

RCAP
Rural Community Assistance Partnership

How to Financially Manage your Water and Sewer Funds

Presented by Great Lakes RCAP
March 29, 2023

Great Lakes
COMMUNITY ACTION PARTNERSHIP

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RCAP Rural Community Assistance Partnership

Midwest Assistance Program

Great Lakes
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COMMUNITIES
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Our Mission Improve surface water protection, environmental compliance, public health, economic readiness and quality of life in small communities and rural areas.

How We Achieve This

- Help small and rural communities access funding for water and sewer projects.
- Improve the technical, managerial and financial capabilities of water and sewer systems through technical assistance and training.
- Promote shared services and regionalization projects to increase efficiency, reduce end-user costs, and ensure long-term sustainability.


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Our Learning Objectives

We will discuss how Fiscal Officers and Utility Managers can properly manage water and sewer funds, identify what they need to know about the utility, and determine its financial sustainability.

You will leave knowing:

- ✓ Who you need on your Financial Team
- ✓ "Rules of Thumb" for proper Fund Reserves
- ✓ Tools to utilize when setting the Utility Annual Appropriations Budget

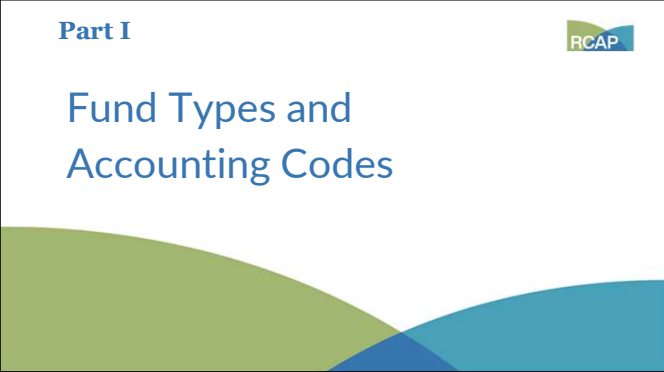


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Part I

Fund Types and Accounting Codes



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Quick Review of Fund Types

Governmental

Proprietary

Fiduciary

Proprietary funds account for business-like activities of the government. Municipal utilities are included in a type of Proprietary fund called an **Enterprise Fund**, meaning they must operate like a stand-alone business.

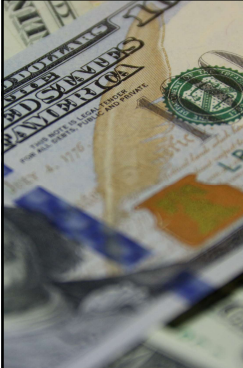


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Accounting Codes of Enterprise Funds

PROPRIETARY FUNDS		
ENTERPRISE		
5101-5199	Water Operating	530 series
5201-5299	Sewer Operating	540 series
5301-5399	Electric Operating	510 series
5401-5499	Parking	150, 650
5501-5599	Swimming Pool	340
5601-5699	Other Enterprise Operating	User assigned
5701-5709	Enterprise Improvement	800
5721-5739	Enterprise Debt Service	850
5741-5759	Enterprise Debt Service Reserve	850
5761-5779	Enterprise Reserve	User assigned
5781-5799	Enterprise Deposit	User assigned
5901-5919	Other Enterprise	User assigned

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Common Revenue Codes for Water/Sewer Utilities

- 541 - Consumer Rent
- 542 - Tap Fees
- 543 - Bulk Sales
- 544 - Deposits
- 549 - Restore Service Fee

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Expense “Program” Codes

- 531 – Water Admin
- 532 – Water Billing
- 533 – Water Purchasing
- 539 – Water Other

- 541 – Sewer Admin
- 542 – Sewer Billing
- 549 – Sewer Other



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Common “Object” Codes for Water/Sewer


- 311 – Electricity Costs
- 325 – Advertising (legals, public notices, etc.)
- 330 – Rents and Leases (buildings and land)
- 346 – Engineering Fees
- 347 – Planning consultant Fees
- 352 – Property Insurance
- 354 – Fidelity Bonds on Employees
- 397 – Utility services (separate out electricity)

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Common “Object” Codes, continued

- 420 – Operating Supplies & Materials
- 432 – Repair/Maintain Equipment
- 433 – Repair/Maintain Owned Vehicles
- 560 – Utility Distribution Capital Outlay
- 590 – Other Capital Outlay
- 710 – Debt Payment Principal
- 720 – Debt Payment Interest

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Part II 

Technical Capacity:
Water and Wastewater Systems



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Water Systems

- Get to know your system.
 - Source
 - Treatment
 - Distribution



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Wastewater Systems


- Get to know your system.
 - Sewer System
 - Treatments
 - Discharge

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Part III 


Managerial Capacity: *Policies and Responsibilities*



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Managerial Capacity


is the ability of the water or wastewater system to function by maintaining compliance with regulatory agencies and the Safe Drinking Water Act (or Clean Water Act for wastewater).







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Administration

Policies, Rules and Regulations



-  Establish policies that apply to all customers
-  Conduct public meetings
-  Ensure oversight of all utility employees
-  Interact with the general public to build trust

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Customer Policies & Procedures

Terms of Service/Responsibility

- What customers must do to be served

Additional Fees


- Fees imposed that are necessary to recover costs and fund operations beyond the normal delivery of water or treatment of sewage

Expansion Policies


- Policies for increasing capacity or extending service to new customer that are fair, consistent and responsible to existing customers



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Part IV 

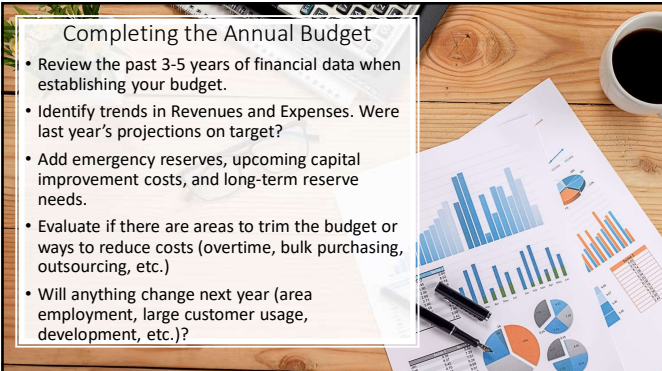
Financial Capacity:
*Your Team, Forecasting the Future,
 Utility Plans, and Capital Improvements*



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Completing the Annual Budget

- Review the past 3-5 years of financial data when establishing your budget.
- Identify trends in Revenues and Expenses. Were last year's projections on target?
- Add emergency reserves, upcoming capital improvement costs, and long-term reserve needs.
- Evaluate if there are areas to trim the budget or ways to reduce costs (overtime, bulk purchasing, outsourcing, etc.)
- Will anything change next year (area employment, large customer usage, development, etc.)?



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Minimum Escrow Levels

'Rules of Thumb'

Operating Account (Checking Account)	12.5% of Operating Expenses, i.e. 45 days of Working Capital
Emergency Fund (Savings Account)	12.5% of Operating Expenses, (45 days of Working Capital) Replenish asap
Debt Service Fund (Rainy Day Fund)	1 year's Debt Service in Escrow Build Fund at 10% of Annual Debt Service
Rehabilitation Replacement Reserve	2.5% of Annual Revenue for Scheduled Work. Cash Reserves for 100% of Predictive Maintenance Cost
Capital Improvement	Cash reserves for 10 - 20% of Large Projects Costs: Engineering, Permitting, & Environmental Build Fund over Several Years Based on CIP

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Asset Management Plan

Asset Management requirements for all drinking water systems include **1-5 Year Capital Improvement Plans** with funding sources identified, and **5-20 year plans** with estimated future funding needs.

<https://www.epa.state.oh.us/ddagw/pws/assetmanagement>

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Asset Management Planning

WHAT:

- Are the assets?
- Is their location?
- Is their age?
- Condition are they in?
- Is their importance to providing service?

WHEN:

- Do they need replaced?
- Should they be rehabilitated?
- Can we schedule the work over time?

HOW MUCH:

- Money do we have now?
- Money do we need in reserves?
- Will we need to borrow?

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Part VI RCAP

Funding Capital Improvement Projects



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Funding Capital Projects

Plan EARLY!

Most larger projects require at least 2 years to put financing in place and then a year or more for construction. If multiple funders will be used, even more time will be needed.

Know the funding cycles and requirements. Plan to have reserve funds available for use.



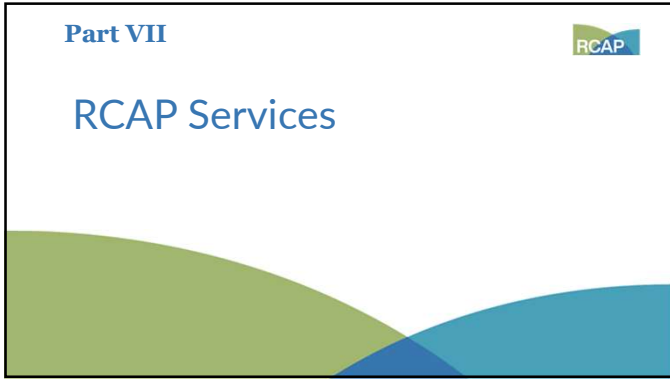
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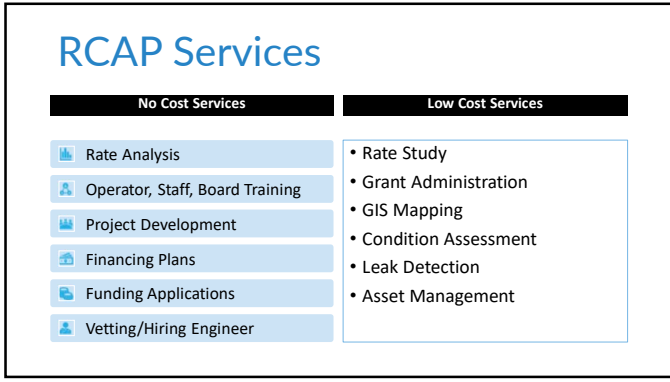
Funding Agencies

- ❖ OWDA – Ohio Water Development Authority
- ❖ OPWC – Ohio Public Works Commission
- ❖ ARC – Appalachian Regional Commission
- ❖ ODOD – Ohio Department of Development
- ❖ OEPA – Ohio Environmental Protection Agency
- ❖ USEPA – U.S. Environmental Protection Agency

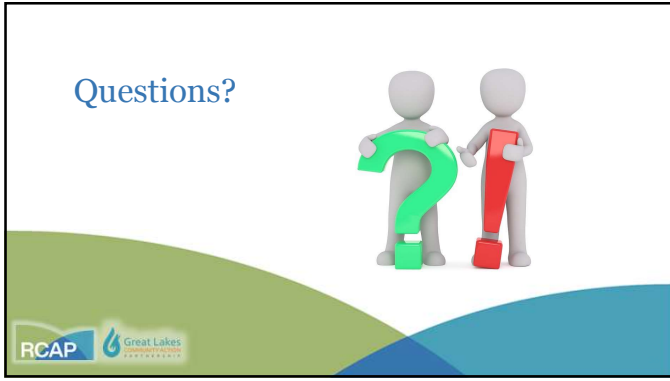
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Thank you!



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