

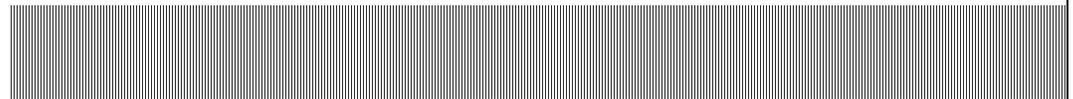


Colorado Department
of Public Health
and Environment

Colorado Department of Public Health and Environment

User Guide - TMF Financial Planning Tool

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Report Prepared By:

Malcolm Pirnie, Inc.

100 North Fillmore
Suite 200
Denver, Colorado 80220

5232010

**MALCOLM
PIRNIÉ**

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1. Background

1.1. TMF Capacity Development Program

The Colorado Department of Public Health and Environment (CDPHE) initiated a TMF Capacity Development Program to assist Colorado public water systems. The intent of CDPHE's Program is to assist smaller water systems across Colorado attain TMF capacity.

1.2. Disclaimer

Financial capacity assistance is a component of the overall TMF Capacity Development Program. Systems are strongly encouraged to purchase the American Water Works Association (AWWA) Manual of Water Supply Practices, *Developing Rates for Small Systems* (M54) associated with financial planning, rates and overall system financial management.

As part of this assistance, a financial planning tool has been developed to assist systems in the development of a 10-year financial plan. This excel-based tool has been designed to be flexible in accommodating the operations of small water systems. While designed to be flexible, there are limitations to this tool and the user should use caution when making modifications to this tool.

The tool is designed solely for basic financial planning projections for up to a ten-year period. The user assumes all responsibility for the overall use of this tool for decision making and/or projections. This tool may not be transferred, sold and it should not be used for any other purpose than multi-year financial planning for small water systems. Finally, there will be differences between projected and actual results because events and circumstances frequently do not occur as expected. Such differences may be material.

2. User Guide

2.1. Overview

Before the user begins the planning process, the file from the provided CD should be posted to a permanent location on the systems network or users computer with the macros enabled. The user should then rename the file. This process will allow the user to start using the tool without the need of the CD while preserving the base version of the tool in the event changes are made to alter the functionality of the tool.

A high level user guide will be provided for use of the functionality of the financial planning tool within each of the following six worksheets or forms:

- Overview
- Revenue
- O&M Expenses
- CIP Summary
- Summary Plan
- Scratch Worksheet

The guide is intended to provide a basic overview of the tool and is not intended to comprehensively address each calculation and/or potential situation encountered. The tool and this guide assume the user is familiar with and has used Microsoft Excel based applications.

2.1.1. Macros

This tool uses macros and named ranges. The macros are assigned to named text boxes or “button” which appear at the top of each worksheet. To run each macro, place the cursor on the desired “button” and click (a hand will appear).

2.1.1.1. Clear All Previous Entries

The user may clear the manual inputs ranges by placing the cursor over the “Clear All Previous Entries” button in the Overview worksheet. This macro is most often used when a user wants to eliminate the previous year’s financial planning assumptions and/or scenarios. It is recommended the version be renamed and saved prior to using this

macro. Be cautious as this macro will fully delete most blue font, shaded input information of ALL user inputs by worksheet as follows:

- Overview
 - All inputs and multi-year assumptions
- O&M Expenses
 - Base year O&M inputs by type
 - O&M related to new facilities
 - Multi-year inflation
- CIP Summary
 - Project names and multi-year project estimates
 - Multi-year inflation inputs by year
 - Source of funds inputs

The formulas and calculations will not be affected by this macro.

2.1.1.2. Navigation

The user may navigate by placing the cursor over the various “Go To” buttons in the each worksheet. This will allow the user to quickly navigate to each tab. The navigation macro will start the cursor in the upper left portion of the each worksheet.

2.1.1.3. Print Macros

The user may print each worksheet or the entire ten-year tool by placing the cursor over the various “Print Form” in each tab or the “Print All Forms” buttons in the overview worksheet. The ranges are designed to print on single, landscape worksheets.

2.2. Forms

The worksheets are organized by type and are designed to reduce areas of user input. The majority of the input ranges may be found in the Overview form. The O&M Expense and CIP Summary forms also contain areas for user input while the Revenue and Summary Plan forms are limited exclusively for formula based calculations, projections and summary information.

2.2.1. Overview Form

The Overview form includes a variety of base and multi-year user input ranges.

2.2.1.1. Revenues

The revenue section includes the ability to input rates and user charges for up to two types of customers. The charge components include:

- Fixed charges for unmetered or flat rate accounts
- Metered Accounts
 - Base Charge
 - Up to four volume based tiers

The user may uniformly increase the existing rates using the percentage rate increase inputs for the previously discussed user charge components.

Similar to the user charge input section, the user may input existing unmetered and metered accounts and total use by tier (as it is billed) for up to two types of customers. Projected increases to those same types of accounts and volume uses may be projected using the percentage growth rates for future years.

Water use in various tiers may vary from year to year due to a variety of factors. Additionally, the user should use caution in projecting uniform increases to water use based on growth in the number of accounts as increases to accounts may not translate to a 1 to 1 increase in water use. This is particularly true for the “non-residential” customer class as there may be large differences in the amount of water used by different types of these customers.

2.2.1.2. Other Revenue Sections

The base and multi-year revenue inputs are manually entered for all years as these revenues are often one-time and may vary from one year to the next. The first component is for unspecified, “Miscellaneous Fees” for minor fee, taxes and/or user charges. The second includes Tap / Connection Fees (one-time fees assessed to new users connecting to the system), Property Tax Revenues, Interest Income and additional, other revenue streams.

The user should not include other non-revenue based sources and/or assets as revenues. Inputs for cash based capital funding (e.g., grants, bond and/or loan proceeds) are included in the CIP Summary Form as these are sources of funds, but not revenues. Additionally, the user should not include non-cash based contributions (e.g., dedicated

and/or donated assets) within any revenue line item. While such contributions increase the systems assets, they do not affect the systems cash flow.

2.2.1.3. Cash Reserves Assumptions

This input range is designed for start of base year cash balance to accommodate five common reserves types. The types or reserves are incorporated in the Summary Form to restrict end of year cash balance and the targets are tied to various revenue and/or expenditure types as indicated. Not all types of reserves apply to every system. Systems are encouraged to evaluate existing, formal reserve policies as part of the TMF financial capacity assessment and assistance process.

2.2.1.4. Debt Assumptions

First, the user may input existing annual debt service by issue for up to five outstanding debt issues and/or loans. Second, the user may indicate the projected term, interest rate, issuance cost, and debt service coverage target for future bond or loans as may be applicable. The future debt is tied to simple amortized projected debt service payments related to future debt and/or loans funding capital improvements.

2.2.1.5. Affordability Assumptions

Base year and projected Median Household Income is the final input range. This measure is often used to evaluate the affordability of existing and future rates. Systems are encouraged to use system specific values and/or as close to system specific values as may be possible.

2.2.2. Revenue Form

This form calculates user charge (account and volume) based on values as inputted in the various Overview form sections. While the calculations are entirely formula based, the user should review and evaluate projected information for reasonableness and accuracy. The user charges are totaled and summarized in the Summary Plan Form.

2.2.3. O&M Expense Form

The O&M Expense form includes three sections.

2.2.3.1. Existing O&M Expenses

This section includes O&M expense types for existing operations. The tool includes common types found in many small systems and may be modified. The base year inputted and future years are projected based on the previous year and inflation by type (O&M Inflation by Line), as inputted by the user in the third component of this form.

2.2.3.2. O&M Related to New Facilities

This input range is most useful for O&M related to new facilities, especially when these expenses materially increase existing O&M above inflation. The expenses are manually entered for all years.

2.2.4. CIP Summary Form

The CIP Summary form includes three major sections.

2.2.4.1. Capital Outlays

Up to nine separate projects and/or capital outlays may be entered manually for all years and then sub-totaled. The user may then input CIP inflation projections if the base year expenditures are in today's or base year values. The inflated dollar amount will be reflected in the Summary Plan as well as used to evaluate capital funding options.

2.2.4.2. Sources of Funds

This section builds on the Capital Outlay section for capital funding evaluations. These include grants, loans and other types of capital funding sources. The inputted capital sources are reflected in the Summary Plan Form. All other projects not funded by these one-time sources are funded by rates, fees and/or cash reserves.

2.2.4.3. New Debt Calculations

The final section summarizes the calculation of new debt / loan annual debt service payments based on the Line 13 inputted value and the assumptions entered in the Overview Form. The resulting cumulative annual debt service payments are reflected in the Summary Plan Form.

2.2.5. Summary Plan

The purpose of Form is to summarize the multi-year results in a single location. The form is segmented consistent with industry based approaches for financial plans.

The resulting ending cash balance in each year is the basis for the subsequent year's starting cash balance. Reserves are then incorporated to summarize the ending cash balance after reserves. The final indication is the debt service coverage ratio including and excluding non-operating revenues.

Please reference M54 and additional TMF reference material for discussions about the financial plan, financial planning ratios, targets, reserves and additional discussion of practices to maintain a financially stable and viable system.