those from contractual services.

Contractual services – add expenses by outside contractors for services for O&M of the system.

Repairs and maintenance – add expenses for repairs and maintenance of system equipment and facilities.

Equipment rental – add expenses for rent of equipment used by the system. This rented equipment can come from outside sources or from the central garage, public works, or other internal source.

Insurance – add expenses for insurance of the system.

Utilities – add expenses for electricity, gas, and water for operation of the system.

Administration – add expenses for billing, accounting, legal, or engineering services from internal sources other than the water system.

Other – add expenses not included elsewhere (i.e. training, permit fees, etc.)

Replacement – add expenses for the replacement of equipment to maintain system integrity.

Revenues

Water charges – add revenues not based on quantity used i.e. hook-ups, residential equivalent units, meter size, or other unit types.

Water penalties and shutoffs – add revenues from disconnections, late fees, and penalties.

Water sales and service – add revenues generated based on quantity of water delivered.

Surcharges – add revenues from added demands.

Tower rental – add revenues from rental of elevated tank access.

Other – add revenues from sale of assets, etc.

Interest income – add revenues from notes, loans, securities, etc.

Transfers in – add revenues from funds outside the water fund.

Sources of Income

Income sources will be rates, fees and charges multiplied by the corresponding factors (billable flow, meter size, equivalent units, etc.)

Replacement

Identify the items to be included in the replacement account. Identify the cost to the individual items. Identify remaining life, in years, of those items. Divide the remaining life into the replacement cost to arrive at an annual replacement amount for the item.

Capital Planning

Capital Expenditures – add expenses to meet long term objectives for major system expansion, purchases, improvements and/or construction for the next 5 years.

Capital Investment – add funds set aside for capital expenditures.