

Worksheet 2: Water System Budget

For the year ending _____, 20____

	\$ Amount
I. Revenues	
A. Water Revenue. How much does your system earn per year by providing water (flat-rate charge, portion of rent, metered water, etc.)?	_____
B. Other Revenue. How much money do you dedicate to water provision or system maintenance/upgrades (loans, interest, reserve accounts, etc.)?	_____
Total Revenue (I.A + I.B)	(I)

II. Expenses	
A. System Maintenance. How much do you spend on water system maintenance, improvements, and replacements per year (parts, supplies, labor, etc.)?	_____
B. System Utilities. How much do you spend on water-related utilities per year (electricity for pumps, purchased water, etc.)?	_____
C. Operators and Employees. How much do you spend on water system operator and employee salaries and benefits per year?	_____
D. Office Supplies and Postage. How much do you spend on water system-related office supplies and postage per year (e.g., computer software, postage for bills, etc.)?	_____
E. Insurance. How much do you spend on water system-related insurance per year?	_____
F. Contract Services. How much do you spend on water-related contract services per year (legal, accounting, engineering, consulting, etc.)?	_____
G. Property. How much do you spend for water system-related property per year (land, rent, property taxes, etc.)?	_____
H. Sampling & Monitoring. How much money does it cost to sample and monitor your water each year (include lab costs, chemicals, monitoring equipment, etc.)?	_____
I. Operating Reserve: (Sum of II(A) through II(H)) _____ ÷ 8 = _____	_____
J. Emergency Reserve: (Cost of largest cap. pump) _____ ÷ (Years to fund:1-5) _____ = _____	_____
K. Loan Principal and Interest. How much do you pay (total) in principal and interest costs for water system-related loans per year?	_____
L. Depreciation. Annual depreciation expense.	_____
M. Equipment Replacement. How much do you plan to spend on non-depreciated equipment replacement this year? (Column F, Worksheet 1)	_____
N. Other. Do you have any other water system-related expenses not included above (infrastructure improvement, PR, etc.)? Explain: _____	_____
Total Expenses (Add II.A through II.N)	(II)

III. Net Income	(I)	Minus	(II)	Equals	
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INSTRUCTIONS FOR WORKSHEET 2:

Worksheet 2 is a water system budget used to help you financially account for your water system and demonstrate a positive cash flow.

The revenues and expenses you should include on Worksheet 2 should be limited to those related to your water system. You may expand this table to provide additional components and equipment as appropriate for your system. If you are budgeting for a non-transient, non-community water system, you will need to be aware of the distinctions between water system expenses and the costs associated with other aspects of your organization. For example, while the total cost for electricity incurred by the water system will probably be included in its overall budget, perhaps only 15% of your organization's electricity use is devoted to water provision. You will need to break-down your revenues and costs in terms of what portion you use to provide water.

Upon completion of Worksheet 2, you should have a rough estimate of your water system's net income for your first year of operation. If this net income (cash flow) is positive, it is a good indication of adequate financial capacity. If your net income is negative, you will need to think about ways that your organization can increase revenues or decrease costs associated with your water system. The following explanations apply to specific lines of the budget worksheet:

Line II (I) Operating Reserve: An operating reserve is essentially the ACheck-book balance that a system should maintain to meet cash flow needs and provide contingency funds for unforeseen operating emergencies. The Department requires the amount in your operating reserve to be 1/8 of your system's total annual operating, maintenance, and administrative costs. The operating reserve should be fully funded in the first year of system operation. To determine how much money should be in your operating reserve, add up the expenses from Lines II(A) through II(H) and divide by 8.

Line II (J) Emergency Reserve: The emergency reserve exists to protect against the facility breakdowns and failures that can threaten a system's ability to provide adequate and safe drinking water to customers. The amount in the emergency reserve should be enough to cover the cost of replacing your system's largest capacity pump. The emergency reserve must be fully funded within the first 5 years of system operation. To complete this line, determine how much the largest capacity pump would cost to replace and divide by the number of years you plan to take to fully fund the reserve (from 1 to 5).

Line II (L) Depreciation: Depreciation refers to the decrease in the value of property and equipment over time. If it is not a practice of your system to account for depreciation, leave the depreciation expense line blank. If you contribute to a depreciation fund each year, enter this amount as your annual depreciation expense. However, if you do not have a depreciation fund, asset replacement allocations should be included in Line II (M), Equipment Replacement, or Line II (N), Other, as appropriate.

Do not include an anticipated cost in more than one budget line.

Upon completion, include Worksheet 2 in the WSMP report.

NOTE: This document provides guidance and suggestions for your consideration. It is not specifically designed for your individual system. You should contact your accountant or other professional financial consultants for financial advice and to customize this or other documents for your system as appropriate.