Key Financial Indicators Exercise







1. Operating Ratio

Operating ratio measures self-sufficiency. The revenue you get from daily operations, divided by the expenditures or expenses you make to keep operations running.

	Natural Benchmark: > 1.0; higher preferred
1a.	Operating Revenues (1)
	Operating Expenses (including depreciation) (2)
1b.	Operating Revenues (1)
	Operating Expenses (excluding depreciation) (2-3)
	2. Debt Service Coverage Ratio A measure of the ability to pay debt service with operating revenue Natural Benchmark: > 1.0, though funders often set requirements above 1.0 (usually >1.2)
2.	Operating Revenues (1) Operating Expenses (2-3) (excluding depreciation)

Principal & Interest on Long-Term Debt (4)

3. Days of Cash on Hand

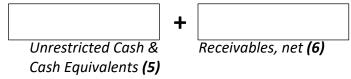
A measure of the ability of the utility to weather a significant temporary reduction in revenue to continue paying for daily operations.

Benchmark? At least enough to last a billing cycle or when you expect a substantial inflow of cash. The median for Fitch A rated systems is 285 days, and the median for Fitch AA rated systems is 418 days.

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		/ 365		
Operating E	kpenses (excludi	ing depreciation) (2-	3)	

A measure of short-term liquidity: ability to pay your current bills

Natural Benchmark: >1.0; >2.0 is preferred



Current Liabilities (7)

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