

Working with Consultants on Financial Planning Activities

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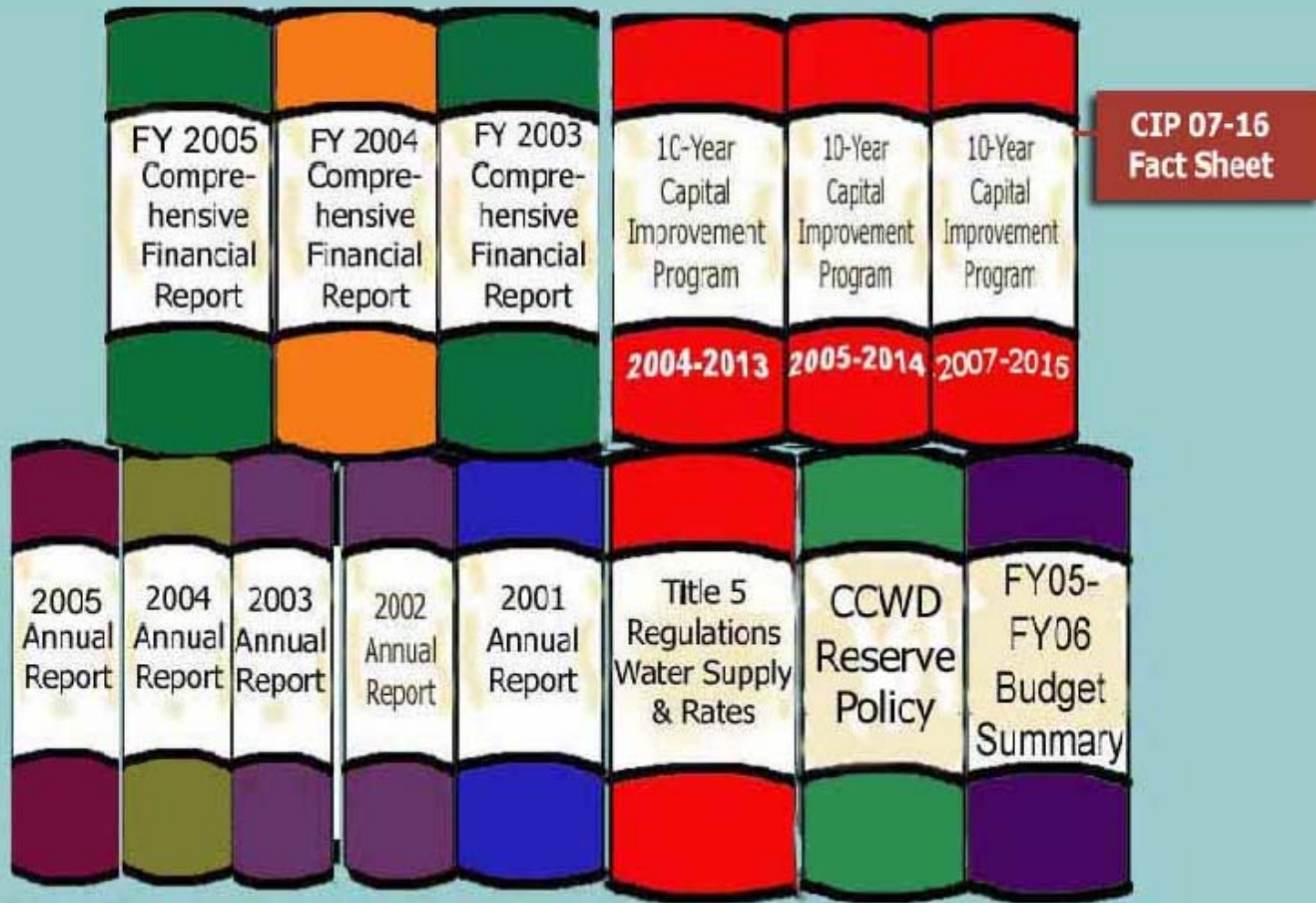
SCHOOL OF GOVERNMENT
ENVIRONMENTAL FINANCE CENTER



Session Topics

- Overview of financial planning tasks
- CIP Components
- Roles and responsibilities
- Additional resources

Financial Information



Source: Contra Costa Water District www.ccwater.com/

**STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER**

State and Local Government Finance Division
and the Local Government Commission
325 North Salisbury Street, Raleigh, North Carolina 27603-1385

PROJECTION OF WATER AND SEWER NET REVENUES

Unit: _____
Fund: _____

Complete only if the proposed financing is for water or sewer facilities. Where separate accounting funds are maintained for each system, one schedule may be completed for proposed water bonds and one for proposed sewer bonds. Water and sewer operations may be consolidated when either water or sewer financing or both are proposed. Use actual amounts on modified accrual basis of accounting (budgetary basis) from latest audit report.

REVENUE	Fiscal Year	Fiscal Year		1+2+3 Estimated Revenue for Fiscal Year After Completion of Project
	1. Actual Revenue for Last Complete Fiscal Year	Estimated Increase or (Decrease)		
		2. Due to Normal Growth and Rate Changes	3. Due to Expanded System	
Operating Revenues:				
Customer charges				
Impact fees				
Tap fees				
Other revenue				
Total				
Non-operating Revenues				
Interest				
Restricted sales tax				
Other				
Total				
Total Revenues				

EXPENDITURES	1. Actual Revenue for Last Complete Fiscal Year	Fiscal Year		1+2+3 Estimated Revenue for Fiscal Year After Completion of Project
		Estimated Increase or (Decrease)		
		2. Due to Normal Growth and Rate Changes	3. Due to Expanded System	
Operating Expenditures				
Administration Salaries				
Other				
Operations Salaries				

Total Expenditures				

Water and Sewer Projection Summary

8 Year Financial Plan

Capital program	2007	2008	2009	2010	2011
Debt - CP/revenue bonds	\$ 161,980	\$ 147,460	\$ 158,998	\$ 169,106	\$ 154,894
Debt - equipment L/P	11,715	5,050	2,250	1,850	1,850
PAYGO	7,850	28,850	24,050	20,950	42,450
Total	\$ 181,545	\$ 181,360	\$ 185,298	\$ 191,906	\$ 199,194
PAYGO as % of total	4%	16%	13%	11%	21%
Commercial paper balance (6/30)	\$ 161,980	\$ 309,440	\$ 158,998	\$ 328,104	\$ 154,894
Revenue bond issues	\$ 400,000		\$ 309,440		\$ 328,104
Number of water customers	231,347	238,287	245,436	252,799	260,383
% incr. in avg. residential bill	6.43%	6.25%	5.50%	5.50%	5.50%
% incr. in water sales volume	-.06%	1.00%	1.00%	1.00%	1.00%
Total revenue	\$ 224,439	\$ 241,640	\$ 257,128	\$ 274,260	\$ 293,118
Total operating expenditures	92,508	96,679	100,949	105,413	110,079
Net income available for DS	\$ 131,931	\$ 144,961	\$ 156,179	\$ 168,846	\$ 183,039
Total revenue bond DS ⁽¹⁾	\$ 51,592	\$ 71,106	\$ 74,194	\$ 90,481	\$ 93,749
Total G.O. and other DS	57,044	57,941	56,325	52,186	44,544
Total DS	\$ 108,636	\$ 129,047	\$ 130,518	\$ 142,667	\$ 138,294
DS as % of total revenue	48%	53%	51%	52%	47%
DS coverage - revenue bonds	2.56	2.04	2.11	1.87	1.95
DS coverage - total	1.21	1.12	1.20	1.18	1.32
Debt service/operating fund bal.	\$ 91,403	\$ 78,467	\$ 80,077	\$ 85,307	\$ 87,602
As % of op. exp. and DS	45%	35%	35%	34%	35%
Total outstanding debt ⁽²⁾	\$ 1,289,747	\$ 1,233,752	\$ 1,483,201	\$ 1,419,245	\$ 1,686,189

Slide Source: Charlotte Mecklenburg Utilities

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LOCAL WATER SUPPLY PLANS

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Updating Local Water Supply Plans has never been easier, but don't take our word for it. See for yourself...

TAKE A TOUR
I'M READY TO GET STARTED!



What is a Local Water Supply Plan?

A Local Water Supply Plan is an assessment of a water system's current and future water needs and its ability to meet those needs. By understanding current and future needs, local governments will be better able to manage water supplies and better prepared to plan for water supply system improvements.

What is the law?

North Carolina General Statute [G.S. 143-355\(l\)](#) requires all units of local government that provide or plan to provide public water service to prepare a Local Water Supply Plan and to update that plan at least every five years. In addition, all community water systems that regularly serve 1,000 or more service connections or serve more than 3,000 people are required to prepare a Local Water Supply Plan.

Latest News

▶ **August 31, 2007**

The online reporting system will be unavailable for maintenance starting September 4, 2007.

▶ **March 22, 2007**

New Website and Online Reporting System now available! [Forms and instructions](#) are also available.

- [Letter to Water Systems](#)
- [2007 Staggering Schedule](#)

Capital Plans and Budgets

- Capital Improvement Plan
- Capital Investment Program
- Capital Investment Budget
- Annual Capital Budget

Capital Planning

- Project identification
- Project evaluation/validation
- Project scheduling
- Project funding

CIP Components

Rural Center Review Procedures

- CIP Guidelines
- Evidence of owner approval and support

Are you with me or against me?
Do you even know me?

- Getting Owner buy-in on
 - Project timetable
 - Project selection process
 - Rate impact
 - Key assumptions

Documents Masquerading as CIPs

- Unapproved capital lists
- Unimplemented capital lists
- Wish lists (no revenue sources identified)
- Wish lists (everything that could possibly be built plus some extra projects)



What do Rates
Have to
do with CIPS?

D33		FY08	
B		C	D
2 Combined Water & Sewer Rates		Current Year	
3 Uniform Rate (per 1,000 gals)		\$ 4.50	FY06
4 Minimum Charge		\$ 24.00	Current Residential Bill
5 Volume Included with Min Charge (1,000's of gals)		2.000	(Skgal/mo.): \$ 37.50
6 Existing Capital Reserves		\$ -	
7 Interest Rate on Reserves		5.0%	
8 Revenues and Expenses in FY06			
9 Annual Operating and Non-operating Revenues		\$ 335,249	
10 Annual O,M,G&A Expenditures		\$ 225,360	
11 Annual Expenditure Growth		2.5%	
12			
13		Required inputs are blue.	
14			
15			
16			

Usage Billed to Customers in FY06		
	Residential	Non-residential
Number of Customers	450	30
Total Usage (1,000's GPM)	2,025	5,735
Annual Customer Base Growth	0.0%	0.0%

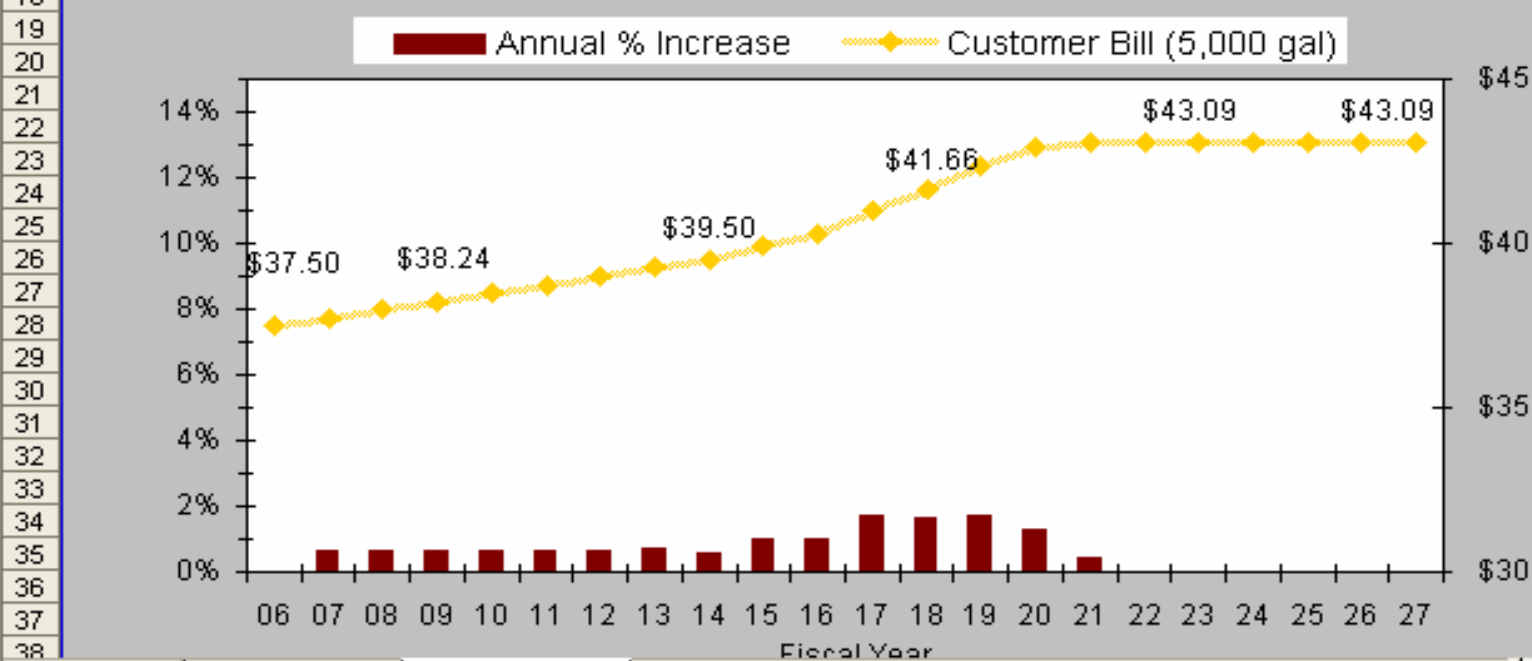
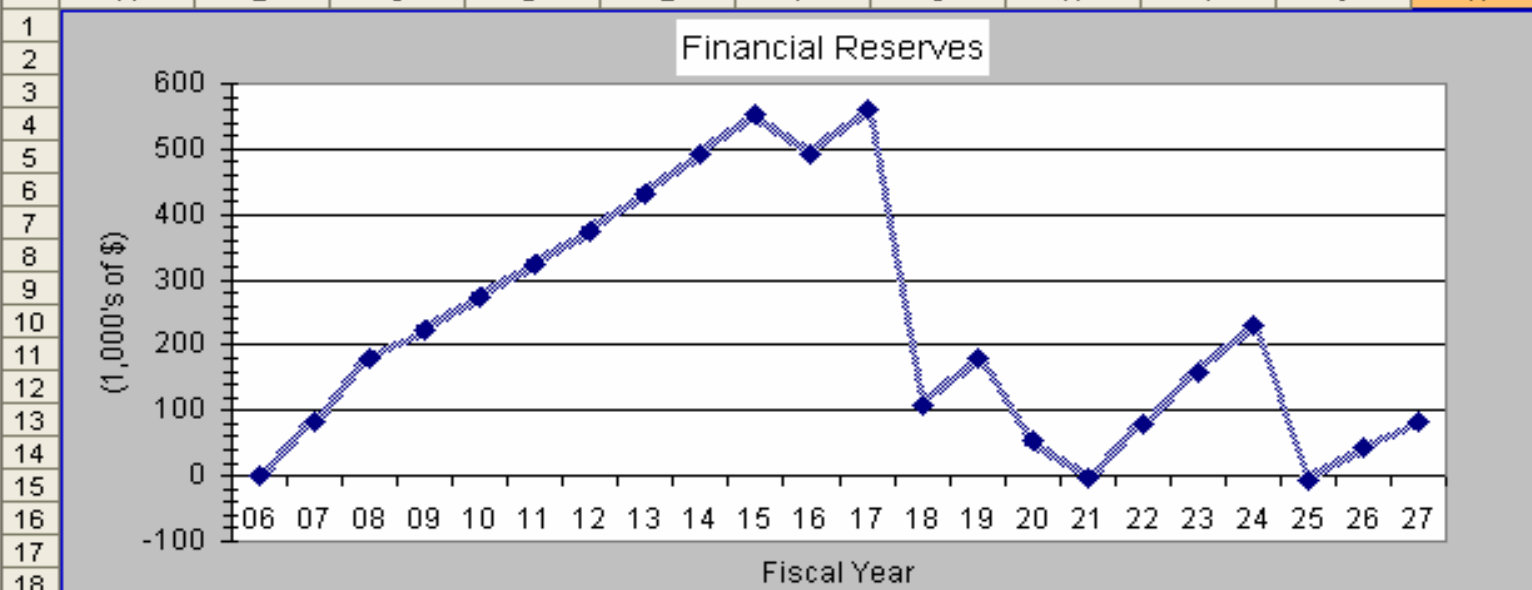
This model does not prescribe rate increases. Projections are purely illustrative. For example, a utility might choose to mitigate large future rate increases by spreading them out in the intervening period.

Click to view long term trends in Average Bill, Financial Reserves and Capital Investment



Total Revenues
Expenditures
Pre-existing Debt Service
From Capital Projects (below)
Total Expenditures
Net Income
Financial Reserves
New Rate per 1,000 gals
Avg. Customer Bill (5,000 gals)
1-Year Increase in Customer Bill for 5,000 gals
Increase for Large Users

25	CAPITAL IMPROVEMENT PROJECTS - 10 YEAR	Annual Construction Cost Inflation Factor	Project Start Year	Project Expenditure Period (Yrs)	Estimated Cost if Constructed in FY06	Cost Inflated to Start Year	Less Grants at Time of Construction	Total Cost Inflated to Start Year	Financing	Term	Rate	First Year of CF Allocation
27	Rehabilitate 8-inch SS Lines	5%	FY07	3	\$ 1,088,000	\$ 1,142,400	\$ -	\$1,142,400	D	20	2.10%	
28	Replace small diameter lines	5%	FY20	1	\$ 107,500	\$ 212,843	\$ -	\$212,843	CR	0	0.00%	FY17
29	Backup emergency generators for wells	5%	FY16	1	\$ 80,000	\$ 130,312	\$ -	\$130,312	CR	0	0.00%	FY09
30	Critical valve replacement at water tank	5%	FY06	1	\$ 10,000	\$ 10,000	\$ -	\$10,000	CR	0	0.00%	FY06
31	Critical valve replacement in distribution system	5%	FY07	1	\$ 10,000	\$ 10,500	\$ -	\$10,500	CR	0	0.00%	FY07
32	Upgrade to automated water meters	5%	FY21	1	\$ 70,000	\$ 145,525	\$ -	\$145,525	CR	0	0.00%	FY15
33	Telemetry for wells and storage tank	5%	FY08	1	\$ 10,000	\$ 11,025	\$ -	\$11,025	CR	0	0.00%	FY08
34	Construct new elevated storage tank	5%	FY08	1	\$ 300,000	\$ 538,757	\$ -	\$538,757	CR	0	0.00%	FY08
35	Waterline extension Phillips Hall Road Hwy 158	5%	FY10	1	\$ 120,000	\$ 303,234	\$ -	\$303,234	CR	0	0.00%	FY10
36			FY11				\$ -					
37			FY12				\$ -			0	0.00%	
38			FY13				\$ -			0	0.00%	
39			FY14				\$ -			0	0.00%	
			FY15				\$ -			0	0.00%	



Combined Water & Sewer Rates			Current Year		Usage Billed to Customers in FY06		
Uniform Rate (per 1,000 gals)	\$ 4.50		FY06			Residential	Non-residential
Minimum Charge	\$ 24.00	Current Residential Bill	Number of Customers		450	30	
Volume Included with Min Charge (1,000's of gals)	2.000	(5kgal/mo.): \$	37.50		Total Usage (1,000's GPM)	2,025	5,735
Existing Capital Reserves	\$ -				Annual Customer Base Growth	0.0%	0.0%
Interest Rate on Reserves	5.0%						
Revenues and Expenses in FY06			This model does not prescribe rate increases. Projections are purely illustrative. For example, a utility might choose to mitigate large future rate increases by spreading them out in the intervening period.				
Annual Operating and Non-operating Revenues	\$ 335,249						
Annual O,M,G&A Expenditures	\$ 225,360						
Annual Expenditure Growth	2.5%						

Required in		Delete Comment													
	J	K	L	M	V	W	X	Y	Z	AA					
2	Total Revenues			\$	335,249	\$	335,249	\$	341,967	\$	348,685	\$	355,402	\$	362,120
3															
4	Expenditures			\$	225,360	\$	230,994	\$	236,769	\$	242,688	\$	248,755	\$	254,974
5	Pre-existing Debt Service			\$	11,920	\$	11,920								
6	From Capital Projects (below)			0	\$	10,500	\$	11,025	\$	70,541	\$	70,541	\$	70,541	
7	Total Expenditures			\$	237,280	\$	253,414	\$	247,794	\$	313,230	\$	319,297	\$	325,516
8															
9	Net Income			\$	97,969	\$	81,835	\$	94,173	\$	35,455	\$	36,106	\$	36,605
10															
11	Financial Reserves			\$	-	\$	81,835	\$	180,100	\$	224,560	\$	271,893	\$	322,093
12	New Rate per 1,000 gals			\$	4.50	\$	4.58	\$	4.66	\$	4.75	\$	4.83	\$	4.91
13	Avg. Customer Bill (5,000 gals)			\$	37.50	\$	37.75	\$	37.99	\$	38.24	\$	38.49	\$	38.73
14	1-Year Increase in				N/A		0.7%		0.7%		0.7%		0.6%		0.6%
15	Customer Bill for 5,000 gals				N/A		1.8%		1.8%		1.8%		1.7%		1.7%
16	Increase for Large Users				N/A		1.8%		1.8%		1.8%		1.7%		1.7%

For a copy of the model, visit:
www.efc.unc.edu

Rehabilitation and Replacement

- Where are the projects?
- What percentage of revenues are used for R&R?
- What are your system replacement cycles?

Things that Tend to Fall Through the Cracks

- Operating increases
- Impacts of non-revenue water
- I&I impacts
- Stability of large customers
- Growth assumptions
- Construction cost increases

Owner's Responsibilities

- Project selection
- Review assumptions
- Communicate local utility values and objectives (growth, concern for low income, economic development, conservation)
- Implementation

Other Resources

- www.google.com
- Rural Center (www.ncruralcenter.org)
- School of Government/Environmental Finance Center (www.efc.unc.edu)
- National Environmental Services Center (www.nesc.wvu.edu/)
- RCAP (www.rcap.org)
- Rural Water Association (www.nrwa.org)
- NC AWWA/WEA (www.ncsafewater.org)
- Other utilities (eg. SOG/EFC Listservs)