

Joey County PWSD #1, Proposed Water Rates Scenario 1

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Joey County PWSD #1, Great Views, Missouri 54321
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The analyst was Jenny Jones, City Clerk

This report contains detailed information on the financial outlook that assumes the system will adjust rates and fees as proposed. Several of the assumptions made and adjustments proposed during the next five years are summarized here. Details are covered throughout this report.

If all rates and fees will be adjusted by the <u>same percentage</u> , the current user rates must be increased initially by:	15.00%
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If user rates will be initially reset as proportional to use (see definition on Terms page), they need to be set as follows:

Minimum Charge Monthly:	\$6.97
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Charge per 1,000 Gallons of use:	\$2.78
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To accompany either rate increase method above, tap fees must be reset to average:	\$1,000
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The above adjustments must be made early enough to begin collecting at the new rates and fees by:	August 1, 2008
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Each following year rates and fees must be increased on average by:	4.00%
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Rate increases this year plus those modeled for the next five years will total:	36.67%
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May 6, 2008

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Affordability Index	The monthly charge for (typically) 5,000 gallons of residential service divided by the median monthly household income for the area served by the system. An index of 1.0, meaning a household pays one percent of its income to pay its bill for 5,000 gallons of service, is generally considered affordable.
Capital Improvement Plan or Program (CIP)	Anticipated capital improvements. These are the more expensive items such as water towers, treatment plants and lines, that generally require bond or grant funding. They do not include equipment replacement items.
Capital Improvement Reserves	Cash reserves generally used to fund the CIP
Comprehensive Rate Analysis	A thorough examination of a system's operating, capital improvement, equipment replacement and all other costs, revenues, current rates, number of users and their use of the system, growth rates and all other issues surrounding the system. This examination will determine how rates and fees should be set in the future to cash-flow the system properly, to build appropriate reserves and to be fair the ratepayers. It also will determine how policies should be adjusted to enable the system to operate well now, operate well in the medium-range future (about 10 years) and prepare for expected and expectable events such as capital improvements and equipment replacement.
Connection (Tap) Fee	A fee charged for the privilege of connecting a new property to the system. This fee may or may not include equipment or work provided by system staff and it may or may not be adequate to pay all infrastructure costs to serve the user being connected.
Conservation (Inclining) Rates	Unit charges that go up as the volume used goes up
Cost to Serve Rates	Rates where fixed and variable costs generated by each user class are paid by that class with minimum and unit charges, respectively.
Coverage Ratio (CR)	Incomes and reserves available to pay debt divided by the amount of the debt for that year. Most systems should have a CR of 1.25 or higher.
Current Position	For a year, the sum of all incomes and undedicated reserves minus all current financial obligations for that year. Future obligations (next year's loan payments) and depreciation are not included. Current position is a good measure of overall financial health.
Declining Rates	Rates where unit charges go down as the volume used goes up
Flat Rates	Rates where all users pay exactly the same fee regardless of the volume of service they use
Impact Fee	Generally, a charge assessed to a property being connected to the system that recaptures all or part of the cost of the infrastructure needed to provide service to that connection.
Impact Fee	Generally, a charge assessed to a property being connected to the system that recaptures all or part of the cost of the infrastructure needed to provide service to that connection.
Incremental Rate Adjustments	Rate increases done during years between comprehensive rate analyses. The goal of these rate increases is to keep the system's income and reserve levels on track with the system's financial needs. Such increases are usually small, in the two to five percent per year range.

Infrastructure	Hard assets, such as water towers, treatment plants and lines needed to provide service to customers connected to the system
Life-cycle Cost	The total cost to design, build, operate, maintain and eventually dispose of an asset. One asset may cost less to build but be more expensive to operate and maintain, yielding a higher life-cycle cost.
Operating Ratio (OR)	Current incomes and undedicated reserves minus current expenses, not including debt. An OR of 1.0 is "break even." Most systems should have an OR of 1.25 or higher.
Potential Demand	The volume of service that a user could demand for a short period of time at full volume use
Life-cycle Cost	The total cost to design, build, operate, maintain and eventually dispose of an asset. One asset may cost less to build but be more expensive to operate and maintain, yielding a higher life-cycle cost.
Proportional to use Rates	Rates where the minimum charge recovers all fixed costs, the unit charge recovers all variable costs, the unit charge is the same for all volume sold, and there is no usage allowance in the minimum charge.
Replacement Schedule	A timetable that describes equipment replacement and important repairs that are too infrequent and/or too expensive to cover as annual operating costs but not so expensive that they need to be covered as capital improvements.
Replacement Reserves	Cash reserves used to fund the Replacement Schedule
Test Year	The one year period from which data was gathered to be the basis of the rate analysis
User Fee, User Charge	Fees assessed to customers for use of the system. Does not include tap fees, impact fees or other charges assessed when a property is first connected to the system.
Working Capital (Net Income)	The amount left in the operating fund after paying all costs due during that month, year or other time period. Working capital of \$0 is "break even."
Working Capital Goal	The desired percentage above "break even" for the operating fund. Small systems (a few hundred connections) generally should target 35 percent or greater. Larger systems can target less, down to a minimum of about 20 percent for systems with 5,000 or more connections.

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Chart 1 - Basic Information, Reserves and Incomes for the Test Year

Basic Information

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- 7/1/07 This is the starting date of the one-year period being analyzed (the "test" year)
- 500 This is the average number of connections (taps) that were in service during the test year
- 1.00% This is the average growth rate you expect for the next five years
- 30,000,000 Volume (gallons) registered by all your customers' meters during the test year. This volume comes from the billing program or your billing records.
- 34,000,000 Master-metered flow during the test year - this is the total volume of water produced during the test year. This volume should have been reported to the state drinking water agency.

Reserves as of 7/1/07

- \$12,802 Working Capital
- \$3,675 Equipment Replacement
- (\$19,850) CIP and Debt

Incomes From 7/1/07 Through 6/30/08

- \$12,802 Working Capital
- \$89,432 User Fees
- \$989 Surcharge Fees
- \$1,000 Connection/Tap Fees
 - This is the number of new taps made during the 5 test year
 - This is your average connection/tap fee during the \$200 test year
- \$139 Other Charges Late payment penalties, bad check charges, etc.
- \$567 Interest Earned on Working Capital
- \$2,189 Other Income, describe at right
- \$1,109 Other Income, describe at right
- \$497 Other Income, describe at right

- \$95,922 Sum of Incomes

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Chart 2 - Replacement Schedule

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4.00% Average Inflation Rate for the Following Water System Equipment for the Term of This Replacement Schedule

2.00% Average Interest Rate on Balances Invested for the Term of This Replacement Schedule

4.00% Average Interest Rate on Amounts Borrowed for the Term of This Replacement Schedule

Year Beginning	Item Description	Amount in Today's Dollars	Yearly Total in Future Dollars	End of Year Balance	Minimum Desired End of Year Balance
7/1/07	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$8,145	\$3,675	\$16,290
7/1/08	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$8,471	\$7,097	\$16,942
7/1/09	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$8,810	\$10,248	\$17,619
7/1/10	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$9,162	\$13,111	\$18,324
7/1/11	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$9,528	\$15,664	\$19,057
7/1/12	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$9,910	\$17,887	\$19,819
7/1/13	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$10,306	\$19,759	\$20,612
7/1/14	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$10,718	\$21,255	\$21,437
7/1/15	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$11,147	\$22,353	\$22,294
7/1/16	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$11,593	\$23,026	\$23,186
7/1/17	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$12,057	\$23,250	\$24,113
7/1/18	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$12,539	\$22,995	\$25,078
7/1/19	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$13,040	\$22,234	\$26,081
7/1/20	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$13,562	\$20,936	\$27,124
7/1/21	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$14,105	\$19,070	\$28,209
7/1/22	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$14,669	\$16,602	\$29,337
7/1/23	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$15,255	\$13,499	\$30,511
7/1/24	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$15,866	\$9,722	\$31,731
7/1/25	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$16,500	\$5,236	\$33,001
7/1/26	Equipment replacements figured at 15% of operating costs, not including admin costs	\$8,145	\$17,160	\$0	\$34,321

Notes: Describe important replacement issues here.

Starting Account Balance	\$0	\$16,290
Minimum Annual Annuity	\$11,820	Minimum Desired Balance in Today's Dollars
Discretionary Annuity	\$0	
Payment to Replacement Account	\$11,820	

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Chart 3 - Costs

7/1/07

Through 6/30/08

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Operating Cost Items	Amount	% of This Cost That is Fixed	Fixed Costs	Variable Costs
Admin Staff - Salaries, Benefits, Training, Etc.	\$10,000	100%	\$10,000	\$0
Office Operation, Billing, Rent, Utilities, Etc.	\$5,000	100%	\$5,000	\$0
Insurance & Bonding	\$1,000	100%	\$1,000	\$0
Accounting, Legal, etc.	\$1,000	100%	\$1,000	\$0
Operations Staff - Salaries, Benefits, Training, Etc.	\$20,000	0%	\$0	\$20,000
Operations Electricity & Utilities	\$15,000	0%	\$0	\$15,000
Small Tools and Equipment Purchased Annually	\$0	0%	\$0	\$0
Chemicals & Supplies	\$3,000	0%	\$0	\$3,000
Collection Losses (bad Debt)	\$1,000	0%	\$0	\$1,000
Regular Maintenance & Repairs	\$10,000	0%	\$0	\$10,000
Water Sampling	\$5,000	0%	\$0	\$5,000
Permit Fees	\$300	0%	\$0	\$300
Franchise Fees and Taxes	\$0	0%	\$0	\$0
Payment to Replacement Account	\$11,820	0%	\$0	\$11,820
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Other (describe)	\$0	0%	\$0	\$0
Total Operating Costs	\$83,120		\$17,000	\$66,120

Special Cost Calculations

Monthly Fixed Costs/User =	\$6.06	Unaccounted-for water volume is estimated at	12%
Variable Costs/1,000 Gallons =	\$2.42	Relative cost to produce unaccounted-for water	90%
Total Cost to Produce Each 1,000 Gallons =	\$3.63	Cost to produce unaccounted-for water*	\$8,710
Gallons Used by Average Customer Monthly =	5,000	*This is the estimated cost incurred by the utility for service that is not delivered to the customer.	
Volume Sold or Given to Customers	30,000,000 gallons/year		
+ Unaccounted-for water	4,000,000 gallons/year		
= Total Master-metered Flow	34,000,000 gallons/year		

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Chart 4 - Projected Incomes

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	Test Year Starting 7/1/07	Year Starting 7/1/08	Year Starting 7/1/09	Year Starting 7/1/10	Year Starting 7/1/11	Year Starting 7/1/12	Year Starting 7/1/13
Average Number of Customers for the Year	500	505	510	515	520	526	531
Working Capital	\$0	\$12,802	\$30,340	\$31,650	\$33,025	\$34,470	\$35,986
Weighted Average Calculated Rate/User	\$14.91	\$16.95	\$17.83	\$18.54	\$19.28	\$20.05	\$20.85
Operating Incomes							
User Fees Actually Collected	\$89,432	\$102,725	\$109,111	\$114,610	\$120,386	\$126,454	\$132,827
Surcharge Fees	\$989	\$999	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Total Connection/Tap Fees	\$1,000	\$4,660	\$5,050	\$5,100	\$5,152	\$5,203	\$5,255
Other Charges	\$139	\$139	\$139	\$139	\$139	\$139	\$139
Interest Earned on Working Capital	\$567	\$256	\$607	\$633	\$661	\$689	\$720
Other Income, describe at right	\$2,189	\$2,189	\$2,189	\$2,189	\$2,189	\$2,189	\$2,189
Other Income, describe at right	\$1,109	\$1,109	\$1,109	\$1,109	\$1,109	\$1,109	\$1,109
Other Income, describe at right	\$497	\$497	\$497	\$497	\$497	\$497	\$497
Other Income or Loss (-) describe	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Income or Loss (-) describe	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum of Incomes	\$95,922	\$125,376	\$150,041	\$156,927	\$164,157	\$171,750	\$179,722

Projected Costs

	Inflation or De- flation (-) Factor	Test Year Starting 7/1/07	Year Starting 7/1/08	Year Starting 7/1/09	Year Starting 7/1/10	Year Starting 7/1/11	Year Starting 7/1/12	Year Starting 7/1/13
Admin Staff - Salaries, Benefits, Training, Etc.	5.0%	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155	\$12,763	\$13,401
Office Operation, Billing, Rent, Utilities, Etc.	5.0%	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078	\$6,381	\$6,700
Insurance & Bonding	5.0%	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340
Accounting, Legal, etc.	5.0%	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340
Operations Staff - Salaries, Benefits, Training, Etc.	5.0%	\$20,000	\$21,000	\$22,050	\$23,153	\$24,310	\$25,526	\$26,802
Operations Electricity & Utilities	5.0%	\$15,000	\$15,750	\$16,538	\$17,364	\$18,233	\$19,144	\$20,101
Small Tools and Equipment Purchased Annually	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Chemicals & Supplies	5.0%	\$3,000	\$3,150	\$3,308	\$3,473	\$3,647	\$3,829	\$4,020
Collection Losses (bad Debt)	5.0%	\$1,000	\$1,050	\$1,103	\$1,158	\$1,216	\$1,276	\$1,340
Regular Maintenance & Repairs	5.0%	\$10,000	\$10,500	\$11,025	\$11,576	\$12,155	\$12,763	\$13,401
Water Sampling	5.0%	\$5,000	\$5,250	\$5,513	\$5,788	\$6,078	\$6,381	\$6,700
Permit Fees	5.0%	\$300	\$315	\$331	\$347	\$365	\$383	\$402
Franchise Fees and Taxes	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Payment to Replacement Account	N.A.	\$11,820	\$11,820	\$11,820	\$11,820	\$11,820	\$11,820	\$11,820
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other (describe)	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Adjustment (+ or -) describe	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Adjustment (+ or -) describe	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost Adjustment (+ or -) describe	5.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Costs		\$83,120	\$86,685	\$90,428	\$94,358	\$98,485	\$102,818	\$107,368
Net Income (or Loss)		\$12,802	\$38,692	\$59,613	\$62,569	\$65,672	\$68,931	\$72,354
Working Capital Goal 35%	That is	\$29,092	\$30,340	\$31,650	\$33,025	\$34,470	\$35,986	\$37,579

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Chart 5 - Capital Improvement Program (CIP)

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CIP Spending Plan	Test	Year	Year	Year	Year	Year	Year
	Starting	Starting	Starting	Starting	Starting	Starting	Starting
	7/1/07	7/1/08	7/1/09	7/1/10	7/1/11	7/1/12	7/1/13
Capital Improvements to be Paid With Debt and/or Grants							
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Improvements to be Paid With Cash							
CIP That was Paid NOT With Debt, but With Operating Cash During the Test Year	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Describe Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0
Total CIP Planned Spending	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0
CIP Funding Plan							
CIP and Debt Reserves Carryover Balance From Previous CIP Account Interest Earned (or Paid)	\$6,000	-\$19,850	-\$23,142	-\$7,288	\$9,995	\$29,566	\$51,596
Loan (describe terms)	\$0	-\$794	-\$1,260	-\$1,410	-\$782	-\$65	\$373
Loan (describe terms)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grant (describe grant)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Grant (describe grant)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total CIP Fund Sources	\$6,000	-\$20,644	-\$24,401	-\$8,698	\$9,214	\$29,501	\$51,969
Debt Payment Plan							
Loan Payments in Effect During the Test Year	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Loan Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Loan Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Debt Reserve Payments in Effect During the Test Year	\$850	\$850	\$850	\$850	\$850	\$850	\$850
Total Debt Obligations	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850
Total CIP Spending Plus Debt Repayment	\$25,850	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850	\$10,850
Capital Improvement Fund Balance	-\$19,850	-\$31,494	-\$35,251	-\$19,548	-\$1,636	\$18,651	\$41,119
Describe CIP projects, funding sources, etc. here.							

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Chart 6 - Rate and fee Adjustments

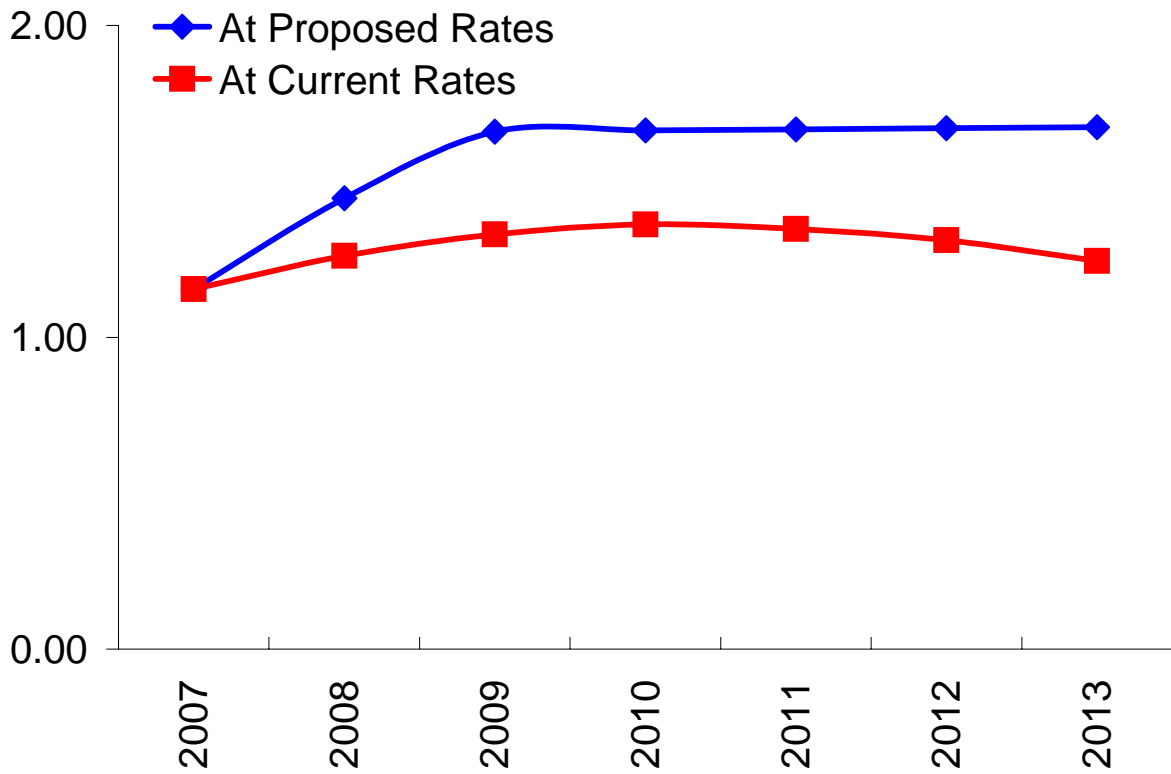
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- \$200 Current average tap fee
- \$1,000 Proposed average connection/tap fee
- \$989 Current surcharge revenues
- \$1,000 Proposed surcharge revenues
- 8/1/08 Date when rates and fees will first be collected as adjusted
- 15.00% Immediate rate increase or decrease (-)
- 4.00% Future rate increase or decrease (-)
- 36.67% This is the total of the increases for this year and the next five years.

Chart 7 - Financial Indicators and Reserve Balances

Capacity Indicators	Test Year	Year	Year	Year	Year	Year	Year
	Starting	Starting	Starting	Starting	Starting	Starting	Starting
	7/1/07	7/1/08	7/1/09	7/1/10	7/1/11	7/1/12	7/1/13
Average Bill for all Customers After Adjustments During Each Year	\$14.91	\$17.14	\$17.83	\$18.54	\$19.28	\$20.05	\$20.85
Operating Ratio	1.15	1.45	1.66	1.66	1.67	1.67	1.67
1.0 is break even for Operating Ratio. Below 1.0 indicates operating in the "red." Generally, the operating ratio should be at least 1.15 for larger systems and 1.30 or more for smaller systems.							
Coverage Ratio	0.69	1.55	1.61	3.45	5.47	7.68	10.07
Coverage Ratio applies only to years with debt service. 1.0 is break even. Generally, the coverage ratio should be at least 1.25.							
Reserves	Balance	Balance	Balance	Balance	Balance	Balance	Balance
	Ending on	Ending on	Ending on	Ending on	Ending on	Ending on	Ending on
	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12	6/30/13	6/30/14
Working Capital	\$12,802	\$30,340	\$31,650	\$33,025	\$34,470	\$35,986	\$37,579
Equipment Replacement	\$3,675	\$7,097	\$10,248	\$13,111	\$15,664	\$17,887	\$19,759
CIP and Debt	-\$3,373	\$5,942	\$6,647	\$26,588	\$48,497	\$72,524	\$98,456
Current Position	-\$3,373	\$5,942	\$6,647	\$26,588	\$48,497	\$72,524	\$98,456

Chart 8 - Operating Ratios



Joey County PWSD #1

Chart 9 - Coverage Ratios

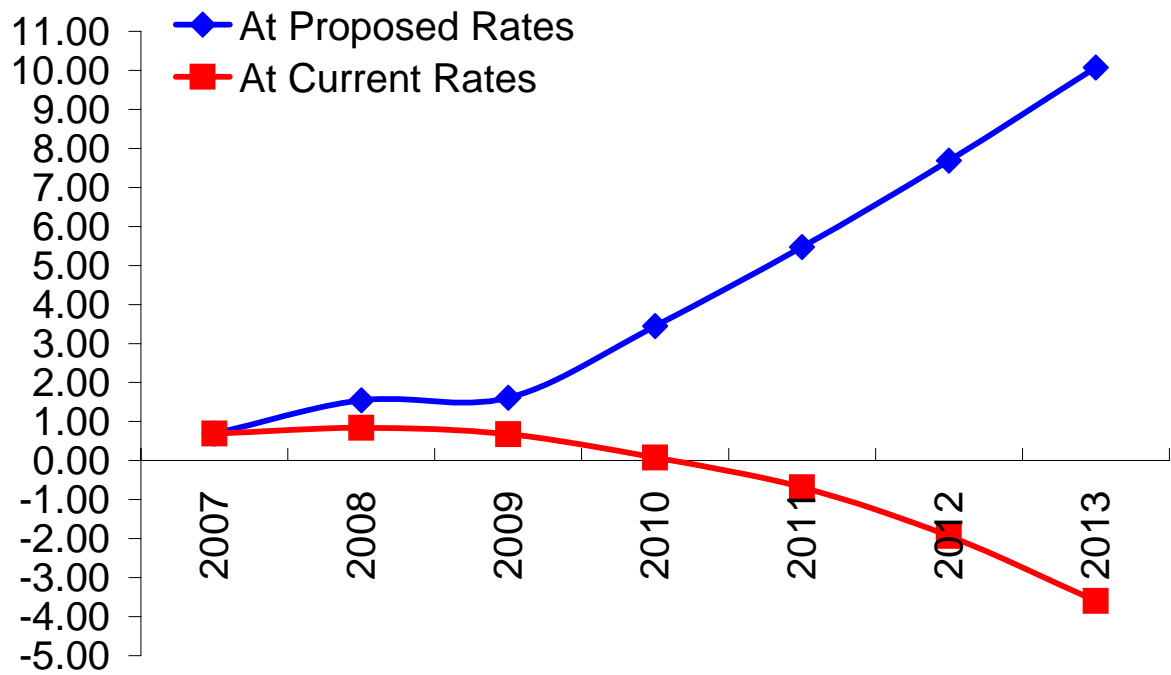
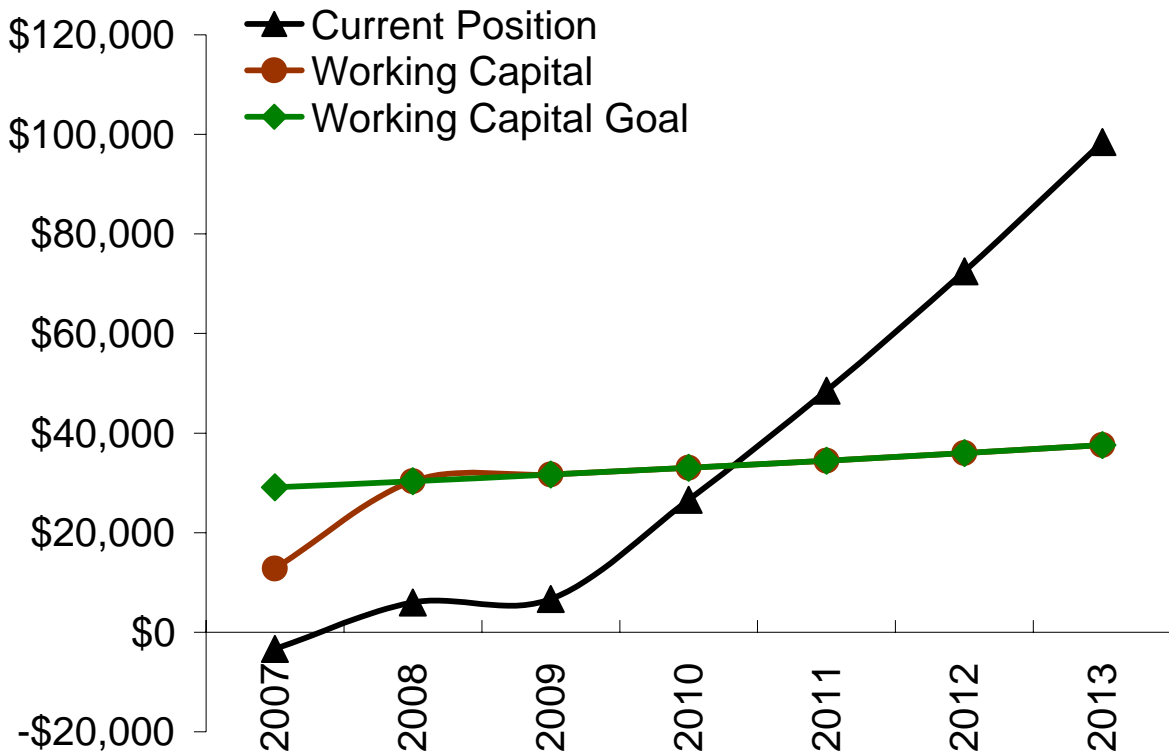


Chart 10 - Fund Balances at Proposed Rates



Joey County PWSD #1

Chart 11 - Fund Balances at Current Rates

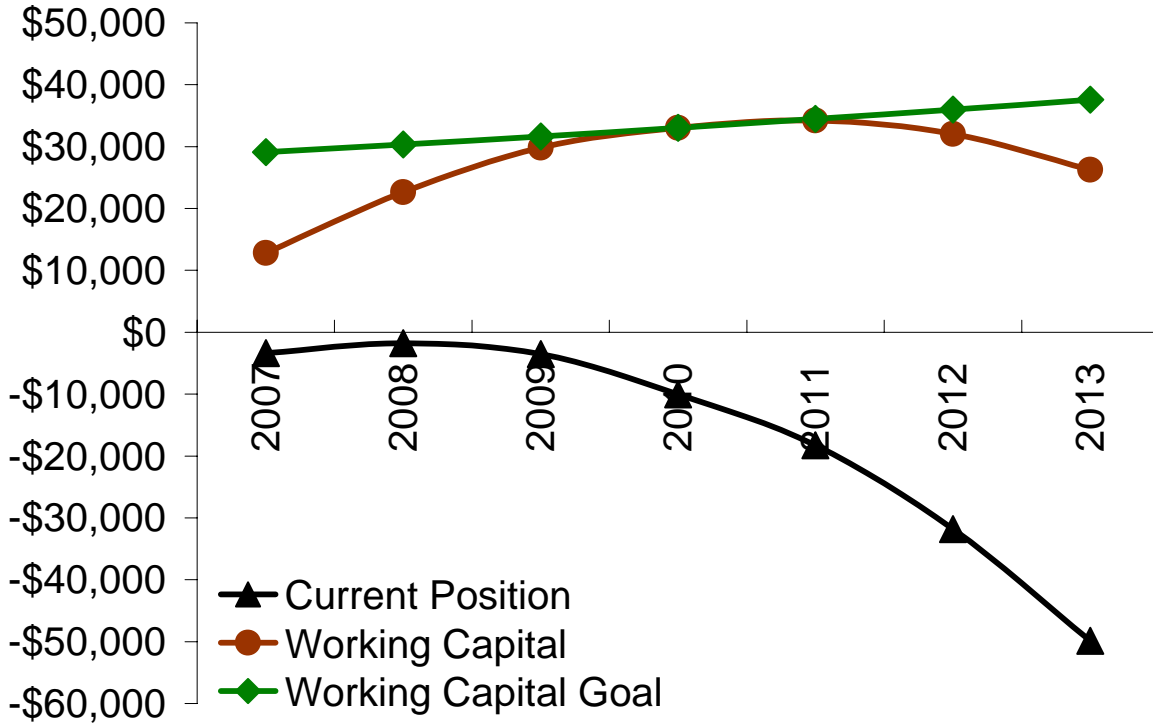
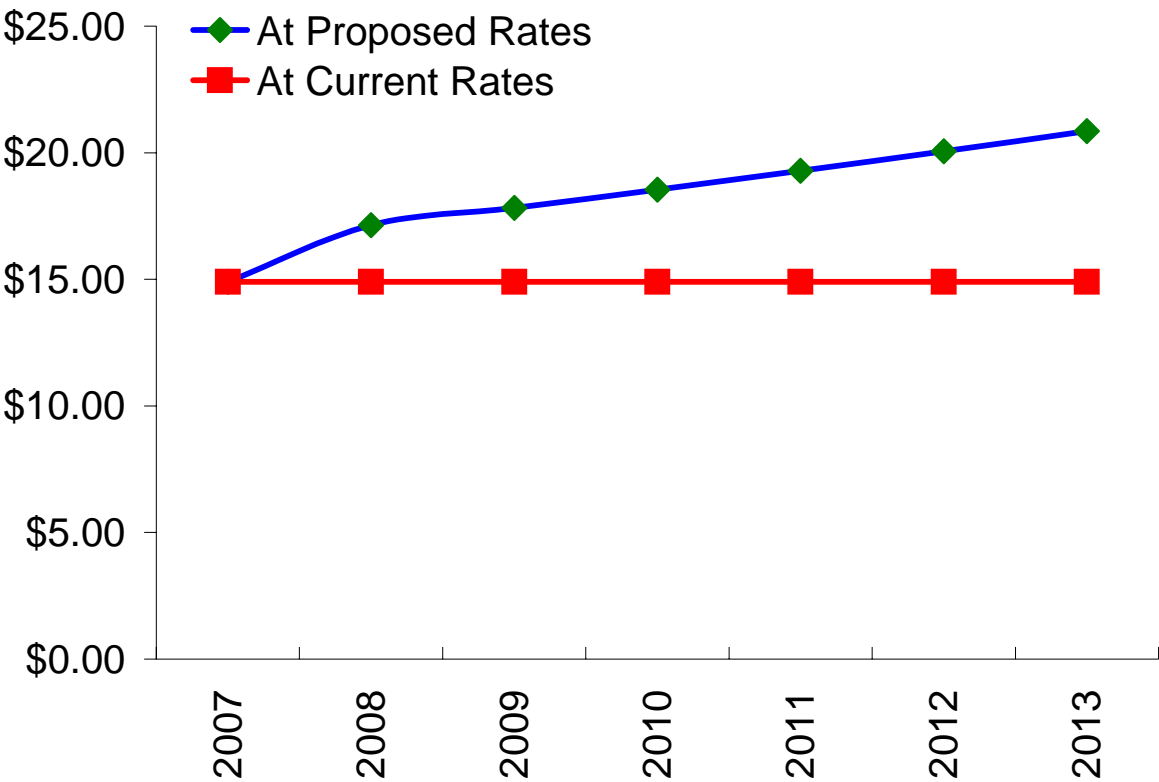


Chart 12 - Rate Comparisons



Interpretation

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This narrative is not intended to instruct rate analysts in how to analyze rates. That is far too complex to cover here. Rather, this narrative will serve as a tutorial for people, such as ratepayers, who want to understand some of the basic issues better. For a discussion of the complete rate setting process, visit <http://GettingGreatRates.com/> to get the book, "How to get Great Rates."

Any analysis performed with this program must fit the limits described in the instructions. Basically, systems using this program must be relatively small and simple. Otherwise, it makes more sense to acquire a rate analysis from a rate setting specialist to guard against making serious errors in assumptions, rate structuring and calculation methods. Visit <http://carlbrownconsulting.com/> to learn how to acquire such services.

With GettingGreatRatesNow© you can accurately raise rates across the board by the same percentage to all users, or you can set "proportional to use" rates. You cannot otherwise restructure your rates. Thus, you can make your rates adequate to pay all your costs. You cannot assure rate fairness. Even if your rates are fair and equitable now, they will become progressively less fair as the percentage increases rise. That is just the nature of rate adjustment; it takes a comprehensive analysis to assure adequacy AND fairness and that is beyond the scope of what you are trying to do here. To assure rate fairness, hire a rate specialist.

GettingGreatRatesNow© assumes that during the test year you collected essentially all of the rate revenue that you should have billed under your current rates. It further assumes that will continue under the adjusted rates.

GettingGreatRatesNow© tracks equipment replacement reserves in one account, capital improvement (CIP) and debt service in another account and working capital in a third. Over the long-term, all three should maintain strong balances. However, it is likely that right now you have only an operating fund and little to no reserves. That is probably why you want to analyze your rates - to see how much you need to raise them. Thus, you may be starting out with low balances now but within three to five years you should be able to make them strong.

In Charts 8 and 9 of the analysis report find the current and predicted values for your operating ratio and coverage ratios. If either of these values goes below 1.0 you will not be able to pay all of your operating costs or debt costs, respectively, during that year with system funds. Generally you should raise your rates more during or before the year when that will happen to prevent it. However, if that would require an excessive rate increase you may need to seek a loan or grant or transfer funds from another account not related to the system to make due during that year. Call us for advice on how to deal with such a situation.

In Chart 11, if your working capital is below your working capital goal you should raise rates and/or fees further. As long as you have positive working capital and capital improvement balances you generally can increase rates gradually with future inflationary increases to meet the goal within three to five years.

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