BUSINESS PLAN PACKET

DRINKING WATER
REVOLVING LOAN FUND

A PROGRAM OF THE DEPARTMENT OF HEALTH AND HOSPITALS

Louisiana Drinking Water Revolving Loan Fund
New Water System Business Plan Packet

The Safe Drinking Water Act (SDWA) establishes rules and regulations to govern public water systems, the Office of Public Health- Environmental Health Services Division is the primacy agent in Louisiana to ensure that compliance with these rules and regulations is being achieved and maintained.

The SDWA mandated Louisiana must develop and implement a capacity development strategy which provides criteria for evaluating technical, managerial, and financial capacity. We have developed this Business Plan packet which is attached, it requires specific information that will aid us in making evaluations of your financial and managerial capacity while technical capacity will be evaluated by the information you supply in the System Improvement Plan. Your system must meet capacity requirements in all three areas before this office can give final approval of your project for a loan.

Please provide all of the information that pertains to your system in the Business Plan. Some of the questions may not be applicable to your particular water system, if this is the case, please move to the next question. Also, please have the appropriate responsible party sign the Certification of Information and include it in your submitted package. There is no submission deadline but note that a permit cannot be given until the state determines that the system meets all capacity requirements.

Please forward the completed Business Plan to the following address:

Attn: Jennifer Meyer, Manager
Drinking Water Revolving Loan Fund
Office of Public Health
Center for Environmental Health Services
P.O. Box 4489
Baton Rouge, LA 70821-4489

In addition to the Business Plan, all appropriate management personnel of the proposed system such as owners, board members, managers, corporate officers, mayors, etc., will be required to attend a management training session provided by this office. This office will notify you of the next scheduled session. Also, it is your responsibility to see that any new such personnel coming on board in the future attend one of these sessions. Once all capacity requirements have been met and plans and specifications meet all requirements, a permit approval will be issued for your system to commence operation/construction. If you have any questions relative to these documents attached hereto, feel free to contact me at (225) 342-8355

MANAGERIAL CAPACITY

The Management Plan is a key component of a Comprehensive Business Plan for any drinking water system. Such plan will be used in evaluating managerial capacity. A Management plan includes documentation that the applicant has the legal right and authority to construct, operate, and maintain the system, and a management and administrative plan. The purpose of the Management Plan is to provide assurances that both the ability and commitment to provide for effective management and operation of the proposed system are in place. Following is a checklist of items that must be included in the Management Plan.

CHECKLIST

Ownership

Identification of the type of organization which owns or will own the drinking water system. If current ownership will change in the future, please describe, including the proposed timeframe for the change of ownership. Ownership categories include:

MUNICIPALITY FEDERAL UTILITY DISTRICT PARISH STATE
INVESTOR OWNED (Sole Proprietorship/Partnership/Corporation)

If ownership category is **MUNICIPALIT**Y,

- If the municipality operates under a home rule charter, provide a description of the charter. Also, please provide the name of the incorporate municipality and the parish in which it is located
- If the municipal owner has any inter-municipal agreements relating to the provision of drinking water with other municipalities, include the names of the municipalities and the parishes in which they are located. Also, attach copies of any inter-municipal agreements.
- Provide names, mailing addresses, and phone numbers of Mayor/City Manager, council members, operator(s), etc.

If the ownership category is **UTILITY**,

- Provide names, mailing addresses, and phone numbers of applicable corporation names, board members, officers, and operator(s), and provide a copy of the incorporation papers and current annual report.
- Provide copy of authority to operate given by the Public Service Commission, if regulated by same.

If the ownership category is **DISTRICT**,

- Provide names, mailing addresses, and phone numbers of all board members/officers, operator(s) and provide copies of any charters, etc., giving the system authority to operate.
- Provide authority to operate given by the Public Service Commission, if regulated by same.

If the ownership category is **PARISH**,

- Provide name of government entity granting authority to operate and copies of any documents indicating same.
- Provide names, mailing addresses, and phone numbers of officials/board members and operator(s) responsible for the operation of the system.

If the ownership category is **STATE**,

- Provide name and address of governing state agency for the system.
- Provide name, mailing address and phone number of the head of the agency as well as for the chain of command down to the operator(s) of the specific system.

If the ownership category is **INVESTOR OWNED**,

- If a corporation, provide legal name of the corporation, copy of incorporation papers, copy of current annual report, and names, mailing addresses and phone numbers of all board members/officers/operator(s) for the corporation.
- If a corporation, indicate whether for profit or not for profit; closely held, publicly traded, or a wholly owned subsidiary; and if the corporation is owned by a parent company, describe the ownership of the parent, including related companies.
- If a corporation, provide information on initial capital structure.
- If a franchise is involved, provide copy of franchise indicating owner(s) terms of franchise, and length of time franchise runs.
- If sole proprietorship, provide name, mailing address, and phone number of the owner/operator.
- Provide a copy of the authority to operate given by the Public Service Commission, if regulated by same.

For all board members/council members/officers, provide the average number of years of experience or service per person, years of experience or service of the longest serving person and total number of water system-related training events attended by one or more board members/council members/officers in the last two (2) years.

- Identify any other public water systems currently owned or operated by the applicant owner(s), parent organization, or affiliate of the organization.

Management and Administrative Plan

There are two purposes of the Management and Administrative Plan. First, is to catalogue the resources that will be needed to manage and administer the system so as to support budget cost estimates. The second purpose is to provide assurances that the applicant has in place an organization and people capable of managing the system and responding to unforeseen circumstances. Following is a checklist of information to be included.

A certified operator at the appropriate level is required to operate a water system in Louisiana.

Provide the following information and copies of certificates:

- Name and mailings addresses of all certified operators
- All classes and levels of certification
- Is certificate regular one or temporary?
- Time period certification covers
- Are the certified operator(s) available on-site 24 hours or contracted (if contracted, include a copy of contract)
- If contracted, what is estimated response time for contract operator upon notification?
- If the system has only one operator, who provides the backup when that person is on leave?

Number of employees running the system, including operations, administration, and management. Identify the employees by number, job title, and designate as full or part time. Provide a copy of the organization chart, and a budget indicating the salary and benefits for each position along with the following information:

Number of years of experience for each employee noted in #2 and any formal education/training relative to same for each position.

- Copies of the system general rules and standards, including connection policies, extension policies, standard specifications, record management plan, and emergency response plan

- Copies of any financial management policies and standards already developed. If none, indicate same.

TECHNICAL CAPACITY

A Facility Plan must be submitted and will be used in evaluating technical capacity. A Facility Plan includes an assessment of the current and foreseeable water system needs of the area, a description of alternatives considered (including both construction and operating costs) and the rationale for the approach selected. The Facility Plan is to assure that the project has been appropriately planned. It should demonstrate that the proposed system addresses the water supply needs of the service area(s), and that is the most appropriate alternative reasonably available. If any of the information requested is already included in your plans and specifications submittal, it is not necessary to duplicate the information. Indicate same in the Facility Plan for the specific checklist item addressed. Not all items may be applicable to your type of system. If not, indicate same. Be sure to include all of the facilities that will be constructed as part of the proposed system. Following is a checklist of items that must be included in the Facility Plan.

CHECKLIST

Basic Organizational Requirements

This section shall contain basic organizational information about the system.

- Name of system, including mailing address and physical location.
- Contact person, including telephone number and mailing address if different from 1.
- System Classification - Community, Non-Transient Non-Community.
- Supply type - Surface Water, Groundwater, Combined, Purchase Water
- Type of Ownership - public, private, or investor owned, etc.

Potential System Requirements

- A description of all municipalities/areas to be served and in which parish the system will be located.
- Projected population information for the service area.
    - Land use information including type (e.g. low density residential, high density residential, commercial, industrial, institutional), density and timing for future development. Include information on other planning activities in the proposed service area. Include maps showing locations of developed areas, identified sources of contamination, recharge areas if applicable, wetlands, flood plains, coastal zones, prime agricultural lands, historical and archaeological sites.
        - Map of planning area. The service area of the system and any other systems related to or adjoining the system shall be indicated. The

planning area shall include all areas that may be served by the system during its design life.

- There is a tendency for communities to limit the planning area to the corporate limits (or Water District boundaries or the system's existing service area); however, this frequently leaves out areas that might economically be served by the system. While local governments or system owners are not required to provide service to areas outside their boundaries, they may if they choose to do so. The planning area shall also be based on the possibility that the system will extend its boundaries in the future and may wish to provide service to areas not presently included.

- The planning area map shall indicate the location of nearby systems that might be possible candidates for consolidation.

- The planning period is generally considered to be twenty years and is based on the expected life of most mechanical equipment. The planning period shall not be less than twenty years; however, longer planning periods may be considered for communities and systems with little population growth.

- A description of all nearby public water systems, including location, service areas, primary facilities, system capabilities, and contact person and phone number. Provide an explanation of how the boundaries are determined, including legal and regulatory issues such as Public Service Commission jurisdiction, capability, and desire to extend service.

- Relationship to other systems - If the system will purchase water from, sell water to, or share any portion of its infrastructure with any other system(s), the relationship with the other system(s) shall be described. An Inter-municipal Agreement or other legal instrument may be required.

- Comprehensive information of the projected number of customers and demand by customer type for the next twenty years. An accurate projection of future population is an important element in determining future water consumption. Historical population growth information may be used to help in making population projections. Other information that may affect population growth and that shall be considered include the following:

- The potential for future annexation shall be considered when making projections.
- Barriers may restrict growth in one or more directions. Some barriers may include large rivers, wetlands, corporate limits of another municipality, or even state boundaries.
- Any know future events that may influence population growth

shall be considered. Construction of a new highway through the area could increase the growth rate. A new bridge across a large river could cause a formerly inaccessible area to become a "bedroom community" to a larger municipality. The location of a new industry in the area may cause a population increase, while closure of an existing industry would have the opposite effect.

- An accurate forecast of future water consumption will be needed before some system construction can be selected or designed. Projections of future water consumption shall also consider:

- any anticipated increase in commercial and industrial water use.
- a population equivalent shall be estimated and included for any facilities, such as schools, that serve population that does not live in the planning area.

Alternative Identification and Evaluation

There may be a number of possible solutions to meeting the water supply needs of a community. The consulting engineer shall evaluate a reasonable number of feasible alternatives, presenting them in sufficient detail so an evaluation can be made.

Consolidation of two or more systems, especially small systems with larger systems, usually results in cost savings and more efficient operations. Small water systems have historically had greater operation and maintenance problems; are financially less viable; are less able to develop, operate, and maintain projects; and have a higher incidence of drinking water standards violations. All of these result in poorer service and water quality to the consumer.

Consolidation does not always mean the physical takeover of one system by another. Consolidation may include sharing of some system components while retaining individual ownership of others, purchasing water from another system, sharing operational and management personnel, and other forms of sharing resources.

If consolidation with another nearby water supply is feasible, then consolidation should be evaluated as part of at least one alternative.

It is recognized that the most desirable source of water is groundwater requiring no treatment, followed by groundwater requiring treatment, and that the least desirable source is surface water. If water treatment is necessary, then the feasibility of importing water that does not require treatment must be evaluated. This may mean drilling wells some distance from the system and pumping or purchasing water from another system.

This section should provide the following information, as well as any additional information related to the selection of the proposed system:

- Description of available alternatives, including construction of a complete new system, construction of a distribution system with supply coming from another system, and extension of another system to serve the proposed areas. Include institutional alternatives, such as incorporating the proposed area into an existing area, creating a separate rate district within an existing system, satellite management, contract operations and/or management, etc.
- A description of the physical components that comprise the various alternatives. Include both operational and administrative facilities. Also, include a cost estimate for each major item of construction. Not all items will be common to all alternatives.
- A summary of the expected Engineering costs associated with each alternative including such costs as planning, pre-design, design, bidding, etc.
- Construction cost estimates for each alternative described in Item 1 above.
- Operating costs for each alternative described in Item 1 above. Recurring costs such as operation and maintenance must be evaluated over the twenty-year planning period.
- Analysis of one-time costs such as capital costs, land purchases, etc.
- Information on any connection fees, tap in fees, betterment assessments, availability charges, or other special assessments that would be used to help fund construction under any of the alternatives presented.
- A list of projected funding sources for construction components for each alternative. If developer contributions are available, include an explanation of how the amount of the contribution was developed, and provide a copy of the agreement with the developer. For any borrowing, please indicate the interest rate and term of the loan or note. Be certain to distinguish for which of the cited alternatives funding is available
- An identification of the recommended alternative.

Description of cost comparison analysis, including method used, assumptions made, sources of information and weight of each rationale. For comparison purposes, all costs must be evaluated on a common basis, either present value or equivalent annual cost. Assumed interest rates for economic evaluations must be reasonable and should be based on the expected cost of borrowing and expected return on invested capital (7 - 9% is currently considered reasonable). Salvage value of components expected to last beyond the twenty-year planning period must be included in the analysis.

Description of other rationale(s) used, including factors considered, assumptions made, sources of information used, and weight of each rationale.

While the economic analysis is normally the primary criterion for selecting an alternative, there are other considerations that may affect the selection. Examples of other relevant criteria are reliability, energy use, process complexity, operation and maintenance, environmental impacts, public acceptance, and the professional judgment of the consulting engineer. After evaluation and comparison of principal alternatives, a project is selected which is the most economical means

of meeting the needs of the system over the design life of the facility, while recognizing environmental and other non-monetary considerations and stressing compliance and public health concerns.

If you do not select the alternative that would appear appropriate on the basis of the financial rationale alone, you should describe in detail the rationale used to select the proposed alternative. If you do not select a regional solution, such as consolidating with an existing system, etc. explain in detail the rationale for creating a separate system.

Availability and Adequacy of Supply Sources

- What is your projection for gpd on an average day?
- What is your projection for gpd on a peak day?
- What is your source capacity in gpd?
    - Is your source capacity higher than your projected peak demand by an appropriate margin? If no, explain.
- Do you project that you will be able to meet peak demand without pumping at peak capacity for extended periods? Explain.
- Do you have an Emergency Conservation Plan that will allow you to meet system demand during a shortage, such as the loss of the largest unit? If yes, provide a copy.
- If you will be serving commercial, industrial, or irrigation users, do you know their long-term plans and understand their needs? If yes, describe.
- What other demands might be placed on the same water source that you will be using?

- If there are other source users, do you know who they are and what their future plans are? If yes, describe.
- Do you understand your legal rights to the water?

Purchase Water Systems

- If you will be a purchase water system, do you know your supplier=s long-term plans? If yes, describe.
- Do you have a contract to purchase water? If yes, provide a copy.
- What are your terms for the supply during shortage conditions?

<u>Vulnerability of Supply Sources to Contamination</u>

- What will be the depth of your proposed well(s)?
- What is the geological name of the aquifer system from which your water will be drawn?
- Is your watershed area or Azone of contribution free from discharges from either human wastewater treatment facilities or agricultural feedlot waste treatment facilities? If no, explain.
- Is your watershed area or Azone of contribution free from any facilities engaged in the production, storage, or handling of agricultural chemicals such as manufacturing

plants, warehouses, or farm supply stores? If no, explain.

- Is your watershed area or Azone of contribution free from any golf courses, corporate or institutional campuses, or intensively landscaped residential developments? If no, explain.
- Is your watershed area or Azone of contribution free from any industrial or commercial establishments engaged in significant uses of organic (e.g. solvents) and inorganic (mining, metallurgy, chemical production, etc.) chemicals as part of production processes? If no, explain.
- Do you know what crops are grown within your watershed area or zone of contribution? If yes, describe.
- Do you know what agricultural chemicals are in most prevalent use for these crops? If yes, describe.

Treatment

Surface Water Systems and Systems Using Ground Water Under the Influence of Surface Water

- Will you have spare repair parts? If yes, describe.
- Will you have redundancy for all units that have an effect on health? If yes, describe.
- Will your plant be able to achieve a filtered water turbidity of 0.1. NTU 95 percent of the time. If yes, describe.
- Will you have the capability to add coagulant before the filter? If yes, describe.
- Will your plant meet the current ACT requirements with a comfortable margin? If yes, describe.
- Will your plant be able to meet the requirements of the Enhanced Surface Water Treatment Rule? If yes, explain.

Ground Water Systems

- Are you sure your water supply is really a ground water and not ground water under the influence of surface water? If no, explain.
- Will your well(s) be more than 100 feet deep?
- Will your well(s) be located outside the zone of influence of nearby streams or rivers?
- Will your well(s) be free from variations in turbidity and temperature in the period after storm events?
- Will your well(s) shaft be encased?
- Will your well be equipped with a sanitary well seal that is in good enough shape to prevent contamination from surface water?
- Will you have back-up disinfection equipment?
- Will you have adequate contact time following disinfection and before the first user in the distribution system? If yes, describe.
- Will you have spare repair parts? If yes, describe;

Distribution System

Will you be able to maintain adequate pressure in the distribution system under

all conditions of flow? If yes, describe.

- Will there be a routine leak detection and repair program? If yes, describe.
- Will all sources of supply and customers be metered? If no, explain. If yes, will each customer pay an equal share? If no, explain.
- Will you have a cross-connection control program in place? If yes, describe.
- Have you provided a program for installing and testing backflow prevention devices where potential contamination is present? If yes, describe.
- Have you provided a program to eliminate Adead ends in the mains, when feasible? If yes, describe.
- Do you have suitable rights-of-way and easements provided for the water system for expansion, maintenance and replacement of mains and services? Include copies of same.
- Have you provided for sufficient earth cover to protect the mains from frost damage or heavy loads, if driven over?
- Do you plan to use mains designed and selected to resist corrosion, electrolysis, and deterioration?
- Will you meet the required fire flow rates and time durations?
- Provide us with a sampling plan for your system. (Contact your local parish health unit for instructions on preparing the plan.)

Disinfection By-Products

- Are you prepared to change treatment to control for Disinfection By-Products, if necessary? If yes, describe.
- If you will be using treated surface water, will you be able to adopt enhanced coagulation in your proposed plant? If yes, describe.
- If you will be using treated surface water, will you still be able to meet current CT requirements if disinfection is not allowed before sedimentation?
- Will you likely have to change treatment to control for pesticides and herbicides?
- Are you likely to have to change treatment to control for industrial/commercial chemicals?

Infrastructure

Pumping

- Do you plan to have a maintenance agreement with a qualified pump contractor to perform an inspection of all pumping equipment, identify potential problems, and perform maintenance, on an annual basis? If yes, give details.
- Will you have sufficient standby/emergency power capacity to supply 100% of the average daily demand of the system (excluding fire demands) long enough to last through the length of your most likely power outage situations? If yes, describe.
- What procedures do you plan to follow for testing or exercising the standby/emergency power equipment?

Storage

- Does the proposed system have sufficient gravity-flow or emergency generator-supported pumping capability to assure adequate distribution storage to provide safe and adequate service for up to 24 hours without power? If yes, describe.
- Will there be reserve capacity in the tank(s) for fire protection support?
- Will there be an entry hatch to allow access for cleaning and painting of the interior of the tank(s)?
- Will there be a filler pipe or hydrant to provide for water to be trucked in?

FINANCIAL CAPACITY

The Financial Plan consists of intended rate revenue projections and pro forma financial statements for a period of at least five (5) years, and a narrative description of assurances that the system will be able to meet its financial obligations and be able to maintain its viability. The pro forma statements should show a positive trend over the 5-year period.

The purpose of the Financial Plan is to assure that the system has the financial ability to support the project and operate for at least five years. In preparing your Financial Plan, you should be moderately conservatively. Be sure to plan for rate coverage (the generation of revenues above that necessary to cover expenses) and the establishment of reserve funds, even if not directly required by the capital provider. Coverage has proven to be a key indicator of the future viability of small drinking water systems. Your Business Plan should be strong enough to remain viable even under adverse changes in the operating environment.

The following information should be included in your Financial Plan:

Projected Rate Revenue

1. Projected rate revenue for both residential and commercial/industrial customers. (See Financial Plan Form I for an example of the requested information.)

   The Total Projected Rate Revenue can be calculated in a number of ways. If you use Financial Plan Form I, include in the Commercial/Industrial category any institutional or other large users that might skew the Average Annual Residential User Rate.

   The projected rate revenue information is important for two reasons. First, without adequate revenue, the system will eventually not be capable of self-support. The system needs sufficient revenue to cover operating and non-operating expenses, capital improvements, replacements, and emergencies. If there is not sufficient revenue to cover current expenses and fund reserve funds, it is likely that at some point the system will face an emergency or need for new or updated equipment that it cannot face without an extraordinary rate increase or outside assistance.

   The second reason this information is important is to provide assurance that the projected user rates are reasonable and have a likelihood of being collectible. The rates also need to have some elasticity in case unforeseen events require an increase in revenue for the system. Research has shown that the strongest systems have rates that are neither too high nor too low. Also, water must be metered so that each user is paying for what they use. Loan monies can be used to install required meters. Those systems falling under the jurisdiction of

the Public Service Commission need to work cooperatively with them and within their guidelines for any necessary changes in rates.

Pro Forma Financial Statements

1. Pro forma income, expense, and cash flow statement for at least five years. Financial Plan Form II is an example of a consolidated pro forma income, expense, and cash flow statement for five years of system operation. You may either use this form directly or provide the same information in your own format.

2. Pro forma balance sheet summary for at least five years. Financial Plan Form III is a sample five-year balance sheet summary which you may use or provide the same information on a separate sheet, but be sure to include all of the same information.

The purpose of the pro forma financial statements is to show projections of the finances of the system over the next five years. The statements should provide assurances that income will exceed expenses to such a degree as to allow for the creation and funding of reserve funds and for funding emergencies and equipment replacement. At a minimum, there should be positive cash flow every year, net income for most years, and positive equity. The pro forma statements will also allow many of the traditional financial analyses to be conducted on the system C including but not limited to determining the debt to equity ratio, the coverage ratio, the quick liquidity, etc. Projecting this information for at least five years will allow someone reviewing the plan to see trends and patterns.
The level of the detail of the requested information will allow for anyone reviewing the plan to understand the basis for the assumptions used in your pro forma financial statements. Be sure to explain how the cost and income estimates were developed, and attach any narratives or worksheets that shows the calculations. Please provide an explanation for any unusual estimates. If possible, provide a range of estimates for some of the items most difficult to project. Also, indicate how conservative or aggressive you believe your estimates to be.

If your projections show changes from year to year that are caused by more than inflation, please be sure to explain your assumptions(s) for the variance.

The Income, Expense, and Cash Flow Statement format provided combines the elements of the traditional income and expense statement with that of the traditional cash flow statement into a single form. This eliminates duplication. If, however, you do not use the provided form, be sure to include both traditional statements for at least five (5) years.

In the provided Income, Expense, and Cash Flow Statement, the terms Extraordinary Income and Extraordinary Expenses refer to cash flow items not normally on an income statement. These are
generally non-recurring events and capital adjustments to cash flow rather than normal accrual-based income or expenses.

You do not have to use all of the categories provided; however, the more detail that is provided, the less likely that follow-up questions will be required. Specify and explain other entries. For any items not already covered in the SIP, include an explanation or supporting worksheets describing how the estimates were developed.

Following is an explanation by categories for items requested in the Income, Expense, and Cash Flow Statement:

OPERATING REVENUES

Revenues are sources of income to your system.

Water Rates - The water rate line includes all money received for supplying water service. To forecast water rates, you must know the number of service connections and amount of consumption for your system. Once a water consumption forecast and number of service connections has been projected, a forecast of water rate revenues can be computed.

Fees and Services - Include all other miscellaneous fees and charges for service provided other than for water service (e.g., bad check fees, reconnect fees, meter testing fees, etc.). This includes all fees other than connection fees. Initial first time hookup charges (connection fees) should be included on Line 6 Another@ and noted for same.

EXPENSES - Expenses include all those activities or purchases which incur cost for the system. Expenses can be estimated in various ways. One method bases the projections on historical expense. This can be accomplished by using historical costs and escalating them from known and projected changes. An example of a known change would be an increase in labor costs for the budget period due to known or anticipated salary increases. An example of a projected increase or escalation in costs would be a 5% annual inflation rate. Materials and Supplies expense, for instance, would be expected to increase with the projected inflation rate.

Operating and Maintenance Expense - These expense items refer to all expenses incurred by the system in the production and delivery of water to customers; for example, operator salaries, power to operate pumps, chemicals for treating water.

Salaries and Benefits (Operator) - Include all compensation to employees of your system when the work is related to the system=s O&M. This account should not include compensation of officers, directors, or general and administrative staff. For new water systems, O&M labor costs should be identified for each year of the 5-year budget. Volunteer labor cannot be applied. For existing water

systems, it is advisable that professional certified operators are employed and O&M costs be identified in the budget for all five years. For existing systems currently utilizing volunteer labor, O&M labor costs for outside operational assistance must be identified for at least the first year of the budget. To calculate this amount, a new system or a system currently using volunteer labor should contact a qualified operator and obtain an annual cost estimate to operate the system (labor cost only).

Utilities - Include the cost of electric power, water, telephone, and other system-related expenses incurred in producing and delivering water.

Chemicals & Treatment - Include the cost of all chemicals used in the treatment of water. Also include the cost of any chemicals manufactured by the system and used in providing system service.

Monitoring - Include all water monitoring costs incurred by the system. This includes both in-house monitoring and analysis costs, and outside laboratory costs.

Materials, Supplies, and Parts - Include all materials and supplies used in the O&M of the water system and in providing and delivering the water to the customer. Include any repairs or parts needed in producing and delivering water. This would include grease and oil, and minor repairs to equipment. This should not include materials for administrative purposes such as postage, copying, billing forms, or paper.

Transportation - Include all expenses related to trucks, automobiles, construction equipment, and other vehicle expense used in producing and delivering water to the customer.

ADMINISTRATION EXPENSES - These expenses are considered overhead and are not directly related to O&M of the daily production and delivery of water to the customer. This category includes billing and administrative costs incurred by the system. For example, all meter reading costs, secretarial costs, postage, publications, reference materials, uncollectible debts, insurance, accounting services, and all other overhead items belong in this subsection.

Salaries and Benefits - Include all compensation to employees of your system in which the work is related to the administration of the system, such as officers, directors, secretarial, and meter reading salaries and benefits. This account should not include compensation of operators. Estimates for non-volunteer labor should not be overlooked on smaller systems when outside assistance is anticipated.

Office Supplies and Postage - Includes all materials and supplies in administration of the water system. This includes office supplies, postage, copier charges, and paper.

Insurance (Vehicles, Liability, Workers= Compensation) - Include all insurance costs associated with the coverage for the vehicles, general liability, workers= compensation insurance, and other insurance costs related to the operation and administration of the system.

Legal and Accounting - Include all salaries and wages with legal and accounting functions for the system.

A/E & Professional Services - Include all engineering and other professional services expenses associated with the planning and design requirements of the water system.

Other Expenses - Such expenses as employee training and water certification requirements (classes, registration fees, travel, etc.), public relations campaigns and public notifications should be included in the Other category.

Depreciation Expense - Only applies to systems which are currently depreciating investments made in the past (recovery of previously invested funds). Water systems that are already charging a depreciation expense must identify the actual depreciation expense as a separate item. For a water system which is not currently charging an expense for depreciation for tax purposes, and would like to do so, the system may want to contact an accountant to generate a legally justifiable depreciation expense.

Taxes - Your system can incur a variety of taxes such as a state utility tax, business and occupation (B&O) tax, property tax or federal income

Debt Repayment (Loans/Bonds) - Debt repayments are the cost associated with the repayment of short-term and/or long-term borrowing. If desired, it can be further subdivided between interest and principal payments. These items can be tied directly to your loan note, bank statement, or bond papers.

Capital Improvements - This includes facility and non-facility costs related to: 1) Meeting growth requirements or improving your system=s infrastructure to provide better service and reliability to existing customers, 2) replacing or renovating existing facilities, or 3) to ensure compliance with drinking water regulations. Non-water rate revenues from loans, grants, and special charges may act as direct offsets to these capital expenditures. The unfunded difference is the net capital costs which should come from water rates.

Operating Cash Reserve

The system must demonstrate its ability to withstand cash flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer may pay for that service. A 45-day difference is the generally accepted industry norm. Because of this potential delay in payment, most systems attempt to keep at least 1/8 of their annual operating and maintenance (O&M) and general and administrative (G&A) expenses in an Operating Cash Reserve to prevent potential cash flow problems. The Operating Cash Reserve is essentially the A check-book balance@ a system should maintain to meet cash flow needs and provide contingency funds for unforeseen operating emergencies. This reserve can be funded initially with: 1) a one-time charge, 2) a transfer of funds from an existing reserve, or 3) funds accumulated in the first year of the budget in Operating Cash Reserve.

If the system does not presently have an existing Operating Cash Reserve equal to or greater than 1/8 its annual operating budget (O&M and G&A), it must demonstrate how this reserve will be funded or demonstrate its ability to withstand cash flow fluctuations. Please complete Financial Plan Form IV.

Emergency Reserve

The system must demonstrate its ability to cover the costs of an emergency or failure of its most vulnerable system component. This can be accomplished either by

1) developing and funding an Emergency Reserve

or

2) obtaining an alternative financing arrangement. Generally, replacement of a production well, a source of supply, the largest pumping equipment, or key transmission lines represent the most vulnerable components and are used to estimate the minimum Emergency Reserve amount.

Determining the emergency reserve level of a system is also a function of management objectives and overall system reliability. This reserve can be funded initially with: 1) a one-time charge, 2) a transfer of funds from existing reserves, 3) funds accumulated in the 5-year budget, or 4) an alternative financing arrangement. Please complete Financial Plan Form V.

Assurances

Identify any other appropriate financial assurance, including those being offered to capital providers. Examples of such additional

assurances are:

Evidence that the customers are fully informed of the costs and benefits, and support the project;

Ordinance requiring disconnection of existing wells when the system is replacing existing private drinking water wells;

Mandatory tap in ordinance; *and*

Appointment of a trustee, etc.

Some of these assurances may be those offered to capital providers. Some may be in addition to any loan collateral.

Financial Forms (Please note-the forms provided are only a template, you do not have to use these exact forms but can provide the information requested in another form.

FINANCIAL PLAN FORM I
RATE REVENUE SUMMARY

		LAST YR.	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
1.	Number of Residential Customers	19____	19____	_____	_____	_____	_____
2.	Average Annual Residential Bill						
3.	Total Residential Bills Levied (Line 1 times 2)						
4.	Amount Uncollected						
5.	Total Residential Rates Collected (Line 3 less 4)						
6.	Total Commercial/Industrial Bills Collected						
7.	Total Projected Rate Revenue						

PROJECTIONS OF WATER RATE REVENUES

FORECASTED

	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
1. Forecasted number of Service Connections	_____	_____	_____	_____	_____
2. Meter Charges @ $/meter	_____	_____	_____	_____	_____
3. Projected Water Sales (Gallons)	_____	_____	_____	_____	_____
4. Commodity Charge @ $/1,000 Gallon	_____	_____	_____	_____	_____
5. Total Projected Revenue	_____	_____	_____	_____	_____
6. Rate Revenue Per Connection	_____	_____	_____	_____	_____

FINANCIAL PLAN FORM II

INCOME, EXPENSES, AND CASH FLOW STATEMENT

(For Systems Charging for Water)

INCOME, EXPENSE, AND CASH FLOW STATEMENT			LAST YR. 19 ____	YEAR 1 19 ____	YEAR 2 _____	YEAR 3 _____	YEAR 4 _____	YEAR 5 _____
1	OPERATING REVENUES							
2	Water Rates							
3	Bulk Water Rates							
4	Fire Protection							
5	Fees and Services							
6	Other							
7	Total (Lines 2 - 6)							
8								
9	OPERATING EXPENSES							
10	OPERATION AND MAINTENANCE							
11		Salaries (Operators)						
12		Benefits						
13		Utilities						
14		Chemicals & Treatment						
15		Monitoring						
16		Materials, Supplies & Parts						
17		Transportation						
18		Purchased Water Costs						
18		Outside Services						
20		Other						
21		Total (Lines 11 - 20)						
22	Administrative							
23		Salaries						
24		Benefits						
25		Building Overhead						
26		Office Supplies &						

		Postage						
INCOME, EXPENSE, AND CASH FLOW STATEMENT			LAST YR. 19 ____	YEAR 1 19 ____	YEAR 2 _____	YEAR 3 _____	YEAR 4 _____	YEAR 5 _____
27		Insurance						
28		Customer Billing & Collection						
29		Accounting						
30		Legal						
31		A/E & Professional Services						
32		Other						
33		Total (Lines 23 - 32)						
34	Depreciation Expenses							
35	Other							
36	TOTAL (Line 21 plus 33 plus 34 plus 35)							
37	Operating Income (Line 7 less Line 36)							
38	Non-Operating Revenues							
39	Interest Income							
40	Interfund Transfer							
41	Proceeds from the Sale of Assets							
42	Leases and Extraction Fees							
43	Other							
44	TOTAL (Lines 39 - 43)							
45								
46	Non-Operating Expenses							
47	Interest Expense							
48	Interfund Transfers							
49		To General Fund						
50		To Replacement Fund						
51		To Emergency Fund						
52		To Other						
		TOTAL						

53		(Lines 49 - 52)						
INCOME, EXPENSE, AND CASH FLOW STATEMENT			LAST YR. 19 ____	YEAR 1 19 ____	YEAR 2 _____	YEAR 3 _____	YEAR 4 _____	YEAR 5 _____
54	Other							
55	TOTAL (Line 47 plus 53 plus 54)							
56	Net Income Before Taxes (Line 37 plus 44 less 55)							
57								
58	Taxes							
59	Income Taxes							
60	Other than Income Taxes							
61	TOTAL (Line 59 plus 60)							
62	Net Income After Taxes (Line 56 less 61)							
63								
64	Extraordinary Revenues							
65	Construction Grants							
66	Proceeds from Borrowing							
67	Equity Contribution							
68	Other							
69	TOTAL (Lines 65 - 68)							
70								
71	Extraordinary Expenses							
72	Debt-Repayment - Principal							
73	Capital Improvements Acquisition of Plant Equipment							
74	Other							
75	TOTAL (Lines 72 - 74)							
76	Cash Flow (Line 62 plus 34 plus 69 less 75)							

FINANCIAL PLAN FORM III
BALANCE SHEET I
(For Systems Charging for Water)

	BALANCE SHEET	**LAST YR.**	**YEAR 1**	**YEAR 2**	**YEAR 3**	**YEAR 4**	**YEAR 5**
		19___	_____	_____	_____	_____	_____
1	ASSETS						
2	PLANT						
3	Water Plant						
4	Construction in Progress						
5	Other						
6	Less Accumulated Depreciation						
7	Total Plant (lines 2 -4 less line 5**)**						
8	CURRENT ASSETS						
9	Cash						
10	Investments						
11	Accounts Receivable						
12	Inventory						
13	Total Current Assets (lines 9 - 12)						
14	OTHER ASSETS						
15	Emergency Reserves						
16	Operating Reserves						
17	Replacement Fund						
18	Total Other Assets (lines 15 - 17)						
19	**TOTAL ASSETS (lines 7, 13, 18)**						
20							
21	**CAPITALIZATION & LIABILITIES**						
22	CAPITALIZATION						
23	Proprietary Capital						
24	Retained Earnings						
25	Other Capital Items						
26	**Total Capitalization (lines 23 - 25)**						
27	**LONG-TERM DEBT**						
28	**CURRENT LIABILITIES**						
29	Accounts Payable						
30	Accrued Expenses						
31	Current Portion of Long-Term Debt						
32	Short-Term Debt						
33	Other						
34	Total Current Liabilities (lines 28-33)						
35	**TOTAL CAPITALIZATION & LIABILITIES (lines 26, 27, 34)**						

FINANCIAL PLAN FORM IV

OPERATING CASH RESERVE DISCLOSURE FORM

TYPE OF ACCOUNT:

_____ Bank checking/savings_____ escrow account

_____ Trustee account_____ other (specify) _____

Name and address of bank or institution _____

FINANCIAL PLAN FORM V

EMERGENCY RESERVE DISCLOSURE FORM

TYPE OF ACCOUNT:

_____ Bank checking/savings_____ escrow account

_____ Trustee account_____ other (specify) _____

Name and address of bank or institution _____

OR

TYPE OF COMMITMENT:

_____ Surety bond _____ letter of credit _____
guarantor

_____ Other (specify) _____

Name and address of bank or name, address, and relationship of guarantor
_____

_____

CERTIFICATION OF INFORMATION

Under penalty of law, I hereby certify that the foregoing information provided in the Business Plan is true and correct.

Date
Owner/Mayor/Board President

_____Title:

Date: